

Report of	Meeting	Date
Director of Finance/S151 Officer (Introduced by Cabinet Member (Finance, Property and Assets))	Scrutiny Committee	8 th February 2022
	Budget Cabinet	9 th February 2022

Draft Budget 2022/23 and Summary Position over the Medium Term

Is this report confidential?	No
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Purpose of the Report

- To set out the budget position for 2022/23 including the forecast for the following 2 years to 2024/25 and also to present the relevant proposals in respect of:
 - The use of forecast resources identified for 2022/23
 - Budget consultation

Recommendations

- That members agree the contents of this report and note the following proposed budget items, in particular:
 - A proposed 1.99% increase in council tax in 2022/23 with no proposed cuts to services
 - The forecast balanced budget for 2022/23 and the forecast budget position in 2023/24 and 2024/25
 - To note the proposals in the report for investment in the Administration's priority areas

Reasons for Recommendations

(If the recommendations are accepted)

- The council wishes to set out its budget proposals

Other Options Considered and Rejected

- None, this is the draft budget and alternative budgets may be considered as part of the final budget proposal.

Executive Summary

5. The report details the Administration’s ambitious proposals to continue investment of both revenue and capital, to develop and deliver in their priority areas whilst maintaining a balanced budget over the medium term.

6. The budget forecast over the next three years has been updated as follows:
 - Last year, the council was able to freeze council tax. Unfortunately, due to the continued pressures on council expenditure budgets, combined with the reduction in Government funding provided to the council over the last 10 years, a council tax increase of 1.99% is proposed in 2022/23;
 - The figures include an assumption that council tax will increase by 1.99% in 2023/24 and 2024/25; this assumption will be revisited every year and will be dependent on the outcome of future Government funding announcements;
 - Continued investment is reflected in ongoing revenue budgets to ensure delivery of corporate strategy priorities;
 - Capital investments of over £47m are included in respect of corporate priority projects over the 3-year period;
 - The figures incorporate strategies to reduce the budget deficit over the medium term.

7. Consultation on the proposed budget for 2022/23 commenced on Tuesday 1 February 2022. The consultation will run for 10 days and will invite responses from residents, partners, parish groups and other stakeholders through a variety of methods including a short survey. The feedback will be used to frame the allocation of resources and investments, and the results will be analysed and published for consideration as part of the council’s final budget.

Corporate outcomes

8. 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	✓

Funding

Spending Review 2021 and Provisional Local Government Finance Settlement

9. Uncertainty continues regarding the council’s future funding streams, with the Government announcing a further one-year financial settlement for 2022/23 rather than the expected multi-year settlement. The Provisional Local Government Finance Settlement 2022/23 was published on 16 December 2021 and the implications of this are outlined below.

Business Rates

10. The 2022/23 budget assumes that the Lancashire Business Rates Pool will continue and the council will remain a member; South Ribble Borough Council benefits from additional business rates income of approximately £1.578m as a result of being in the pool. In the absence of any further information regarding Business Rates Retention reform, the pool is assumed to continue throughout the period of the MTFS.
11. Forecasting the level of business rates income beyond 2022/23 remains complicated due to the level of uncertainty in this area. Following various government announcements, councils have been expecting reforms to the business rates system for over four years. In March 2020, the government published the Terms of Reference for the Business Rates Review, setting out that the objectives of this were to reduce the overall burden on business, to improve the current business rates system and to consider more fundamental changes in the medium-to-long term. In March 2021, the government published the Interim Report of the review, with the final report issued in October 2021
12. The government has concluded from the review;
 - that business rates are a vital component of the business tax mix;
 - that they wish to preserve the benefits of business rates but will make changes to make their operation fairer and more effective for businesses;
 - that they are not proposing changing the nature of the tax, or the basis of valuation;
 - moving forward, they have concluded that increasing the frequency of revaluations would represent a fundamental and meaningful improvement to the business rates system and would help to ensure greater distributional fairness; currently, revaluations are scheduled to take place every 5 years although in practice, and due in part to the pandemic, these have only taken place about every 6-7 years. As such government has announced a 3-yearly cycle for business rates revaluations, starting from the next revaluation in 2023.
13. In light of the above, the quantum of business rates that will remain available to the council after a potential reset is uncertain.
14. It is also likely however that the level of funding that councils retain from business rates will be reviewed across the country as part of the Government's 'levelling up' agenda. This is expected to flow from the outcome of the Fair Funding Review, however no date has been set for these reforms. As such, in the absence of any further information, the budget assumes the council will retain the current level of business rates retained as part of the Lancashire Pool throughout the three year period of the MTFS.

New Homes Bonus

15. Funding from New Home Bonus (NHB) is assumed to discontinue in 2023/24. The provisional settlement announced an allocation of £802k for 2022/23. No further allocation is assumed after 2022/23. The government consulted on the future of NHB between February and April 2021 and is due to consult on proposed reforms shortly, with a view to implementing reform in 2023/24. It is expected that a replacement to this funding stream 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. Once more, this creates a significant degree of uncertainty for the council.

16. It should be noted that this funding in 2022/23 is forecast to be passed to the City Deal as per the original agreement.

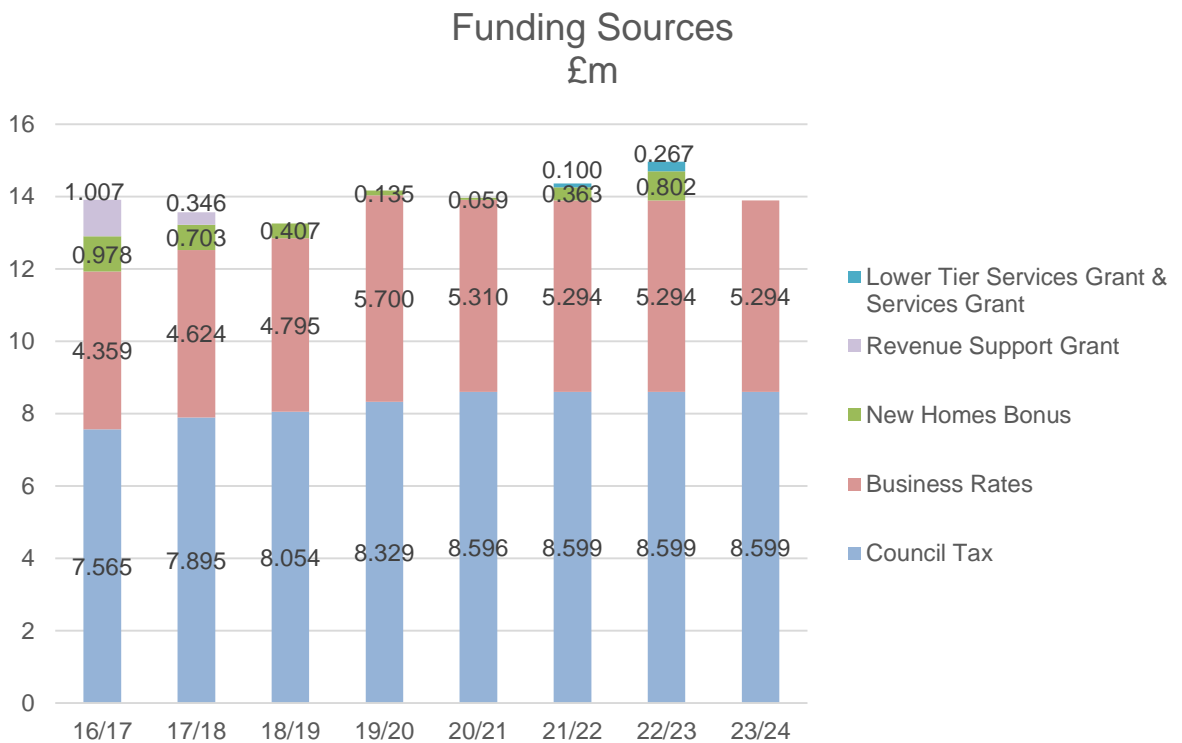
Council Tax

17. The Provisional Local Government Finance Settlement announced a council tax increase limit for district councils of up to 2% or £5 (whichever is the greater) on a Band D equivalent in 2022/23. No announcement has been made regarding future years, however it is assumed that the same principles will continue throughout the future three-year budget period.
18. The Provisional Local Government Finance Settlement publishes the Core Spending Power available to local authorities. As set out in the 'Policy Paper and Explanatory Note on Core Spending Power', published by the Department for Levelling Up, Housing and Communities on 16th December 2021 alongside the Provisional Settlement, Core Spending Power is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government Finance Settlement.
19. The Core Spending Power figures are derived from the sum of several elements of funding, including council tax. As detailed in the Policy Paper and Explanatory Note referred to above, the figures assumed by government and included within the Core Spending Power for each authority for council tax, are based on the following:
 - Applying each local authority's average annual growth in their council tax base between 2017-18 and 2021-22 to project growth in their tax base for 2022-23; and
 - **Assuming local authorities increase their Band D council tax in line with the maximum allowable level set out by the council tax referendum principles** for 2022-23. That is the greater of 2% or £5 cash principle for shire districts.
20. As such, if the council were to freeze council tax it would create a gap over the medium-term between the amount of funding that Government assumes it has, and the amount that it can actually generate. This will be important when the Government implements the changes following the Fair Funding Review; i.e. when setting the level of business rates to be retained by the council, the Government will assume that the council enjoys a higher level of council tax to compensate for any potential fall in business rates; this will be based on the assumption that it will have increased council tax up to the referendum limit each year.

Lower Tier Services Grant and Services Grant

21. As referenced above, every year the Government calculates the council's core spending power; this is a combination of the council's council tax income, business rates income and new homes bonus grant allocation. The government has retained the Lower Tier Services Grant & Services Grant to compensate the council in 2022/23 for loss of funding; first introduced in 2021/22, this is a non-recurring, un-ringfenced grant for 2022/23 of £267k. While a benefit to the council's 2022/23 budget, the one-

off nature of this funding stream does mean that the council continues to face significant financial uncertainty over the medium term. This allocation is predicated on the assumption that the council will increase council tax by 1.99% over the coming years.



22. The chart above outlines the forecast level of funding across the next two years in comparison to previous allocations. As the government has only published a one-year settlement, it is assumed that both the Lower Tier Services Grant and the New Homes Bonus will not continue in 2023/24 and beyond.

23. In the last Revenue Monitoring report presented to the Executive Cabinet in November 2021 for Quarter 2 - the 6 months to 30th September, an underspend of £274k was reported; since then the level of the forecast underspend has increased due to the ongoing funding for pressures relating to the pandemic. The position continues to be refined as we finalise the Quarter 3 Monitoring report in which proposals will be made to utilise this non-recurring underspend to fund investment in some of the priority areas listed in the report below. A review of earmarked reserves will also be undertaken to ensure reserves deliver investment in priority areas, this will include reserves set aside for commitments relating to Covid-19.

Expenditure

Pay Award

24. The 2020 Government spending review announced a pay freeze for 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. At the time of writing this report, the pay negotiations are still ongoing for 2021/22, with the current offer of 1.75% made by the Employers having been rejected by the Trade Unions. The budget has however been adjusted to reflect an uplift of 1.75% in line with the current offer.
25. In the Spending Review in October 2021, the Chancellor said that pay awards for public sector workers in 2022/23 would be in line with Consumer Price Index (CPI). With the negotiations for 2021/22 yet to conclude, and no fixed point in time announced for the determination of CPI, a provision of 2% has been made in the pay budget, which equates to approximately £200k per year, for South Ribble Borough Council in 2022/23; the Government's proposals are not yet agreed with public sector unions.
26. The spending review also announced that the National Living Wage will rise from £8.91 to £9.50 an hour and will be extended to workers aged 23 and over from April 2022. This will not affect South Ribble Borough Council's pay bands for 2022/23 as the council pays above this level already.

Pension

27. As part of their triennial pension review in 2019, the Lancashire County Pension Fund announced an increase in employer pension contributions for the council from 14.9% to 17.1% for each of the three financial years 2020/21 to 2022/23, to meet the future costs of the scheme. 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

28. 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 leave arrangements, with potential risks to the council including increases in inflation and a slowdown in the local economy, impacting upon rental and property values and on income collected from business rates and council tax. In 2021/22 we have seen costs rise, for example:
 - those driven by a shortage of HGV drivers which may continue to impact on the waste contract;
 - increases in the costs of building materials sourced from the continent impacting on the cost of our capital programme, and;
 - increases in the cost of food, both due to the cost of imports and due to the shortage of workers in the agricultural sector within our own economy as European workers have returned home; these cost increases have impacted upon the finances of our residents.
29. To date the council has received £35k of funding from Government for EU Exit Preparation.

30. The financial impact of Covid-19 has been outlined in the quarterly budget monitoring reports approved by Executive Cabinet throughout 2021/22. This includes:

- Reductions in council tax and business rates collection rates;
- Government grant funding received to support various initiatives, including support to businesses, providing additional homelessness and food support to residents and support for the test and trace systems;
- Government support for the reduced level of income received from fees and charges for the first three months of 2021/22, including reduced levels of leisure services income;
- Reductions in rents at the council's commercial sites

31. As part of the budget setting process for 2022/23, and the two years beyond, the following assumptions have been made regarding Covid-19 and the economy as a whole:

Income

- That the impact of Covid-19 on the income from fees and charges will not be permanent and that levels will return to those pre-Covid, including the council's major sources of income such planning fees and car parking;

Expenditure

- That any expenditure relating to the council's compliance with current or future Government Covid-19 requirements will be met through existing budgets or grants from Government. This may include future grants to businesses, support to the homelessness or support to residents such as additional council tax support;
- That the council will continue to support its wholly owned leisure services company, which was established on 1 September 2021. Whilst the leisure market remains extremely challenging, it is expected that this cost to the council will cease over the medium-term as the company develops its services to fully cover its own costs. Officers, as part of the company's board, will develop a business plan for Cabinet to approve on behalf of Full Council. This will set out the plan for the reduction of costs over the coming years. The forecast position reflected in this budget, is that the financial support from the Council to the Leisure company will reduce from £583k in 22/23 to £357k in 23/24; this will mean that by 23/24 the support provided by the Council will be £110k less than that previously paid to the Serco/Leisure Trust partnership. Whilst ambitious, given the national closure of leisure centres during Covid 19 and the resulting falls in membership, it is felt that this is an achievable target and the company will work to get to a position in which it is financially self-sufficient.

Budget Deficit

32. The council's total budget deficit is summarised in Table 1 below and is based upon the reductions in funding described above and the key budget assumptions. It should be noted that some of the assumptions are still subject to change, which may impact positively or negatively on the budget.

Table 1: Total Budget Deficit

	2022/23	2023/24	2024/25
	£m	£m	£m
Council Tax	(8.599)	(8.599)	(8.599)
Retained Business Rates	(5.294)	(5.294)	(5.294)
Lower Tier Services Grant and Services Grant	(0.267)	(0.000)	(0.000)
New Homes Bonus	(0.802)	(0.000)	(0.000)
TOTAL FUNDING	(14.962)	(13.893)	(13.893)
TOTAL NET EXPENDITURE	15.553	15.551	15.826
BUDGET DEFICIT/(SURPLUS)	0.591	1.658	1.933

33. All deficits and savings identified in Table 1, and in the remainder of this report, are cumulative. For example, the deficit of £1.658m in 2023/24 identified above is the result of a £0.591m deficit in 2022/23 and further budget pressures and reduced funding of £1.067m identified for 2023/24.

Table 2: Key Budget Assumptions

Key Assumptions	2022/23	2023/24	2024/25
Increase in Retained Business Rates through Growth	0%	0%	0%
Future Service Pension Rate	17.1%	17.1%	17.1%
Pension Fund Deficit Recovery	£0.072m	£0.072m	£0.072m
Retained Business Rates (including financial benefit of membership of the Lancashire Business Rate Pool)	£1.578m	£1.578m	£1.578m
New Homes Bonus	£0.802m	£0	£0
Lower Tier Services Grant and Services Grant	£0.267m	£0	£0
Pay Award (average)	2%	2%	2%

Balancing the Budget in 2021/22

34. Funding to South Ribble Borough Council has remained relatively stable since 2016/17 in cash terms from a figure then of £13.909m, to a forecast figure of £13.893m in 2023/24. During the period to date, the council has continued to experience inflationary increases in staffing and non-staff costs, however, the council has been ambitious in its approach to meeting the budget deficit by realising efficiency savings and generating additional income.
35. The council has been successful in controlling its costs whilst continuing to provide the high-quality services that are expected by its residents. The council achieves this by continually reviewing its budgets and contracts as well as exploring and investing in alternative delivery models; this has included sharing services with Chorley Council.
36. The council will continue to invest in the borough to improve housing and to maximise opportunities to generate income, thereby making the council less reliant on the increasingly uncertain funding from Government.

Table 3: Balancing the Budget

	2022/23 £m	2023/24 £m	2024/25 £m
TOTAL BUDGET DEFICIT	0.591	1.658	1.933
<i>Efficiency Savings</i>			
Shared Services – Phase 1	(0.288)	(0.288)	(0.288)
Shared Services – Phase 2 Forecast	(0.086)	(0.086)	(0.086)
<i>Income</i>			
DFG Admin Charge to 12.5%	(0.055)	(0.055)	(0.055)
NET DEFICIT / (SURPLUS)	0.162	1.229	1.504

37. The total forecast savings from the two phases of **shared services** with Chorley Borough Council are £374k for 2022/23 onwards. £288k has been achieved through phase 1 of shared services, with a further £86k identified as part of phase 2, this includes sharing services such as ICT and Customer Services. Having achieved significant savings in the first two phases of shared services, the councils will now develop and agree the scope for future development of the relationship and as such, no further shared service savings have been included in the MTFs at this stage.
38. The council receives approximately £700k per annum external grant funding to deliver its Disabled Facilities programme. This funding enables residents to adapt their homes so that they can continue to live independently. The council currently charges a 5% administration charge to the fund to part-fund South Ribble staffing costs of delivering the programme. A review of the service has indicated that this charge is not sufficient to meet the costs of delivery and so the administration charge will be brought into line with the actual costs of managing the scheme. This charge is in line with the

administration charges of other neighbouring authorities. The additional income from this increased charge will also fund an additional post to support the scheme. The increase in the administration charge will not affect the council's obligation to meet the demand for adaptations from its residents and is not an additional charge to residents.

Investing in our priorities

39. The council continues to invest in delivering the ambitions set out in its Corporate Strategy and to ensure that the council delivers high quality services to its residents. The key areas of investment are set out on the following pages.

Investing in corporate priorities

In 2021/22 the council allocated over £1m of revenue investment to deliver corporate strategy priorities through projects and initiatives. These ensured that the right conditions are created and provide the opportunities for everyone in South Ribble to succeed and thrive. In line with our four priorities these investments ensure a healthy and happy community, flourishing together in a safer and fairer borough that is led by a council recognised for being innovative, financially sustainable and accountable.



Thriving communities

£50k which has been provided to support positive mental health for young people through the delivery of 11 Community Conversations events across the borough and engaged 278 members of the public and obtained feedback from young people on the mental health and wellbeing needs of the local area. This has also supported 48 members of staff to be equipped with first aid mental health training and awareness.

£265k to refurbish Vernon Carus Sports Club, work started on site in January to refurbish the existing club house and changing rooms with completion planned for April ahead of the new Cricket season, this will which provide some of the best sporting facilities for our residents to encourage more and more people to access 'Leisure Local'.



Good homes, green spaces, healthy places

£2m to continue to deliver affordable housing units with the completion of Tom Hanson House has provided nine new affordable flats which enables residents from across the borough to have access to affordable, safe and environmentally friendly housing, and will meet the demand of stock which is vitally needed.

£625k was allocated to fund improvements to play areas and open spaces, in addition a budget of **£2.8m** has been budgeted to construct new state of the art football pitches that are already under construction and due to be finished in early 2022/23.



A fair local economy that works for everyone

£150k which has created a Credit Union that will enable access to safe and ethical banking options for all residents, with nearly 100 new savers during the first two quarters of opening.

Investment of at least £33m to continue to fund the Town Deal, including £25m of external funding and £8m of match funding by the council, to invest in current and new buildings to create a 'new heart' for Leyland, including Leyland market improvements and a business hub development for business for workspace, events and skills.



An exemplary council

£2.9m to continue to refurbish Worden Hall which will see the hall transformed into a flexible community use space with provisions for small events and wedding.

£20,000 to improve digital access for less advantaged school children by providing 150 tablet devices to 10 schools across South Ribble

Looking ahead – investment priorities for 2022/23

In 2022/23 we will see further investment in key programmes all of which aim to support our communities to thrive; to drive forward innovations that allow us to continue being an exemplary council; to develop a fair local economy that works for everyone across the borough; and to deliver good homes and greener spaces for residents.

- We will invest **£2.379m** to improve parks, play areas and open spaces, including improvements to Hurst Grange, Birch Avenue - Penwortham, Moss Side Village Green, Farington Lodges, Strawberry Valley Park - Bent Lane, Withy Grove and Gregson Lane, Ryden Avenue, Hutton and Worden Park in 2022/23 and Longton, New Longton and King George V, Penwortham in 2023/24. We will also invest **£200k** for improvements to smaller open space and play areas.
- We will invest **£1.600m** to improve our leisure centre facilities
- **£3.100m** to continue to support the development of affordable homes including 15 new affordable homes on the McKenzie Arms site in Bamber Bridge; this means residents from across the borough can have access to affordable, safe and environmentally friendly housing, and will meet the demand of stock which is vitally needed.
- To support the recovery of the local economy following the pandemic, we will invest **£200k** on business support, advice and grants for local businesses to get back on their feet.
- **£30k** to support communities and residents to organise events to celebrate the Queen's Jubilee.
- **£200k** to target fly tipping and environmental improvements across the borough to enable clean and safe local areas for residents.
- **£200k** to create a community support fund, working alongside our existing the Boost Fund and the community hubs to improve the lives of our residents and provide support for individuals, groups and organisations
- Our sports clubs and community organisations have been badly hit through loss of income and membership during pandemic. They provide the life-blood of the borough and so we will create a **£200k** fund for groups to continue and grow.
- To support people into high quality employment, build resilience and improve quality in our service provision as we recover from the pandemic we will invest **£200k** in creating more apprenticeships, graduates and training posts across the council in areas of high demand.

Medium Term Financial Planning

40. Despite the budget savings identified in this report, as outlined above, there remain forecast budget deficits of £1.229m in 2023/24 and £1.504m in 2024/25. The council's medium-term plan to reduce the budget deficits is outlined in Table 4 and in the paragraphs below.

Table 4: Medium Term Financial Plan

	2022/23 £m	2023/24 £m	2024/25 £m
NET DEFICIT / (SURPLUS)	0.162	1.229	1.504
Net Income from Capital Investment	0.000	(0.065)	(0.065)
Council Tax Increase – 1.99% 21/22, 22/23 & 23/24	(0.162)	(0.324)	(0.486)
NET DEFICIT / (SURPLUS)	0.000	0.840	0.953

41. A programme will be developed to manage change both within the council and in partnership with other organisations. At this stage, the main strands of the programme that could generate savings and income are outlined further below.

Council Tax

42. The Provisional Local Government Finance Settlement outlines the Core Spending Power available to local authorities. This is the level of resources the Government assumes councils will have available and is predicated on all councils across the country increasing council tax up to the referendum limit of 2% (5% for authorities with social care responsibilities) year-on-year. As such, if the council were to freeze council tax it is likely it will need to then bridge a larger gap between the funding allocated to it, via business rates retention and the fair funding review, and the funding required to deliver services in 2022/23 onwards
43. The Council Tax rate for South Ribble Council sits broadly within the middle of the range of other Lancashire District authorities. There is a wide range of charges across Lancashire and the gap between South Ribble and the next authority (Lancaster) is over 6%.

	Band D Equivalent 2021/22 £
Preston	327.13
Burnley	312.28
Rosendale	285.13
Pendle	276.01
Hyndburn	255.53
Lancaster	236.95
South Ribble	223.24
Fylde	214.91
West Lancs.	213.39
Wyre	209.74
Chorley	195.76
Ribble Valley	155.69

44. However, continued uncertainty regarding future funding and the need for the council to manage staffing and non-staffing inflationary budget increases, means that this budget proposes to increase South Ribble Borough Council's share of council tax by 1.99% in 2022/23. Similar increases have been forecast for 2023/24 and 2024/25, however these will be reviewed annually and will be subject to the outcome of the next finance settlement.
45. A 1.99% increase would equate to an annual increase of £4.44 on a Band D property, or 9p per week.
46. The council will remain committed to supporting those who may struggle to pay their council tax because of the challenging circumstances they find themselves in. On that basis, the council will make use of the monies it has available to support council taxpayers; to assist in this, a recommendation will be made to Council to provide financial assistance to a further 1300 households by removing the baseline Council Tax charge of £3.50 per week for many working age claimants who are in receipt of Universal Credit, or on low-income.

Investment Sites

47. The council owns several sites that are being developed to bring forward the expansion of employment and housing within the borough. These include:
- McKenzie Arms – 15 high quality affordable homes that offer a high level of comfort whilst using minimal energy for heating. This development is also expected to generate £65k of annual net income to the council from April 2023 onwards.
 - West Paddock Extra Care scheme - that will develop over 70 self-contained homes embracing the principles of the lifetime homes standard that ensures the homes will be accessible and adaptable. It is forecast this development will generate a net income to the council in 2025/26 onwards.
 - Worden Hall – the council is investing £3m in the refurbishment of the hall enhancing the visitor experience whilst also generating an increase in income

to the council through hire of community spaces, additional events and improved café facilities. This is forecast to generate additional income of £65k from the site which will fund additional staff in the museums and events teams.

Future Savings

48. The council has been successful in generating efficiency savings and additional income to bridge the budget gap whilst continuing to deliver outstanding services to its residents. Required savings of approximately £1.2m, subject to future Government announcements, are forecast over the period of the MTFS to manage increases in costs as well as potential reductions in future Government funding.
49. A total £470k of potential net savings have been developed through work by the senior management team to identify savings and cost pressures across the organisation over the next 3 years. A prioritisation exercise has taken place to determine the order in which these could be brought forward based on impact on service delivery, impact on delivering priorities and the scale of development time and resource required. Further work is being undertaken on these potential savings and other service reviews to determine further efficiencies that can be delivered over the course of the MTFS.
50. In addition to these savings, in order to reduce the impact on staffing and the level of service provided, the council will continue to invest in its services to recognise additional income and efficiencies. Future opportunities include:
 - The council is ambitious in its delivery of services and will continue to pursue **alternative models of delivering its services**. The MTFS includes £374k of efficiency savings that have already been secured through the expansion of shared services with Chorley Council. As Phase 2 of the Shared Services model reaches the final stages of implementation, no additional savings have been identified, however the council will consider further opportunities alongside its wider priorities if improvements and efficiencies can be attained. The council will also seek to reduce the costs of leisure services, now delivered by the council's wholly owned company, South Ribble Leisure Limited established in September 2021. Over the course of the MTFS we will work with the new company to reduce its net operating costs to move to generating a net benefit to the council.
 - The council has an **ambitious capital programme** that will deliver improvements to assets across the Borough. The council has successfully bid for a £25m Town Fund grant with proposed match funding of £8m. This will deliver transformational change to areas of Leyland including new housing and employment opportunities. It is expected that this will also deliver a net income stream to the council helping it to manage future budget deficits.
 - The council is committed to reducing its impact on the environment with the aim of being carbon neutral by 2030. A £5m bid to **decarbonise its assets** has been made to Government. If approved, this grant will enable the council to significantly reduce its use of fossil fuels to power its leisure centres, vehicle depot and office buildings. As well as reducing the council's carbon footprint, it is also expected that such investment will reduce the ongoing revenue costs of operating its buildings with estimate savings of approximately £600k over an 8 year period, as per the report to Council on 21 July 2021.

51. Following a request from the unions, and in working to mitigate the risks highlighted in the Strategic Risk Register around staff satisfaction and retention in a changing jobs market, it is proposed that work is undertaken during 2022/23 to move staff to the shared terms and conditions. The costs of such a move would then be built into the Budget for 2023/24 and the MTFS beyond.

52. It is important to note that the plans that will be delivered through the transformation programme aim to ensure that the council manages its budget effectively and prudently. The full amount of savings and income generation may not need to be delivered if the actual reductions in future funding are less than currently forecast. This will be monitored and managed during the MTFS period.

Reserves

53. 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. The expected balances of these reserves at the beginning of 2022/23 are given in table 5 below.

Table 5: Forecast General and Earmarked Reserve Balances

	2022/23
	£000s
General Fund Reserve	4,415
Brexit	36
Business Rates	2,908
Business Rates S31 Grant	354
Business Support	79
City Deal	1,851
Community Services	451
Covid Recovery Fund	675
Covid Commitment Reserve	104
Credit Union	83
Elections	160
Events & Comms	59
Green Agenda	250
Housing	132
ICT Investment Reserve	550
Investment	2,971
Leisure Services	255
Local Plan	91
Maintenance	250
Organisational Development	11
Sports Development	275
Transformation	178
Other	74
Total Earmarked Reserves	11,797
Total General & Earmarked Reserves	16,212

Additional Proposed Reserves

Business support, advice and grants	200
Targeting grot spots and environmental improvements	200
Increasing the community hub boost fund	200
Additional apprenticeship, graduate and training posts	200
Support for Sports Clubs & Community Organisations	200
Supporting communities celebrate the Queen's Jubilee	30
	1,030

54. These reserves are necessary to fund the priorities that matter to residents as well as mitigating the financial impact of the uncertainty that the council faces. This includes the reforms to future funding levels and the impact of Covid-19 on its residents and local businesses.
55. As referenced early on in the report the council's outturn position and reserves will be reviewed throughout the remainder of the financial year. It is expected that additional underspends and movement between reserves will fund the additional reserves set out in Table 5.
56. The council has set aside £4.415m in general funds, approximately 28% of the annual net expenditure budget, to manage future uncertainty in expenditure and income over the medium-term. 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.
57. The council has set aside £2.908m to manage any one-off reductions in business rates such as unbudgeted changes to valuations or the implementation of future expected Government reforms. This reserve represents approximately 55% of annual retained business rates.
58. The council is committed to supporting its local workforce and local businesses and has set aside reserves for the following:
 - Continue to support the council's apprenticeship factory that offers placements for apprentices to gain experience in the workplace whilst studying towards a qualification. An additional £200k will be invested to provide additional apprenticeship, graduate and training posts
 - The council will support businesses across the borough by providing business advice and offering grants so that businesses can recover and prosper in the Borough. An additional £200k will be set aside to support this programme.
59. 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. This contribution will cease in October 2023 when the City Deal arrangement is scheduled to finish. This income has been set aside in a reserve that now stands at £1.851m. It is proposed this reserve is utilised over the MTFs period to offset the reduction in income that will be experienced when the agreement finishes.
60. The council continues to invest in its communities including:
 - £150k reserves set aside to promote community wealth building to redirect wealth back into the local community
 - A reserve of £109k plus an additional £200k to resource the council's community hubs to continue to provide a range of high-quality support services to residents

- There remains £149k in reserve to fund any increased costs relating to the support of homelessness services. This has been especially important during the Covid-19 pandemic.
 - £200k to fund support to community-based organisations - building resilience and capacity in the community and aiding recovery post-Covid. This includes grants for local sports clubs to ensure inclusive access to facilities and promoting healthy lifestyles
 - The budget proposes to set aside £30k of funding in reserve to support communities celebrate the Queen's Jubilee
61. The total reserves for Covid consist of:
- Covid Recovery Fund - £675k has been set aside to enable the council to support businesses and residents once the pandemic has subsided
 - £104k to meet the costs of committed Covid expenditure into 2022/23.
62. The council continues its commitment to become carbon neutral by 2030. The council has set aside £250k from reserves to continue this ambition, this is on top of £1m the council will invest in green infrastructure and the construction of low carbon affordable housing in the Borough. The budget also includes £200k additional funding to enable the council to make improvements to the local environment.
63. The Council has set aside £2.971m towards funding investment within the Borough, this includes:
- £2.908m Borough Investment Fund that is fully committed over the medium-term to fund capital investment including the regeneration of Leyland Town Centre and Worden Hall refurbishments.
 - £150k investment income equalisation reserve to manage any temporary reduction in the income the council generates through its commercial assets.
 - £240k income investment reserve to fund any initial revenue costs of bringing forward capital investments that meet the council's corporate objective priorities whilst also generating a net income to the council.
64. The transformation fund stands at £178k 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.

Capital Programme

65. This report has addressed the revenue budget of the council. Implicit in this however, and the investment programme set out above, are financial implications for the capital programme. The latest three-year Capital Programme can be found in the Quarter 2 Capital Budget Monitoring Report for 2021/22, approved at Executive Cabinet in November 2021. The council has an ambitious capital programme with over £47m budgeted to be invested over the MTFs period.
66. A report was submitted to Full Council on 26 January 2022 requesting an additional budget of £970k for investment in council ICT hardware and software. This will enable more hybrid working, better connectivity between South Ribble and Chorley Councils and more cloud-based technology, all of this is expected to deliver efficiencies to the

council. The council will also invest in additional CCTV cameras and better internet connectivity at the council's sites including leisure facilities. These works are to be predominately funded through the Covid commitments reserve that is no longer required due to additional funding being received in 2021/22.

Implications of report

67. 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.
68. 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.

Comments of the Statutory Finance Officer

69. The financial implications of the above report are all contained within the text above but to clarify, all proposals are funded and can be accommodated within the 2022/23 budget. It should be noted that the report does contain several assumptions on some future budget elements and on the final out-turn position for 2021/22. Should any of the assumptions or figures change due to unforeseen circumstances arising before 31st March 2022, the financial position will be reviewed and reported.

Comments of the Monitoring Officer

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

Background documents

There are no background papers to this report

Louise Mattinson

Director of Finance (and Section 151 Officer)

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