

<b>DECISION-MAKER:</b>	CABINET COUNCIL		
<b>SUBJECT:</b>	BUDGET 2021-22 AND BEYOND – UPDATE		
<b>DATE OF DECISION:</b>	CABINET (19 JULY 2021) COUNCIL (21 JULY 2021)		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE & CAPITAL ASSETS		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>
N/A
<b>BRIEF SUMMARY</b>
<p>Following the local elections held on 6 May 2021, the Council has been reviewing its aims and goals within its Corporate Plan for 2020-2025. A refreshed and updated version of the Corporate Plan appears elsewhere on the agenda. In accordance with the changes proposed to the Council's aims and priorities, this report covers how resources are being aligned and investment made to deliver the new priorities, which were reflected in the manifesto proposals of the new administration.</p> <p>Measures have already been implemented to temporarily suspend off-street parking charges during the evening period on Monday to Saturday and all day on Sundays until the end of July, alongside consultation to indefinitely remove all off street and on street evening charges within the city, as a result of commitments made by the new administration to remove these evening parking charges.</p> <p>The new administration believes it is important to quickly align the budget to the key task of supporting and promoting business activity and to get the city moving again as the lockdown restrictions are eased. The budget proposals in this report focus on both short term and longer term measures to support that aim and ensure the quickest possible recovery from the pandemic, whilst actively supporting those who continue to need help and assistance.</p>

**RECOMMENDATIONS:**

<b>CAPITAL PROGRAMME (GENERAL FUND AND HOUSING REVENUE ACCOUNT)</b>	
It is recommended that Cabinet:	
i)	Notes the proposed additions to the General Fund capital programme to 2022/23 and its financing as shown in table 1 (paragraph 12).
ii)	Notes the total additions amounting to £22.007M for the General Fund. These schemes are proposed to be included in the capital programme with approval to spend £21.007M plus a further £1.000M (as detailed paragraph 14) which will require

	subsequent approval to spend.
iii)	Notes the proposed additions amounting to £4.431M to 2022/23 in the HRA capital programme with approval to spend and its financing as shown in table 3 (paragraph 19).
<b>GENERAL REVENUE FUND</b>	
It is recommended that Cabinet:	
iv)	Notes the budget proposals of the Executive as set out in table 2 (paragraph 15), to deliver the manifesto pledges of the Administration.
v)	Notes the revised Medium Term Financial Forecast (MTFF) estimate for 2022/23 as set out in table 5 and paragraphs 23 to 27, with an update of the MTFF to be brought forward during the autumn.
vi)	Notes that the proposed additional net revenue spend for 2021/22 of £2.132M will be funded from the central contingency budget.
<b>HOUSING REVENUE ACCOUNT</b>	
It is recommended that Cabinet:	
vii)	Notes the additions to the Housing Revenue Account budget estimates as set out in table 4 (paragraph 21).
<b>CAPITAL PROGRAMME (GENERAL FUND AND HOUSING REVENUE ACCOUNT)</b>	
It is recommended that Council:	
i)	Approves the proposed additions to the General Fund capital programme to 2022/23 and its financing as shown in table 1 (paragraph 12), and associated financing.
ii)	Notes the total additions amount to £22.007M for the General Fund and agrees that these schemes be included in the capital programme with £21.007M having approval to spend and a further £1.000M (as detailed in paragraph 14) which will require subsequent approval to spend.
iii)	Approves the proposed additions amounting to £4.431M to 2022/23 in the HRA capital programme with approval to spend and its financing as shown in table 3 (paragraph 19).
<b>GENERAL REVENUE FUND</b>	
It is recommended that Council:	
iv)	Notes and agrees the proposed additions to the budget, as set out in table 2 (paragraph 15).
v)	Notes the revised Medium Term Financial Forecast (MTFF) estimate for 2022/23 as set out in table 5 and paragraphs 23 to 27, with an update of the MTFF to be brought forward during the autumn.
vi)	Agrees that the proposed additional net revenue spend for 2021/22 of £2.132M will be funded from the central contingency budget.
vii)	Agrees to delegate authority to the Executive Director, Communities, Culture & Homes, after consultation with the Cabinet Member for Communities, Culture and Heritage, to decide on the eligibility criteria and process for administering the proposed Community Fund budget (of £0.5M) to tackle anti-social behaviour.
<b>HOUSING REVENUE ACCOUNT</b>	
It is recommended that Council	

	viii) Agrees the additions to the Housing Revenue Account budget estimates as set out in table 4 (paragraph 21).
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## REASONS FOR REPORT RECOMMENDATIONS

1.	To ensure that the new Administration sets out how resources will align to the new priorities it wants to bring to the city.
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## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.	To ensure the on-going recovery from COVID-19 is maximised, it is considered that the budget adjustments and initiatives contained in this paper need to commence at the earliest opportunity, rather than wait for the annual budget setting meeting.
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## DETAIL (including consultation carried out)

	<b><u>National Context</u></b>
3.	Since March 2020, COVID-19 has affected us all, our residents, communities, public institutions, all types of businesses, as well as the voluntary sector and community organisations. It has been a public health crisis, unlike any seen in this country for the last hundred years, as well as creating an economic crisis.
4.	The scale of the economic consequences arising from the pandemic have been unprecedented. The UK entered its first recession in 11 years. Gross Domestic Product (GDP) contracted by 24% between February and April 2020, with economic output then rising as restrictions were lifted. Increased cases into the Autumn required renewed restrictions, which led to a slowing of economic activity and a further fall in November. GDP for 2020 as a whole fell by 9.9%, the largest annual fall in 300 years.
5.	<p>Since the pandemic crisis started in March 2020 the Government has provided significant support to communities across the country, as well as to both the private and public sector. The March 2021 Budget from Government identified a total package of measures amounting to £407 billion across last year and this year. These measures have included:</p> <ul style="list-style-type: none"> <li>• Grants to businesses alongside over £10 billion of business rates holidays and £73 billion loans and guarantees, supporting every sector of the economy.</li> <li>• One-off Restart Grants to help businesses as they emerge from the lockdown restrictions</li> <li>• The Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS) to protect jobs, with the furlough scheme scheduled to last until the end of September.</li> <li>• As part of the March Budget, the Chancellor extended the temporary Universal Credit increase of £20 a week, again until the end of September 2021.</li> <li>• The Government increased the basic element of working tax credit by £1,040 in 2020/21, with a lump sum of £500 in the March Budget to provide support for a further six months.</li> <li>• Measures to extend the support offered via Statutory Sick pay, such as receiving the benefit from day one, rather than from the usual fourth day of illness.</li> <li>• For those who are having to self-isolate and unable to work in England, if on low incomes, will qualify for a £500 'Test &amp; Trace' payment.</li> <li>• A VAT rate cut on hospitality and tourism activities from 20% to 5% until 30 Sep 2021; then 12.5% until 30 April 2022.</li> <li>• A temporary cut in Stamp Duty Land Tax to support the housing market.</li> </ul>
6.	Government plans, as announced within the March Budget, are to help drive an investment led recovery, with encouragement to private sector investment with a tax incentive for companies

investing in qualifying plant and machinery. The March Budget by Government also set out Public investment as a significant part of their economic strategy, with £30 billion extra for capital investment in 2020/21 compared with the previous year. This budget update is intended to align the Council's budget with the priority to kickstart the economy and ensure the authority plays its part to promote a sustainable recovery as the city emerges from the lockdown restrictions.

Local authorities have also had to respond to the pandemic, supporting vulnerable residents and working with Government to deliver key parts of its support measures to combat the pandemic and support the economy. The National Audit Office (NAO) reported in March that at the end of 2020, local councils were reporting around £9.7 billion of COVID-19 cost pressures and income losses for 2020/21, with Government support amounting to around £9.1 billion to the sector.

### **Local Context**

7. Responding to the COVID-19 pandemic has been the priority not only for central Government, but also local government over this last year. Southampton City Council has played a critical role in helping to lead the local response.

8 In terms of funding received to help the Council with its work, key areas of Government support have been provided via:

- £42.3M to fund business rate relief for the retail sector and nursery discount schemes.
- £106.9M of grants to support both mandatory schemes and local discretionary scheme in support of businesses who have suffered due to the pandemic.
- £30.7M of general (un-ringfenced) COVID-19 support to assist with increased demand on services, particularly for adults and children's social care and to enable additional support to be provided to social care providers.
- An estimated £8.5M of support for losses associated with reduced sales, fees and charges activity the council has suffered as a result of COVID-19. This level supports 75% of the losses experienced, after allowing for a 5% reduction for normal budget 'volatility'. It does not, however, provide any compensation for income losses arising from commercial rents.
- £7.9M of Contain Outbreak Management Fund (COMF) to support public health work.

9. The measures taken by the Council during the pandemic include:

- Administering the scheme to provide £150 off the council tax bill for 2020/21 for those eligible within the Local Council Tax Support Scheme.
- Suspending recovery action across Council services during April and May 2020 for those unable to pay sums owed to the Council, in recognition of the financial challenges arising.
- Supported the homeless and rough sleepers to self-isolate in local accommodation.
- Administered around £5.9M from Government to help care homes implement and enhance their infection control and testing measures.
- Funding additional staffing costs of around £2.7M, mainly for staff in both Adults and Children's Social Care as they responded to the crisis and support vulnerable clients.
- Purchased approx. £0.3M for supplies acquired for personal protective equipment (PPE) usage, which ensured we reacted quickly to meet demand in periods of significant supply challenges to ensure that SCC's staff were able to access PPE throughout the pandemic period and ensure that our customers, staff and the public were kept as safe as possible.
- Ensured the availability of emergency additional mortuary provision, provided jointly with other Hampshire authorities, as well as extra coroners costs, at around £0.6M.
- Operated the emergency food hub, initially located at the Guildhall then to St Mary's.
- Provided additional support for COVID-19 safe Home to School Transport at a net extra

cost of £0.4M.

- Ensured school meals continued to be available to those who needed them.

10. More information on the work undertaken by the Council to support businesses via grants was set out in a report to the April meeting of the Overview and Scrutiny Management Committee, which can be found via the link below, though it should be noted the work still continues and further Government funding to support this is expected.  
[PORTFOLIO / \(southampton.gov.uk\)](https://www.southampton.gov.uk/PORTFOLIO/)
11. The amended aims of the Council are set out in the Corporate Plan update, and this budget will ensure resources are closely aligned to these priorities. To demonstrate the alignment, the new budget measures are shown within each of the different themes of the revised Corporate Plan.

## RESOURCE IMPLICATIONS

### CAPITAL (GENERAL FUND)

12. The capital investment proposals are listed in the table below:

**Table 1: CAPITAL INVESTMENT PROPOSALS**

<b>CAPITAL COSTS : GENERAL FUND</b>	<b>2021/22</b>	<b>2022/23</b>	<b>Total</b>
<b>ITEM</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>GROWTH</b>			
1,000+ Parking Spaces (General Fund element*)	0.327	1.790	2.117
Highways (roads and pavements improvement)	4.000	6.000	10.000
Safer Streets	0.500		0.500
Councillors Minor Works	0.240	0.240	0.480
<b>WELLBEING</b>			
Golf Course improvement	0.500	0.500	1.000
Polygon school - multi use recreation area	0.050		0.050
Daisy Dip Play area	0.035		0.035
<b>OUR GREENER CITY</b>			
Solar Bins		0.800	0.800
Green Flag	0.250		0.250
<b>COMMUNITIES, CULTURE AND HERITAGE</b>			
Solent Sky Museum - light ship	0.020		0.020
Solent Sky Museum – trams	0.020		0.020
City of Culture Investment and Preparation: Restoring and promoting our city's heritage assets		5.687	5.687
City of Culture Investment and Preparation: Vaults restoration		1.023	1.023
CCTV initiatives (GF element*)	0.025		0.025
<b>TOTAL COST (CAPITAL- GENERAL FUND)</b>	<b>5.967</b>	<b>16.040</b>	<b>22.007</b>
<b>LESS: FUNDING</b>			
Councillors Minor Works (Community Infrastructure Levy)	-0.240	-0.240	-0.480
Play area (CIL)	-0.035		-0.035
Borrowing/Council Resources	-5.692	-15.800	-21.492
<b>TOTAL FINANCING</b>	<b>-5.967</b>	<b>-16.040</b>	<b>-22.007</b>

The following items (marked in table 1 with \*) also incur costs in the Housing Revenue Account (HRA – see table 3 below):

- Over 1,000 Parking Space (General Fund cost of £2.117M, plus HRA cost of £4.356M, total programme of £6.473M).
- CCTV initiatives (General Fund cost of £0.025M, plus HRA cost of £0.075M, total programme of £0.100M).

Further details on how the proposals support the aims of the new administration is given below:

### 13. **GROWTH:**

**Parking Spaces:** The proposed investment of around £6.5M (including HRA) is expected to create 1,170 spaces over 2021/22 and 2022/23. Across the city there are limited places to park in our council neighbourhoods with people parking on grass verges and on green areas which ‘churn up’ the grass and create muddy and unsightly areas. This will resolve that issue whilst creating many new and free of charge spaces available for our residents. Note the costs are expected to be shared between the General Fund and HRA.

**Highways (Roads and Pavements):** £10.0M of additional capital investment is proposed in this year and next to ensure improvements to local roads and pavements can be made, to commence as soon as possible this year, promoting maximum free flow of vehicles and residents, post lockdown easing.

**Safer Streets:** £0.5M is proposed to deliver road safety measures.

**Councillors Minor Works:** The budget proposals restore the Councillors Minor Works budget to the capital programme at £0.240M pa, to be funded in full by the Community Infrastructure Levy.

### **WELLBEING:**

**Golf course:** investment of £0.5M in this year and again next year to improve the Golf course, recently taken back in-house, via investment in new fencing, access roads, drainage etc. This proposal is for inclusion in the capital programme and will be approved subject to detailed feasibility and costings in order to optimise investment.

**Polygon School:** Investment of £0.050M for work needed to deliver a multi-use recreation area at Polygon School.

**Daisy Dip Play area:** Investing £0.035M to restore the fire damaged play area.

### **OUR GREENER CITY**

**Solar Bins:** Further investment to enhance the cleanliness and appearance of the city (£0.8M in 2022/23)

**Green Flag:** £0.25M is proposed to invest in helping to bring our parks up to green flag standard.

### **COMMUNITIES, CULTURE AND HERITAGE**

#### **City of Culture Investment and Preparation:**

- **Solent Sky Museum:** Grant funding of £0.040M is proposed to facilitate revamping and refurbishment work on the Calshot Lightship and historic trams, as important visitor attractions.
- £5.687M capital investment is proposed for **heritage restoration**. Cost estimates have been prepared by Pritchard Architecture as part of the Heritage Asset Management Plan. It is important that the city’s heritage sites are invested in and made fit for purpose to benefit local residents and support the City of Culture initiative.
- The £1.023M proposed allocation on **Vaults restoration** work will and allow the Council to make better use of these assets.

**CCTV:** Proposed investment of £0.100M (£0.025M General Fund plus £0.075M from the HRA) will deter anti-social behaviour, help trace culprits and assist with combating fly-tipping.

14 All schemes in the table 1 (totalling £22.007M) are additions to the capital programme, with approval to spend, except the £1.000M for the Golf course investment which is proposed to be included in the capital programme but approved subject to detailed feasibility and costings in order to optimise investment.

**REVENUE (GENERAL FUND)**

15. The revenue proposals are listed in the table below:

**Table 2: REVENUE BUDGET MEASURES AND IMPLICATIONS**

REVENUE COSTS (GENERAL FUND)	2021/22	2022/23	Total
ITEM	£M	£M	£M
<b>GROWTH</b>			
Deliver a transport plan that provides a range of options to travel across the city - feasibility sums.	0.050	0.100	0.150
Promoting economic growth and investment	0.025	0.050	0.075
Mayflower Park Development	0.050		0.050
Delivering 1,000+ new parking spaces across our city's estate (Project work, General Fund)*	0.015	0.015	0.030
Promote Home Ownership	0.050		0.050
Highways (pothole repairs investment)	0.330	0.500	0.830
<b>WELLBEING</b>			
Improve our health and learning for our children and adults across the city.	0.150	0.150	0.300
School meals over the summer	0.790		0.790
Leisure Strategy (including Weuro 2022).	0.092	0.137	0.229
Polygon School (outdoor recreation area).	0.020		0.020
Sports Centre Grant (repairs)	0.010		0.010
<b>OUR GREENER CITY</b>			
Clean up our city- improving our parks, open spaces waterfronts and city/district centres,	0.300	0.300	0.600
Increased enforcement against fly tipping	0.120	0.120	0.240
<b>COMMUNITIES, CULTURE AND HERITAGE</b>			
Car Park charges (net of on-street account)	0.410	0.337	0.747
Rebate on resident parking permit	0.030	0.013	0.043
Community Fund	0.220	0.280	0.500
Solent Sky Museum outreach work	0.060		0.060
Destination management	0.100	0.100	0.200
<b>A COUNCIL THAT WORKS FOR AND WITH YOU</b>			
Freeze council tax		2.129	2.129
Capital Financing costs	0.100	0.700	0.800
<b>TOTAL COST</b>	<b>2.922</b>	<b>4.931</b>	<b>7.853</b>
<b>LESS: FUNDING AVAILABLE</b>			
Family Support Grant	-0.790		-0.790
<b>Net Cost for General Fund</b>	<b>2.132</b>	<b>4.931</b>	<b>7.063</b>

The following items (marked in the table with \*) also incur costs in the Housing Revenue Account (HRA):

- Over 1,000 Parking spaces – project work (General Fund cost of £0.030M, plus HRA cost of £0.070M, total extra budget of £0.100M over two years);

Further details on how these proposals support the aims of the new administration is provided below:

## 16. GROWTH

**Deliver a Transport Plan:** feasibility work (of £0.150M) is planned to look at all possibilities to enhance city wide travel such as trams, or enhanced rail to progress towards mass transit solutions.

**Promoting Economic Growth and Investment:** £0.075M to help drive and generate inward investment and ensure we can work with and across partners to achieve this aim.

**Mayflower Park Development:** Feasibility work of £0.050M to develop and bring forward plans for a world class waterfront.

**Delivering Parking Spaces:** The revenue costs support the project work around delivery of over 1,000 free parking spaces on the capital investment list (see table 1).

**Promote Home Ownership:** Alongside estate regeneration and facilitating additional housebuilding, either directly by the Council or by working with others, the Council wants to invest to encourage home ownership for which the proposed £0.050M will be allocated.

**Highways:** £0.830M over two years to promote the priority of getting Southampton moving, the budget proposes a major increase in the amount of resources put into independent pothole fixing gangs.

### WELLBEING:

**Improve Health and Learning:** An additional £0.150M in 2021/22 and onwards, for the 'Feed the Future' programme to facilitate a significant review and expansion work providing nutritional food to vulnerable children and our young people. The investment will take the total budget up to £0.275M in this year and 2022/23.

**School meals:** This is estimated to cost £0.790M in 2021/22, which can be afforded via funds from a Government family support grant.

**Leisure Strategy:** Investment starting with £0.092m in 2021/22 and £0.137M in 2022/23, will provide a strategic framework for the development and delivery of leisure services by the Council as well as support the Women's Euro 2022, which we welcome next year.

**Polygon School:** A revenue allocation of £0.020M to support any feasibility work with the outdoor reaction area (see also the proposal under the capital programme for £0.050M for this scheme).

**Sports centre:** A small grant (£0.010M) is anticipated to help with repair work.

### OUR GREENER CITY

More resource for cleaning up our City and fly tipping enforcement, specifically:

- Investment of £0.300M pa is proposed primarily for additional staff to clean the city and enhance its look.
- Environmental crime, such as fly-tipping has a detrimental impact on quality of life for the city's residents and in some circumstances can present economic and public health risks. The £0.120M per year will provide extra resource to tackle fly tipping through enforcement activity.



## COMMUNITIES, CULTURE AND HERITAGE

**Car Parking charges and rebate on parking permits for residents:** This is subject to a separate report at Cabinet, covering waiving charges on evenings and on Sundays. The purpose of the proposal is to encourage visitors to choose Southampton as a destination for evening or Sunday trips for the purposes of boosting the local economy. The financial impact on the General Fund revenue account and on the On-Street Parking Account (a fund which must be ring-fenced by law) for 2021/22 and 2022/23, is given for information in tables at Appendix 1.

**Community Fund:** £0.500M of 'seed funding' for community groups and organisations wishing to provide activities and services for young people, but where the lack of access to initial funding is preventing their ability to provide activities, and that will contribute to providing diversionary and other activities that may assist with reducing anti-social behaviour in some parts of the City. Permission is sought in the recommendations to delegate authority to the Executive Director (Communities, Culture & Homes), after consultation with the Cabinet Member for Communities, Culture and Heritage, to decide on the eligibility criteria and process for administering this new fund.

**Solent Sky Museum Outreach:** the proposed £0.060M is funding for the museum to support outreach activities within local communities.

**Destination Management:** Destination Management: £0.100M proposed extra budget per year. The vision is to develop tourism in Southampton to deliver exceptional experiences and transform people's perceptions of our culturally diverse and vibrant city, the funds will facilitate that work.

## A COUNCIL THAT WORKS FOR AND WITH YOU

**Council Tax:** Our priority is to freeze council tax in 2022/23, which will be confirmed in the February budget report. This will save money for each household in the city during what has been challenging economic times for many residents. A 2% rise in the City Council's core council tax would have cost a typical Band D household around £32.76 extra per year.

**Capital Financing:** Total costs of £0.800M are included to accommodate the expected financing costs of the capital investment measures proposed above by 31/03/2023. The full year effect of the capital spending will be felt in annual budgets from 2023/24 onwards and is estimated at around £1.2M.

17. The extra costs in the 2021/22 budget arising in the General Fund revenue account of £2.132M, resulting from these proposals, will be funded via the corporate contingency budget, leaving around £6.1M in the central budgets for contingency and provision for inflation.
18. In 2022/23, the additional costs of £4.9M have been included below (see table 5 and paragraphs 23 to 27 below) to be addressed as part of the work to ensure the authority has a balanced budget for 2022/23. However, between now and when the budget is considered for 2022/23 (at February 2022 Council), every effort will be made to identify potential sources of funding from Government, partner bodies, the private sector etc to assist in delivering these new ambitions now and in future.

## Housing Revenue Account (HRA) - Capital

19. The capital impact on the HRA of the proposals are shown separately below for information:

**Table 3: HRA CAPITAL ELEMENT**

CAPITAL COSTS (HOUSING REVENUE ACCOUNT)	2021/22	2022/23	Total
ITEM	£M	£M	£M
<b>GROWTH</b>			
1,000+ Parking Spaces HRA	0.673	3.683	4.356
<b>COMMUNITIES, CULTURE AND HERITAGE</b>			
CCTV	0.075		0.075
<b>COST: HRA</b>	<b>0.748</b>	<b>3.683</b>	<b>4.431</b>
<b>LESS FUNDING</b>			
Accommodate within existing programme resource*	-0.748		-0.748
Borrowing/Council Resources		-3.683	-3.683
<b>TOTAL FINANCING</b>	<b>-0.748</b>	<b>-3.683</b>	<b>-4.431</b>

\*Via underspends

20. For 2021/22 the extra cost identified of £0.748M will be found within the existing HRA capital programme via underspends. In 2022/23 the extra spend (circa £3.7M) will be included in the budget plans to be agreed in February 2022 at full Council with funding included as part of the 40 year HRA business plan.

## Housing Revenue Account (HRA) - Revenue

21. The revenue impact on the HRA of the proposals are shown separately below for information:

**Table 4: HRA REVENUE ELEMENT**

REVENUE COSTS (HOUSING REVENUE ACCOUNT)	2021/22	2022/23	Total
ITEM	£M	£M	£M
<b>GROWTH</b>			
Delivering 1,000+ new parking spaces across our city's estate (Project work: HRA element)	0.035	0.035	0.070
Plans for estate regeneration - feasibility development work	0.050	0.050	0.100
<b>COMMUNITIES, CULTURE AND HERITAGE</b>			
CCTV	0.010	0.010	0.020
<b>A COUNCIL THAT WORKS FOR AND WITH YOU</b>			
Capital Financing		0.035	0.035
<b>Net Cost: HRA</b>	<b>0.095</b>	<b>0.130</b>	<b>0.225</b>

22. For 2021/22, the impact on the HRA revenue of the £0.095M in the table above can be accommodated within the overall HRA budget (which stands at around £74M). The £0.130M for 2022/23 will be include in the HRA budget estimates at the February Council meeting on the budget.

## Revised Budget Forecast

23. The February 2021 budget report to Council reported a shortfall of £22.5M in the forecast position for 2022/23. Table 5 below shows the revised shortfall with the cost of the additional commitments contained in this report added.

**Table 5: Budget Shortfall 2022/23 with new items**

Item	2022/23 £M
Budget shortfall as reported February 2021 Council meeting	22.5
Additional costs per above table 2	4.9
<b>Revised shortfall</b>	<b>27.4</b>

As seen in the table, the proposals within this paper will add to the future budget shortfall, taking the 2022/23 shortfall to an estimated £27.4M. This is a sizeable gap, and in the context of the size of net budget of the authority in 2021/22 (at £199M) represents around 13.8% of net spend. Clearly the authority has a duty to achieve a balanced budget for 2022/23 and work will be done over the summer and autumn to identify measures and ensure any appropriate consultation is done to underpin proposals in readiness for the annual budget setting Council meeting in February 2022.

24. The Medium Term Financial Forecast is under review currently, given the uncertainty that exists around both income streams and spending largely as a result of COVID-19. Major elements of the Council income, including council tax and business rates will be influenced by the economic effects of COVID-19. For example, empty business premises or additional claimants for local council tax support will reduced the income from either business rates or council tax. Hence the economic effects from easing the lockdown measures as well as the furlough scheme ending, both on local business and employment, will need to be carefully monitored and assumptions made about its impact in future years.
25. The absence of a Government Spending Review covering high level allocations of public funding from 1 April 2022, including that to local government as a whole, means considerable uncertainty over future funding. Individual allocations to councils can only be made once that national framework is set and will emerge in December 2021 when the provisional local government finance settlement covering 2022/23 is also announced.
26. The Medium Term Financial Forecast also does not reflect any changes that may arise through the reform of the business rates retention system or implementation of the fair funding review, both of which the Government delayed until at least 2022/23. The business rate retention reform will increase the capacity for retaining a share of growth locally by the council (from 50% to 75% of growth in business rates). However, the reform also has risks to funding, for example the 'baseline' against which growth is measured will also be recalculated. This can produce 'winners' and losers' from the reform if you have a new 'high' local baseline level against which any business rate growth is measured. The fair funding review by Government will also impact on how it chooses to divide total resources amongst authorities, using a mix of statistical measures to determine the 'relative need' for resources between authorities comparing their spending needs. These anticipated changes, together with the delay of the multi-year spending review, mean there is much uncertainty over future funding from Government which adds to the uncertainty over the longer term impact on council finances from COVID-19.
27. Work will be undertaken over the summer and into autumn to progress the work on the budget shortfall and to be able to report on a balanced budget by the time of the February 2022 Council meeting. An update of the Medium Term Financial Forecast will be presented for consideration by Cabinet during the Autumn as part of this work and will be informed by assumptions of the local economy post the expected ending of the lockdown measures from 19 July 2021 onwards and expectations of on-going spend linked to the pandemic and demographic pressures affecting the

	<p>budget.</p> <p>Although we have around £38.3M not yet committed in the Medium Term Financial Risk Reserve, any use of this one-off funding would only provide short-term help in addressing the underlying budget shortfall.</p> <p>As far as possible, the budget savings and reductions to bridge the budget shortfall identified will be based on improving efficiency, finding new ways of service provision, encouraging commercial activity for income generation, minimising overheads and engaging partners in collaboration rather than budget cuts. However, the scale of the challenge as it stands is considerable. To navigate the financial challenges facing our organisation over the MTFF period will mean difficult budget decisions will be needed as part of longer term plans to tackle the expected shortfall.</p>
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**Property/Other**

28.	None
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**LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

29.	Budget reports are consistent with the Section 151 Officer’s role to align budget with the aims of the Council and also the duty to ensure good financial administration.
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**Other Legal Implications:**

30.	None
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**RISK MANAGEMENT IMPLICATIONS**

31.	None
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**POLICY FRAMEWORK IMPLICATIONS**

32.	The proposals contained in the report are in accordance with the Council’s Policy Framework Plan.
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**KEY DECISION?** No

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
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**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Parking Charges – Summary of Impact on General Fund and On-Street Parking Account
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**Documents In Members’ Rooms**

1.	None
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<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	Yes
<b>Privacy Impact Assessment</b>	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
<b>Other Background Documents</b>	
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	The Revenue Budget 2021/22, Medium Term Financial Forecast 2021/22 to 2024/25 and Capital Programme 2020/21 to 2025/26 (Approved by Council February 2021).	
2.	<a href="#"><u>Removal of Evening Charges</u></a> (Cabinet agenda 19 July 2021)	