

REPORT TO	ON
Council	24 February 2021

TITLE	REPORT OF
General Fund Revenue and Capital Budget and Council Tax 2021/22	Deputy Director of Finance (Section 151 Officer)

Is this report confidential?	No
------------------------------	----

PURPOSE OF REPORT

1. To seek approval of the Cabinet's budget proposal

RECOMMENDATION(S)

2. The Cabinet recommends that Council:
 - a) Approve the budget and proposals set out in this report including:
 - Council Tax set out in the resolutions (at Appendix A)
 - b) Note the Parish Precepts (Appendix B)
 - c) Approve the council's Medium Term Financial Strategy (Appendix C)
 - d) Note the council's forecast cumulative budget deficit & budget strategy 2021-22 to 2023-24 (Appendix D)
 - e) Note significant budget movements from the 2020/21 Budget (at Appendix E)
 - f) Note the general fund forecast assumptions (at Appendix F)
 - g) Approve the capital programme for 2020/21 to 2023/24 (Appendices G1, G2 & G3)
 - h) Approve the Capital Strategy (Appendix H)
 - i) Approve the Treasury Management Strategy (Appendix I) and note the advice of the treasury management consultants (Appendix I1)
 - j) Approve the council's Pay Policy (at Appendix J) and publication on the council's website from April 2021
 - k) Note the advice of the Statutory Finance Officer in relation to the robustness of the budget and the risks contained within it as set out in the Statutory Report (Appendix K).
 - l) Note the Budget Consultation 2021/22 Report (at Appendix L)
 - m) Note the Assessing the Impact of Budget Proposals 2021/22 Report (at Appendix M)
 - n) Approve the recommendations in the Fees and Charge report (at Appendix N)

EXECUTIVE SUMMARY OF REPORT

3. The budget forecast over the next 3 years have been updated to take account of the following:
 - A freeze on council tax in 2021/22.
 - There is a proposed 1.99% increase in council tax in 2022/23 and 2023/24 this will be revisited every year and will be dependent upon the outcome of the Government announcements regarding the Fair Funding Review and review of the business rates system.
 - Significant investment of over £1million in revenue budgets to support the delivery of corporate strategy priorities
 - Capital investments of over £62m in corporate priority projects
 - Strategies to reduce the budget deficit in the medium term
4. Funding to South Ribble Council is forecast to fall from over £14m in 2016/17 to £12m by 2023/24. However, the council is ambitious in its approach to meeting the budget deficit through generating efficiency savings, such as those already realised through shared services and additional income generated through investments within the borough.
5. The budget is set to ensure the objectives of the council's Corporate Strategy priorities are met. The budget ensures that resources and investment are targeted to key priorities as outlined in the Corporate Strategy. In particular, 14 priority projects are being proposed for delivery over the next 12-18 months that will directly support delivery of long-term outcomes. The budget also includes additional investments including planned improvements to community facilities, support to businesses and young people during the recovery from Covid-19.
6. The council is expanding its capital programme with large scale investments included in the budget over the coming three years.

REASONS FOR RECOMMENDATIONS

7. Setting the annual budget is a statutory requirement

OTHER OPTIONS CONSIDERED AND REJECTED

8. None

CORPORATE OUTCOMES

9. The report relates to the following corporate priorities:

An exemplary council	✓	Thriving communities	✓
A fair local economy that works for everyone	✓	Good homes, green spaces, healthy places	✓

BACKGROUND

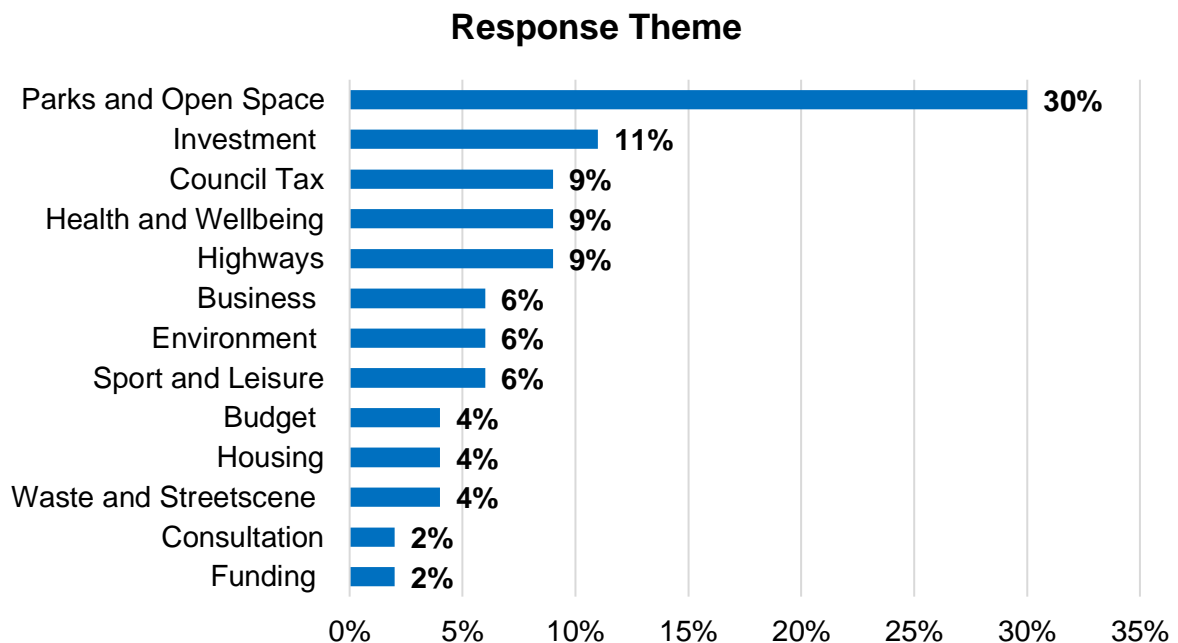
10. The Cabinet published the 2021/22 Draft Budget and Summary Budget Position over the Medium Term at Executive Cabinet on 10 February 2021. The report set out the cabinet's intention for spending and investment in the borough for the forthcoming financial year 2021/22. These papers expand upon that report and set out in more detail for Council the Cabinet's budget proposals in 2021/22.

BUDGET CONSULTATION RESULTS

11. Consultation on the 2021/22 budget ran from the 2 February to the 14 February 2021 and was conducted via an online survey. The consultation was publicised through a structured digital campaign which included Facebook and Twitter, reaching over 15,200 users. Awareness was also raised through traditional media outlets and local networks to ensure maximum reach with support offered to complete the survey digitally. The consultation received 105 responses to questions asking residents to indicate their preferred priorities for investment, and also to provide any other suggestions.
12. Participants were asked to rank on a scale of one ('low priority') to five ('high priority') what should be prioritised when allocating funding. The results are presented in the table below:

I want the council to allocate money to:	Responses scoring 4 or 5 (Percentage)	Responses scoring 4 or 5 (Frequency)	Responses scoring 1 or 2 (Percentage)	Responses scoring 1 or 2 (Frequency)
Neighbourhood working to undertake local improvement projects in the local area	67%	70	10%	10
Supporting businesses to get back on their feet after Covid-19	79%	83	7%	7
Improving Leyland town centre including delivering the plans set out in the Town Deal	36%	38	38%	40
Additional support for vulnerable children through the Holiday Hunger scheme and support with technology for home learning	67%	70	13%	14
Improvements to community facilities such as community centres and open spaces	67%	70	16%	17
Support to achieve positive mental health for young people	70%	73	10%	10
Delivering excellent leisure services and running leisure centres efficiently	65%	68	12%	13
Taking steps to retain wealth within the borough through better procurement and local job creation	77%	81	9%	9
Improvements to play areas across the borough	42%	44	25%	26

13. 'Supporting businesses to get back on their feet post Covid-19' was considered the highest priority and relates to proposals around extending financial support for businesses beyond the period of government assistance. 'Retaining wealth in the borough through job creation and procurement' was also a high priority.
14. Positive mental health for young people, neighbourhood working, improvements to community centres and Holiday Hunger were considered high priorities, reflecting the recent context and concerns as we emerge from the pandemic.
15. Respondents were asked to review the proposals and provide their suggestions through an open-ended question, with the intention of gaining more qualitative feedback and wider suggestions perhaps not covered in the proposals. Responses were grouped together and categorised by theme with the frequency shown in the chart below:



16. The most common theme in response to this question was parks and open spaces with other prevalent themes including highways, and health and wellbeing. A majority of positive comments referred to the Council Tax freeze with many respondents expressing support due to personal financial pressures caused by the pandemic.
17. Wider comments related to investing across the borough and providing tailored support for businesses.

THE BUDGET – FUNDING SOURCES

Spending Review 2020 and Final Local Government Finance Settlement

18. There continues to be uncertainty regarding the council's funding streams with the government announcing a one-year financial settlement for 2021/22 rather than the expected multi-year settlement. Budget assumptions have been made based on the Final Local Government Finance Settlement that was announced on 4 February 2021. The Government has announced the budget will be published on 3 March 2021.

Business Rates

19. The assumption for the 2021/22 budget is that Government funding will be in line with levels experienced in 2020/21, this includes the assumption that the council will once again be a member of the Lancashire Business Rates Pool. South Ribble Borough Council benefits from additional business rates income of approximately £1.6m from being in the pool. This is assumed to continue in 2021/22.
20. Forecasting levels of business rates beyond 2021/22 remains complicated due to uncertainty regarding the quantum of business rates that will remain when the system is reset. The date of this reset is still uncertain, the Government had forecast an implementation date of April 2022 and so it is assumed in the budget that reforms will take place then. The level of business rates retained by South Ribble Borough Council under the new system will also depend on the outcome of the fair funding review. This review will set new baseline funding allocations for all Local Authorities and aims to simplify the existing system and provide an up to date assessment of Authorities relative needs and resources. Until the Government completes the fair funding review and the reset of business rates, the council will continue to have to work with considerable uncertainty in its budget planning.
21. To be prudent, the budget assumes over the medium-term that the council will lose the benefit from being in the pool and therefore eventually reduce retained business rates income by £1.6m. Previous announcements from Government have mentioned a transitional period for implementing funding reforms. As such, the budget assumes a reduction in business rates income of £807k in 2022/23 and the full £1.638m by 2023/24.

New Homes Bonus

22. As expected, funding from New Home Bonus (NHB) will discontinue in 2023/24. Allocations included in the budget are as follows:
- 2021/22 – allocation £363k
 - 2022/23 – allocation £93k

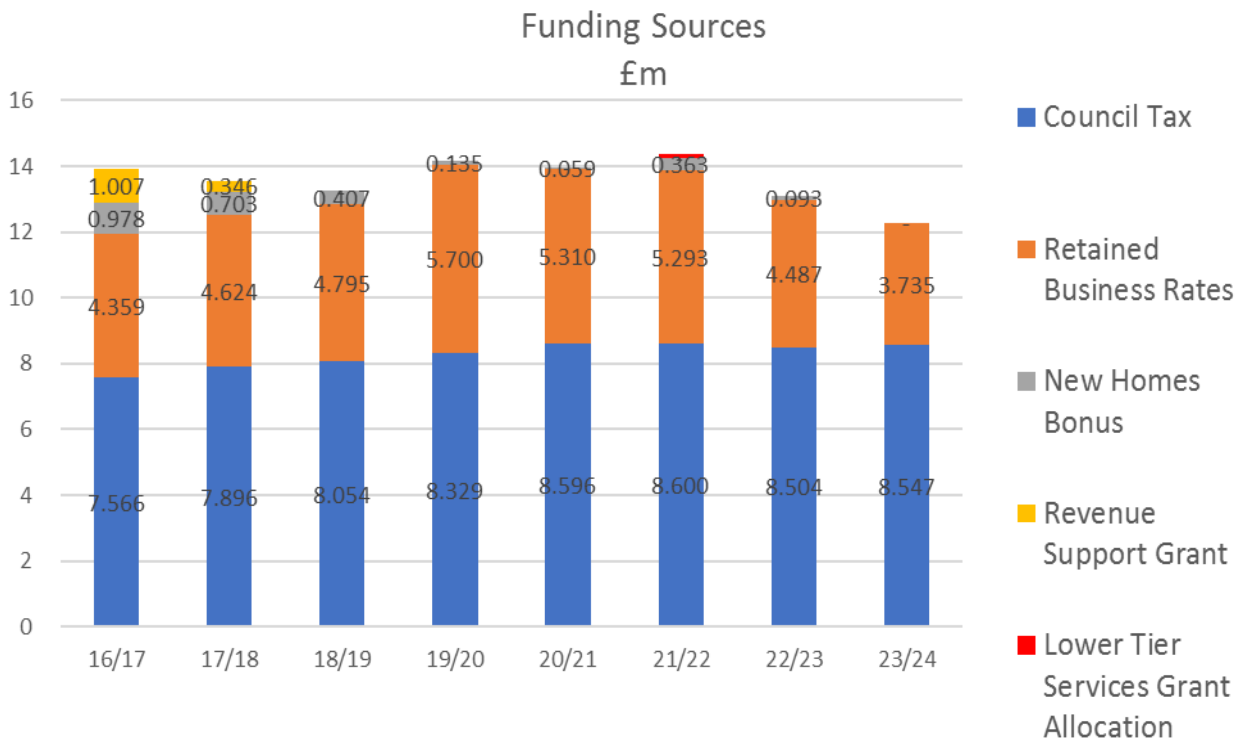
It should be noted these figures will be passed to the City Deal as per the original agreement.

23. The government is due to consult on reforms to the new home bonus shortly, with a view to implementing reform in 2022/23. It is expected that a replacement to new home bonus will be announced however nothing further is known as to how the scheme will operate and what additional levels of funding, if any, will be made available to the council. Again, this creates a significant degree of uncertainty for the council.

Lower Tier Services Grant

24. The Government calculates every year the council's core spending power that is a combination of the council's council tax income, business rates income and new homes bonus grant allocation. For 2021/22 the reduction in new homes bonus is not offset by the assumed additional income that the council would receive if it chose to increase council tax charges by 2%. As such the government has introduced a one-off £100k grant to compensate the council in 2021/22 called the Lower Tier Services Grant. This is an un-ringfenced grant that has been included in the council's funding streams.

25. Funding to South Ribble Council is forecast to fall from over £13.9m in 2016/17 to £12.3m by 2023/24



Pay Award

26. The Government spending review announced a pay freeze in 2021/22 for the majority of public sector staff with a guaranteed a pay rise of at least £250 for all staff that earn less than £24,000 per year. These assumptions have been included in the pay budget for South Ribble Council in 2021/22 although these Government proposals are not yet agreed with public sector unions.
27. The spending review also announced that national living wage will rise from £8.72 to £8.91 an hour and will be extended to workers aged 23 and over from April 2021 This will not affect South Ribble Council's pay bands for 2021/22 as the council pays above this level already.
28. Looking further forward, the budget includes a 2% pay increase for all staff in 2022/23 and 2023/24. This assumption adds approximately £200k to the pay budget each financial year.

Pensions

29. As part of a triennial pension review the Lancashire County Pension Fund announced an increase in employer pension contributions for 2020/21 to 2022/23 to meet the future costs of the scheme. The contributions have increased from 14.4% to 16.4% resulting in an increase in the council's contribution. The same contribution rate is assumed for 2023/24 although this will be reviewed when the new three-year review is undertaken.

Brexit and Covid 19

30. Concerns remain about the impact of the United Kingdom's withdrawal from the European Union (BREXIT). Much speculation continues around the likely financial effects of the final leave arrangements, but it is clear that the continued uncertainty has presented significant concerns across the country. The potential risks to the council include increases in inflation, a slowdown in the local economy affecting rental and property values and income from retained business rates and council tax. To date the council has received £52k of funding from Government for EU Exit Preparation.

31. The financial impact of Covid-19 has been outlined in the quarterly budget monitoring reports approved by Executive Cabinet throughout 2020/21. This includes:

- Forecast reductions in council tax and business rates collection rates. The Government has provided grant support for this loss in income during 2020/21.
- Government grant funding received to support various initiatives including support to businesses, providing additional support to the homelessness and supplying food to residents as well as providing vital support to the track and trace system.
- Government support for the council's reductions in fees and charges in 2020/21 including reduced car parking income. This is forecast to continue in April to June 2021.
- Some reductions in rents at the council's investment properties.

32. As part of budget setting for 2021/22 and further forward the following assumptions have been made regarding Covid-19 and Brexit:

Income

- The impact on fees and charges will not be permanent and that income levels will return to pre-Covid levels during 201/22 including the council's major sources of income such planning fees, car parking and garden waste subscriptions.

Expenditure

- Any expenditure relating to the council's compliance with the current or future Government's requirements relating to Brexit or Covid-19 will be met through existing budgets or grants from Government. This could include future grants to businesses, support to the homelessness or support to residents such as additional council tax support.
- There will be additional net expenditure incurred in 2021/22 relating to bringing the council's leisure services in-house. It is expected this cost will reduce over the medium-term. These figures are identified separately in this budget report and detailed below.

BUDGET DEFICIT

33. The council's forecast gross budget deficit is summarised in table 1 and is based upon the reductions in funding described above and the following key budget assumptions.

Table 1: Cumulative Gross Budget Deficit

	2021/22 £m	2022/23 £m	2023/24 £m
Cumulative Gross Budget Deficit	0.150	1.905	3.290

34. All deficits and savings identified in the table 1 and in the remainder of this report are cumulative. For example, the deficit of £3.290m in 2022/23 identified above is the result of a £1.905m deficit in 2022/23 and further budget pressures and reduced funding of £1.385m identified for 2023/24.

Table 2: Key Budget Assumptions

Key Assumptions	2021/22	2022/23	2023/24
Growth in Council Tax Base	0.40%	0.50%	0.50%
Council Tax Increases	0.00%	0.00%	0.00%
Increase in Retained Business Rates through Growth	0.11%	0.00%	0.00%
Total Forecast New Homes Bonus	£363k	£93k	£0
Future Service Pension Rate	16.4%	16.4%	16.4%
Pension Fund Deficit Recovery	£72k	£75k	£75k
Additional Business Rates - Lancashire Pool 21/22 Transitional Business Rates Income 22/23	£1.638m	£0.807m	£0.000m
Pay Award	0%	2%	2%

35. The gross cumulative budget deficits are based upon the reductions in funding described previously in the report and the key budget assumptions outlined in table 2.
36. A detailed breakdown of the three-year budget including the gross budget deficit is provided in Appendix D of this agenda. Included in this appendix are the revenue budget implications regarding the council's capital projects, as with other assumptions it should be noted that the profile of expenditure and income is potentially subject to change. A full description of budget assumptions and risks are provided in Appendix F – General Fund Forecast Assumptions and in Appendix K – Report of the Chief Finance Officer of this agenda.

BALANCING THE BUDGET

37. A key influencing factor on the forthcoming budget is the effective management of the budget in the preceding years. Outlined below are the some of the efficiencies and income that have been delivered and are forecast to be delivered over the medium-term.

Efficiency Savings

38. During 2020/21 South Ribble Council has expanded the scope of **shared services** with Chorley Council. The first phase went live on 1 April 2020 and shared Chief Executive and Director roles were approved in late 2020. Further service reviews will be undertaken with current forecast savings of £328k in 21/22 rising to £508k by 2023/24
39. The budget includes a savings target for staffing costs of £150,000 to reflect the fact that there will always be turnover of staff during a year that will cause a certain level of underspending.

Income

40. The council reviewed its parking charges as per the report to Full Council on 25 November 2020. The effect of the changes is a forecast additional £18k income with the offer of 1 hour free being outweighed by the new banding and the East Street car park charges. Further reviews of fees and charges will be undertaken during 2021/22 as per Appendix N to the budget report.
41. Table 2 illustrates through efficiency savings and additional income generated the council is able to set a balanced budget in 2021/22. These figures also include approximately £1m a year revenue investment in corporate strategy priorities. The surplus of £346k in 2021/22 will be used to part fund the forecast leisure services deficit in 2021/22. The deficit is forecast to reduce over the medium-term as the leisure services industry recovers from the Covid-19 pandemic.

Table 3: Cumulative Budget Deficit

	2021/22 £m	2022/23 £m	2023/24 £m
Cumulative Budget Deficit/(Available Resources)	0.150	1.905	3.290
Shared Services	(0.288)	(0.288)	(0.288)
Shared Services – Additional	(0.040)	(0.120)	(0.120)
Shared Services – Phase 2 Forecast	0.000	(0.100)	(0.100)
Staff Turnover	(0.150)	(0.150)	(0.150)
Parking Income	(0.018)	(0.018)	(0.018)
Adjusted Budget Deficit/(Available Resources)	(0.346)	1.229	2.614
Contribution to Leisure Services Deficit	0.346	0.000	0.000
Budget Deficit/(Available Resources)	0.000	1.229	2.614

INVESTING IN OUR PRIORITIES

42. The Corporate Plan has been refreshed in 2020 with the aim of achieving a concise, streamlined strategy as a clear statement of what the council aims to achieve, focusing on delivery and better outcomes for residents. The strategy retains the existing vision with an additional emphasis on 'accountability' to reflect the council's commitment to openness and transparency. The four corporate priorities have been refreshed. The presentation of the strategy has been streamlined so that it is focussed, concise and a clear statement of how the council will prioritise, deliver and monitor activity.
43. The strategy sets out not only the council's vision, priorities, and long-term outcomes for the period 2020/21 to 2021/22 but also priority activities to be delivered through the corporate projects and how we intend to measure success over the year ahead. The Corporate Strategy identifies our key priorities as a council which are: -
 - An exemplary council
 - Thriving communities
 - A fair local economy that works for everyone
 - Good homes, green spaces, healthy places
44. All council work should be aligned to ensure that resources and investment are targeted to key priorities. In particular, 14 priority projects are being proposed for delivery over the next 12-18 months that will directly support delivery of the long-term outcomes. Each year projects will be reviewed and refreshed based on progress and impact.
45. Outlined below are just a few of the key projects that have been delivered and will be delivered over the next three years. The Medium-Term Financial Strategy delivers a budget that is robust and sustainable and that also delivers both the capital and revenue commitments required to deliver the corporate strategy priorities.

INVESTING IN OUR PRIORITIES

£117,000 to create a network of community hubs, providing services & support that meet the needs of local neighbourhoods

£60,000 to support vulnerable families and children by providing access to food during the school holidays over the next four years

£50,000 to support access to advice services and information by working in partnership with the Citizens Advice Bureau

Looking ahead:

£500,000 over the next two years to deliver a programme of improvements to community facilities to provide quality amenities for residents, encouraging positive mental and physical health as part of an active community

£50,000 to support positive mental health for young people through officer resource to deliver a programme of early intervention activity



**THRIVING
COMMUNITIES**

**A FAIR LOCAL
ECONOMY THAT
WORKS FOR
EVERYONE**



£150,000 to deliver an extended programme of support for businesses beyond government grants to ensure that the council is doing as much as possible to help businesses get back on their feet

£150,000 to implement a plan to retain wealth and grow the local economy through a progressive procurement framework and social value policies



AN EXEMPLARY COUNCIL

£20,000 to provide a fund for technology and equipment to support children to access remote learning where there is a need

£150,000 to develop a Credit Union that will enable access to safe and ethical banking options for all residents

£50,000 to support access to advice services and information by working in partnership with the Citizens Advice Bureau

£250,000 to support action on the green agenda including tree planting (in addition to A Tree for Every Resident), becoming a green employer by 2022 and car charging points as part of infrastructure improvements

£50,000 to undertake work to plan for an Extra Care scheme that will provide high quality accommodation to meet the future needs our residents

Looking ahead:

£2m to deliver affordable housing units

£500,000 to deliver neighbourhood improvement projects including:

- Development of a nature reserve at Pickerings Farm
- Tidy up of community areas in Pope Lane area
- Improvements to Kingsfold Community Centre and playing fields
- More dog bins and relevant signage

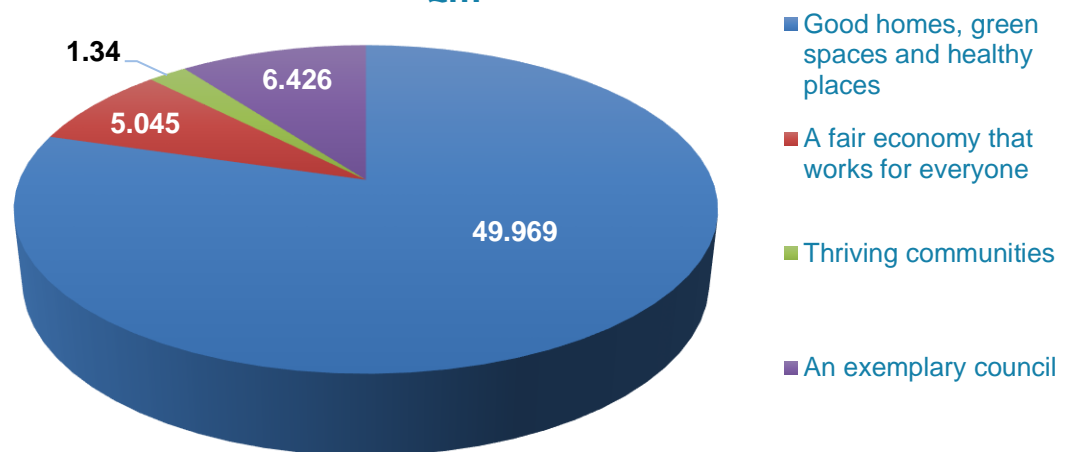
GOOD HOMES,
GREEN SPACES,
HEALTHY PLACES



CAPITAL PROGRAMME

46. The council's capital programme forms part of the council's overall financial strategy to deliver some of its key objectives contained in the Corporate Priorities. The capital programme must be affordable and based upon prudence. The current local government financial position and the need to make revenue savings will impact on the council's ability to finance further capital spending unless additional funding is secured from external sources.
47. Details of the capital programme including new capital investment are outlined in the Appendix G1. The capital programme for 2020/21 to 2023/24 totals £62m and is an indication of how ambitious the council is in delivering its Corporate Strategy and the priorities within it. A breakdown of the capital programme is detailed below.

Capital Investment in South Ribble Council Corporate Strategy 2020/21 to 2023/24 £m



FUTHER INVESTMENT – 2020/21 to 2023/24

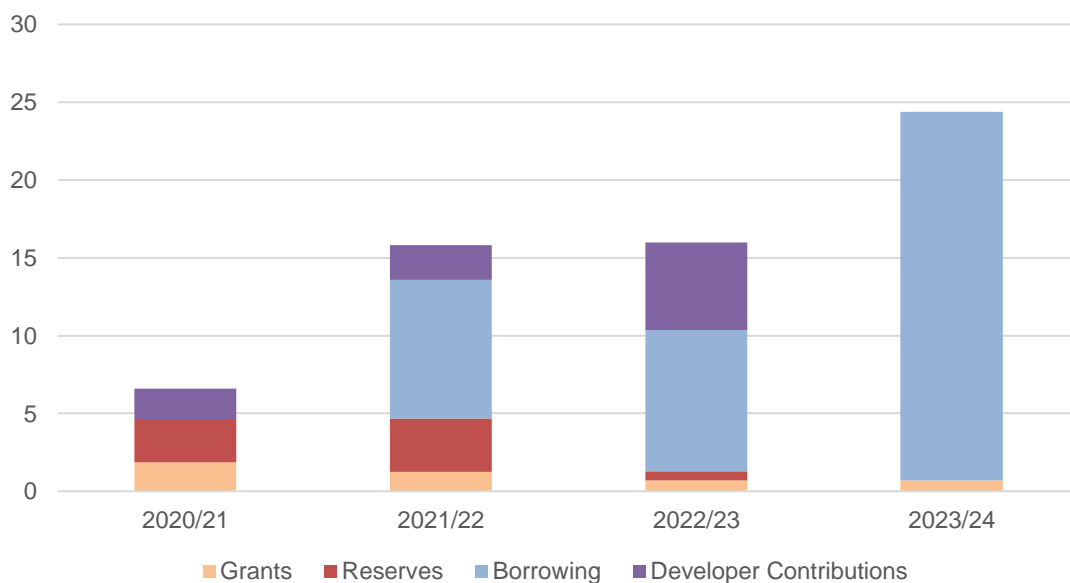
48. The council proposes to allocate a further £3.6m to support a programme of improvements for residents and communities right across the borough including:
49. £625,000 to fund improvements to play areas and open spaces across the borough
50. £500,000 to deliver neighbourhood improvement projects including:
- Development of a nature reserve at Pickerings Farm
 - Tidy up of community areas in Pope Lane area
 - Improvements to Kingsfold Community Centre and playing fields
 - More dog bins and relevant signage

- 51. £20,000 to provide a fund for technology and equipment to support children to access remote learning where there is a need
- 52. £2m to deliver affordable housing units – with the focus over the next year on undertaking feasibility work and developing a programme in line with the council’s Home Build programme
- 53. £500,000 over the next two years to deliver a programme of improvements to community facilities to provide quality amenities for residents, encouraging positive mental and physical health as part of an active community

CAPITAL FINANCING

- 54. The financing of the capital programme for the period 2020/21 to 2023/24 is set out in appendix G2 to the budget report and summarised in the proceeding chart.

Capital Financing 2020/21 to 2023/24
£m



- 55. The capital programme includes a number of schemes that are forecast to generate revenue that will meet the annual cost of borrowing required to complete the project. These include investment in affordable housing and extra care as well as future investments in sport and leisure services.
- 56. The council will invest at least £6.4m over the coming three years of contributions from developers as outlined in appendix G2. A summary of s106 funding received and allocated is attached in appendix G3
- 57. Appendix H – Capital Strategy - to the budget report outlines the council’s capital strategy including specific risks within the programme, performance indicators and the council’s capital ambition beyond the three-year budget cycle.

MEETING THE MEDIUM-TERM FINANCIAL CHALLENGE

58. Despite the budget savings identified in this report, as outlined above there remain large forecast budget deficits of £1.229m in 2022/23 and £2.614m in 2023/24. To achieve the required reduction in net expenditure the council’s strategy will be:

1. To make investments within the borough that provide benefits to residents and businesses whilst also generating income for the council.
2. To realise savings through the procurement of its contracts including joint contractual arrangements with Chorley Council.
3. To identify efficiencies through investment in infrastructure, ICT and through exploring alternative delivery models that will enable the council to balance the budget whilst seeking to minimise the impact on front line service users

59. Further details of these strategies are given in the MTFS which can be found at appendix C to the agenda of this report. The summary of the forecast savings and income generation is given below in Table 4.

Table 4: South Ribble Council Medium-Term Financial Strategy

	2021/22 £m	2022/23 £m	2023/24 £m
Cumulative Budget Deficit/(Available Resources)	0.000	1.229	2.614
Council Tax Increases – 0% 21/22, 1.99% 22/23, 1.99% 23/24	0.000	(0.162)	(0.324)
Additional Transformation Efficiencies and Income	0.000	(1.067)	(2.290)
Adjusted Budget Deficit/(Available Resources)	0.000	0.000	0.000

RESERVES

60. The council has ensured a prudent and affordable approach to delivering medium-term financial strategies. The council has set aside and increased the balances to several reserves as outlined in Table 5 below.

Table 5: Forecast Reserve Balances as at the Beginning of 2021/22

Reserves	2021/22 £m
Borough Council Elections	0.160
Borough Investment Acct	4.256
Business Rates Retention	3.094
Capital Funding	0.330
City Deal	1.851
Climate Change	0.250
Credit Union	0.150
Community Wealth Building	0.150
Business Grants	0.150
Mental Health for Young People	0.050
Housing Needs Surveys	0.040
Local Plans	0.095
My Neighbourhoods	0.067
Restructure Costs	0.100
Transformation Fund	0.163
Ring-fenced income	0.289
Sports Dev income	0.117
Covid Recovery Fund	0.500
Income Equalisation Reserve	0.150
General Reserve	4.239
Total Reserves	16.201

61. The majority of these reserves are necessary to mitigate the financial impact of the uncertainty the council faces such as the reforms to future funding levels and the impact of Brexit and Covid-19 on its residents and local businesses.
62. The council has set aside £3.1m to manage any one-off reductions in business rates such as unbudgeted changes to valuations or the implementation of future expected Government reforms.
63. The Council has set aside £150k for use as an Income Equalisation Reserve to cover any potential temporary reliefs and losses on investment income over the recovery period from Covid 19.
64. The council has set aside £4.2m in general funds, approximately 27% of the annual net expenditure budget, to manage future uncertainty in expenditure and income over the medium-term. Unlike other councils throughout the country, the council has not budgeted to utilise this reserve to manage budget deficits however this will be reviewed as part of the council's continual budget management process.

65. Over the remainder of 20/21 reserves will be adjusted to reflect the likely outturn revenue position. This includes significant grant funds around Covid-19 and Business Rates which may need to be carried forward as a reserve. to cover future expenditure.

Borough Investment Account

66. The total reserve as forecast at 21/22 is £4.256m and the majority has been committed.

City Deal

67. As part of the City Deal arrangement the council receives £492k per annum for 10 years from LCC for community provision and to mitigate the significant financial risks that could impact on the deliverability of the City Deal. The reserve now stands at £1.851m. It is proposed this reserve is not committed until the future of the City Deal, and the financial risks, are better understood.

Transformation Fund

68. The transformation fund stands at £163k which has been committed to the delivery of the council's digital strategy, including the Civic Centre conference centre hearing loop and an upgrade to the IDOX system.

Repairs and Maintenance

69. The council has two main repairs and maintenance budgets:
- a £300k per annum revenue budget for the council's reactive and planned maintenance repairs and maintenance – this excludes leisure centres.
 - a £250k revenue contribution to reserves to meet larger maintenance needs included in the capital programme. This has been committed to clear the back log of maintenance at the council's leisure facilities. However, it is expected that this contribution can be released to help support the Leisure Centre deficit as detailed below.

Covid Recovery Fund

70. During 2020/21, the council has played a significant part in leading the local response to Covid-19. This has included work around the community hub, business support and grants, enforcement and supporting the work of the Lancashire Resilience Forum. This work has been largely undertaken by council officers, while also maintaining council service provision and the delivery of the council's priorities.
71. The government has provided one-off grant funding to recognise the response requested from local government. A large part of the response has been delivered using existing council resources, bringing in additional capacity where needed. This means that the council is likely to have an underspend in its general fund budget at the end of 2020/21.
72. The level of underspend generated from the use of existing council resources in the Covid response will be confirmed through the quarter three and outturn monitoring reports presented to Cabinet. However, it is likely to be at least £500k.
73. It is proposed that a Covid Recovery Fund should be created from that underspend to support the borough's recovery from Covid-19. The recovery fund would be available to provide funding to support:

LEISURE SERVICES

74. While the council has balanced the budget for 2021/22, one of the largest financial impacts on the council due to Covid-19 was the disruption caused to leisure services. It is estimated that income to the centres, currently run by Serco Leisure Operating Limited through South Ribble Community Leisure Trust will be at 75% of normal levels for 2021/22. It is estimated that the leisure industry will take three years to recover to pre-Covid levels of usage and income.
75. This challenge has had a fundamental impact on leisure centre operators across the country, with most needing significant support from the contracting councils to continue to operate. An additional challenge for South Ribble is that the current contract ends at the end of the 2020/21 financial year. Undertaking a procurement exercise until the leisure operator market has recovered is unlikely to be successful. The operators in the market have faced unprecedented challenges over this financial year and would be unlikely to be able to take part in a bidding process. Those that may bid are very likely to be far more risk adverse and want the council to carry any risks for potential losses.
76. A proposal to bring the leisure services within the management of the council from April 2021 has been approved by the Cabinet and Council, with full proposals currently being developed. The rationale for bringing the management of the leisure centres into council control is that while there will be a financial impact, that financial impact would exist under any management model. The direct management will provide for greater control by the council to control costs and drive the recovery of the centres. These full proposals will consider which is the most appropriate management model to balance the risks and benefits of managing the centres directly.
77. Table 6 below sets out the budgeted costs of running the leisure centres. This is based on the financial projections whereby income at the centres will recover to provide a breakeven position by 24/25.

Table 6: Forecast Cost of Bringing Leisure Services In-House

	2021/22 £m	2022/23 £m	2023/24 £m
Forecast Income	(2.052)	(2.488)	(2.749)
Operational Expenditure	3.327	3.327	3.327
Net Operating Income	1.275	0.839	0.578
Additional SRBC support to leisure centres	0.112	0.112	0.112
SRBC Existing Leisure Budget	(0.466)	(0.466)	(0.466)
Net Existing Council Budget Support	(0.354)	(0.354)	(0.354)
Net Cost to the Council	0.921	0.485	0.224

78. It is important to note that a similar budgetary provision would need to be made regardless of the management model pursued. A prudent approach has been taken to the deficit levels and it is anticipated that it should be improved with effective management of the centres.

79. As the challenges faced by the leisure centres are of a temporary nature, it is appropriate to create one-off provisions to cover any potential deficit over the medium term financial strategy period.
80. Over the MTFS period, there is £500k per year within the revenue budget, budgeted as a contribution to increase capital and repairs and maintenance reserves. It was expected these would be required to contribute to the Leisure Service in some form following the conclusion of the leisure contract. Over the three years this would total £1.5m and this combined with the 21/22 contribution of £346k will fund the £1.6m expected to be required over the period to 2023/24. As such it is proposed to use these funds to cover the deficit described above. Timing issues of releasing the funding will be mitigated by use of other reserves in 21/22 and 22/23 to be topped back up by these funds in 23/24.
81. Making use of the identified budget to fund the temporary deficit in leisure funding will not prevent the council from continuing to undertake the necessary work to support high quality leisure provision. The initial draft funding model for the leisure centres includes provision for repairs and maintenance, and there is already budget within the council's capital programme for work to leisure centres.

CONCLUSIONS

82. This paper outlines for the Council the Executive's budget proposals for 2021/22 which are:

- **A budget that sets out the risk to the council of the future uncertainty in Government funding over the medium-term.**
- **A budget that has allowed the council to include in the budget approximately £1m of revenue investment packages.**
- **Investments will be made in key areas to support the Corporate Strategy:**
 - *An exemplary council*
 - *Thriving communities*
 - *A fair local economy that works for everyone*
 - *Good homes, green spaces, healthy places*
- **The assumptions included in the budget have been assessed in the light of the latest information available at this time. They are also compatible with:**
 - the proposed Capital Strategy as set out in Appendix H
 - the proposed Treasury Management Strategy as set out in Appendix I
 - the proposed Pay Policy as set out in Appendix J.

83. The MTFS contains the updated budget forecasts to 2023/24 which identifies that further budget savings will be required to bridge the funding gap in future years. The forecasted budget deficit in 2023/24 is estimated to be £2.614m and the MTFS sets out options that can be considered to bridge this gap. Therefore, the MTFS provides a plan to deliver a balanced budget over the longer term in Appendix C.

84. The council will develop the Transformation Strategy to deliver efficiencies and additional income to support the continued provision of services to its residents and businesses. There are still factors that may affect the current forecast financial position namely the scheduled reform in business rates retention.

85. The contents of this report are supplemented with additional reports, policies and statements to provide further details as referenced below:

Appendix A	Formal Council Tax Resolution 2021/22
Appendix B	Parish Precepts 2021/22
Appendix C	South Ribble Council Medium Term Financial Strategy 2021/22 to 2023/24
Appendix D	Cumulative Budget Deficit & Budget Strategy 2020-21 to 2023-24
Appendix E	Variance Analysis – Movements from 2020/21 Original Estimates
Appendix F	General Fund Forecast Assumptions
Appendix G1	Capital Programme 2020/21 to 2023/24
Appendix G2	Capital Programme Financing 2020/21 to 2023/24
Appendix G3	Developer's Contributions
Appendix H	Capital Strategy
Appendix I	Treasury Management Strategy 2021/22 to 2023/24
Appendix I1	Advice of Treasury Management Consultants
Appendix J	Pay Policy 2021/22
Appendix K	Report of the Chief Finance Officer
Appendix L	Budget Consultation 2021/22
Appendix M	Assessing the Impact of 2021/22 Budget Proposals
Appendix N	Fees and Charges 2021/22

IMPLICATIONS OF REPORT

86. Some of figures outlined in the report are estimates and based on assumptions that are likely to change. These include external risks such as changes to Government funding arrangements, changes to interest rates and national and local economic changes. In addition, the council faces internal risks such as the risks of delivering transformational change including the expansion of shared services.
87. The risks are dealt with through managing prudent levels of reserves, continually monitoring government announcements, monitoring current and future economic projections and by making prudent budget assumptions.

Risk

88. The financial risks are outlined throughout the report as well as the appendices to the report.

Equality and diversity

89. The equality impact assessment is outlined in appendix M to this report.

Air quality implications

90. None

COMMENTS OF THE STATUTORY FINANCE OFFICER

91. The financial implications of the above report are detailed in the report and furthermore in the MTFS 2021/22 to 2023/24 (Appendix C) and the Chief Finance Officer's Report (Appendix K). The risks and opportunities regarding the council's capital programme are outlined in the Capital Strategy (Appendix H).

COMMENTS OF THE MONITORING OFFICER

92. The budget proposals are in accordance with the requirements of legislation

James Thomson
Deputy Director of Finance (and Section 151 Officer)