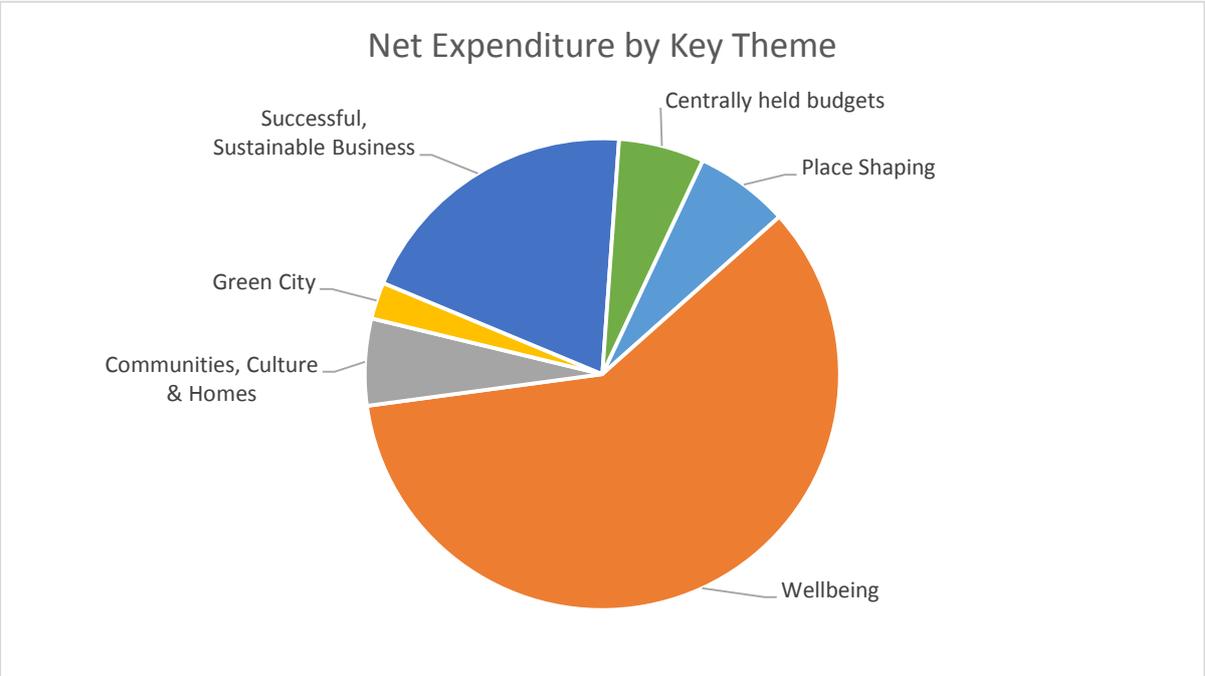


THE REVENUE BUDGET 2021/22 AND MEDIUM TERM FINANCIAL FORECAST 2021/22 TO 2024/25	
	<u>INTRODUCTION</u>
1.	This report sets out how the budget for 2021/22 will be balanced whilst minimising the impact on front line services of the authority. The proposed net revenue budget for 2021/22 is £173.9M. This includes £28.2M of government grants relating to the Council's share of the deficit on the Collection Fund carried forward from 2020/21 via revenue reserves under accounting arrangements. Excluding the government grants carried forward the net revenue budget for 2021/22 would be £202.0M, compared with the current year of £191.0M. The report also provides an update on the Medium Term Financial Forecast (MTFF) for the period to 2024/25.
2.	<p>The local government finance settlement confirmed an increase in core council tax of up to 2% could be applied without the need for a local referendum. It also confirmed that the adult social care levy continues to apply, with the flexibility to raise the council tax by up to 3% in 2021/22 for this purpose, with the option to defer all or part of the increase to 2022/23.</p> <p>The authority proposes to increase the core council tax by 1.99% and, to provide additional funds for budget pressures within adult's services, to apply an increase of 3% for the adult social care precept element of the council tax. Applying the flexibility of a 3% rise specifically for Adult Social Care will provide for around £3.0M in additional revenue, which will go towards meeting the underlying escalation in costs experienced within Adult Social Care from the rising client numbers and increasingly complex care needs.</p>
3.	The Government has also provided some additional funds for adult and children's social care, via £300M nationally in specific grant and the existing social care grant and improved better care fund have been rolled forward into 2021/22. However, adequate funding for all social care continues to be a major concern over the longer term.
4.	The Council is required to prepare a separate Capital Strategy, setting out a high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. Details regarding the Council's Capital Strategy and Capital Programme are set out in Appendices 2 and 3 to the budget report. The revenue implications of the capital programme are built into the General Fund Medium Term Financial Forecast and the Housing Revenue Account Business Plan.
	<u>STRATEGIC CONTEXT</u>
	<u>Spending Review 2020</u>
5.	Following a one-year Spending Round in 2019 covering only 2020/21, a multi-year comprehensive spending review had been expected during 2020. However, in order to prioritise the response to COVID-19, and focus on supporting jobs, the Government decided to conduct a further one-year only Spending Review.
6.	The main features of the Spending Review published on 25 November 2020 were the announcement of support for COVID-19 expenditure and income pressures in 2021/22, additional funding for social care alongside continuation of existing social care grants, and proposals to consult on a 2% core council tax increase and 3% adult social care precept. Whilst the flexibility provided is welcome, details of a long-term funding approach from Government would be a significant improvement on current arrangements, as well as supporting effective planning and decision making.

	Additional funding for investment in infrastructure was also announced in the Spending Review.
7.	Further details of the Spending Review are provided in section 2.3.1 of the Medium Term Financial Forecast (Annex 1.1).
8.	A further one year delay to the move to 75% business rates retention and changes to how funding is distributed between councils under the fair funding review were announced earlier in the year. In addition, the next business rate revaluation was deferred by a year to April 2023.
<u>Provisional Local Government Finance Settlement</u>	
9.	The 2021/22 provisional settlement was announced on 17 December 2020. It largely confirmed the announcements in the Spending Review 2020, providing allocations at individual local authority level. Further information on COVID-19 support for local authorities for 2021/22 was published alongside the settlement.
10.	Funding arising from the settlement was broadly as anticipated in the 2021/22 budget update report in December, aside from a new un-ringfenced lower tier services grant.
11.	Further details of the provisional settlement are provided in section 2.3.2 of the Medium Term Financial Forecast (Annex 1.1). Allocations were confirmed in the final settlement, approved by Parliament on 10 February 2021.
<u>Other national issues affecting the MTFF</u>	
12.	Responding to the COVID-19 pandemic has been the priority for both central and local government over this last year and will continue to be so in the near term. Southampton City Council has played a critical role in helping to lead the local response. The pandemic has had a significant financial impact on the Council, through additional costs, reduced income and savings that cannot be delivered. The financial effects of the pandemic will continue to be felt over the medium term.
13.	The ending of the transition period for the UK's exit from the European Union occurred on 31 December 2020, with a free trade agreement being reached with the EU. The impact on the UK economic situation, on public finances and on local government as well as the local workforce with regard to the availability of people in areas like social care, which have become heavily dependent on EU nationals, remains to be seen.
14.	Further details are set out in section 2.2.2 of the Medium Term Financial Forecast (Annex 1.1).
<u>LOCAL CONTEXT</u>	
<u>Council Priorities</u>	
15.	The revenue budget and MTFF are integral to the delivery of the City Council Corporate Plan. The Plan sets out how we will achieve our vision of Southampton as a city of opportunity and has five key themes to deliver the strategic goals of a greener, fairer, healthier city, which are: <ul style="list-style-type: none"> • Place Shaping • Wellbeing • Communities, Culture, & Homes • Green City • Successful, Sustainable Business

16. The Council’s budget setting process centres around these key themes to ensure resources are directed towards agreed priorities. Chart 1 below shows the £191.0M revised net revenue expenditure budget for 2020/21 broken down over key themes.

17. Chart 1 – Net revenue expenditure by key theme



Government Funding Reductions

18. The settlement funding assessment (SFA) is the Government’s calculation of funding required by a local authority after allowing for income generated from council tax.

19. The Government’s austerity measures have resulted in a significant reduction in the Council’s settlement funding assessment over recent years. Between 2013/14 (when the current local government finance system was introduced) and 2019/20, the Council’s SFA reduced by almost a half from £121.0M to £65.3M.

20. For 2021/22 the SFA has been given an inflationary uplift in the local government finance settlement of less than £0.1M. Taken together with the inflationary uplift applied in 2020/21, this only equates to a £1.1M increase compared to the £55.7M reduction over the previous 6 years.

21. Further details are provided in section 1.1.1 of the Medium Term Financial Forecast (Annex 1.1).

Cumulative Budget Reductions

22. Southampton City Council has agreed budget reductions including cuts worth over £162.7M in its budget from 2012/13 to 2020/21 and including any step-up in amounts for future years, which has been a necessary part of achieving a balanced budget. More details are included in section 1.1.2 of the Medium Term Financial Forecast (Annex 1.1).

MEDIUM TERM FINANCIAL FORECAST AND GENERAL FUND BUDGET

23. The Medium Term Financial Forecast (MTFF) provides a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council’s priorities.

24. There are 6 key aims are:

	<ul style="list-style-type: none"> To provide financial parameters within which budget and service planning should take place; To ensure the Council sets a balanced budget; To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of a clear alignment between priority and affordability; To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area; To plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities whilst gradually reducing the Council's reliance on Central Government funding; and To ensure that the Council's long term financial health and viability remain sound. 																		
25.	The MTFE goes up to the financial year 2024/25 however, given no public expenditure proposals or funding allocations beyond 2021/22 and uncertainty around the impact of the COVID-19 pandemic, the future years are only indicative at this stage.																		
	<u>Update on budget for 2021/22 at December 2020</u>																		
26.	A report providing an update on the budget for 2021/22 in the light of COVID-19 pressures was presented to Cabinet in December 2020.																		
27.	The report outlined budget pressures being faced by the Council and set out draft proposals and measures to help mitigate the forecast budget shortfall. The proposals within the report did not achieve a balanced budget for 2021/22, with a shortfall of £3.97M still to be addressed. The report is available as agenda item 9 at: .Agenda for Cabinet on Tuesday, 15th December, 2020, 4.30 pm Southampton City Council																		
28.	A summary of the proposals put forward in December is provided in Table 1 below.																		
	<p><u>Table 1 – General Fund Revenue Summary at December 2020</u></p> <table border="1"> <thead> <tr> <th></th> <th>2021/22 £M</th> </tr> </thead> <tbody> <tr> <td>Budget Shortfall - February 2020</td> <td>3.87</td> </tr> <tr> <td>Pressures net of use of specific reserves</td> <td>21.70</td> </tr> <tr> <td>Collection Fund deficit carried forward & reduced income</td> <td>7.95</td> </tr> <tr> <td>Estimated additional funding from Spending Review 2020</td> <td>(12.00)</td> </tr> <tr> <td>Savings proposals</td> <td>(10.26)</td> </tr> <tr> <td>Provisional use of uncommitted reserves</td> <td>(5.23)</td> </tr> <tr> <td>Extra income if 2% adult social care precept applied</td> <td>(2.06)</td> </tr> <tr> <td>Amended Budget Shortfall – December 2020</td> <td>3.97</td> </tr> </tbody> </table>		2021/22 £M	Budget Shortfall - February 2020	3.87	Pressures net of use of specific reserves	21.70	Collection Fund deficit carried forward & reduced income	7.95	Estimated additional funding from Spending Review 2020	(12.00)	Savings proposals	(10.26)	Provisional use of uncommitted reserves	(5.23)	Extra income if 2% adult social care precept applied	(2.06)	Amended Budget Shortfall – December 2020	3.97
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	<u>2020/21 General Fund Revenue Forecast Outturn</u>																		
29.	The current forecast spending against the Council's net General Fund revenue budget for 'business as usual' activities (non COVID-19 related) of £191.0M is projected to be an adverse position for portfolios (£5.4M deficit), offset by a favourable variance on non-portfolio expenditure and corporate funds (£10.0M) leaving a surplus position of £4.6M. The major share of the adverse position within portfolio budgets is attributable to Children & Learning which has an adverse forecast variance of £5.8M compared to budget.																		

30.	The position for COVID-19 costs is reported separately. The forecast shortfall relating to pressures from COVID-19 for portfolios is £34.5M. After applying government funding/compensation, corporate funds, the surplus on business as usual activities and in-year savings the net shortfall is reduced to £1.8M.
31.	Further details on the forecast outturn position for 2020/21 are included within the report on the Financial Monitoring for the period to the end of December 2020 to be considered by Cabinet at its meeting on the 23 February 2021.
32.	The latest position for 2020/21, together with expectations about the direct and indirect impact from COVID-19, has been taken into consideration in updating the Medium Term Financial Forecast.
	<u>2020/21 Collection Fund Forecast Outturn</u>
33.	Southampton City Council's share of the forecast deficit to be carried forward on the Collection Fund after applying government grant for business rates reliefs is £5.5M. This comprises a £2.7M deficit for Council Tax and a £2.8M deficit for business rates. The government has made regulations to require 2020/21 in-year deficits to be spread over 3 years. Consequently £3.1M of the deficit will be required to be met in 2021/22 and £2.4M will be carried forward to be met in 2022/23 and 2023/24. This has been taken into account in updating the Medium Term Financial Forecast.
34.	The government has established a scheme to compensate local authorities for 75% of irrecoverable council tax and business rates losses for 2020/21. The Council is expected to benefit by £3.5M from this scheme, which will be carried forward via reserves and has been reflected in the 2021/22 budget.
35.	Further details are included within the Financial Monitoring for the period to the end of December 2020 report to be considered by Cabinet at its meeting on the 23 February 2021.
	<u>Updated Medium Term Forecast</u>
36.	<p>Given the considerable uncertainty over future spending and funding, both due to COVID-19 and the lack of a finance settlement from Government until very late in 2020, an update of the Medium Term Financial Forecast was not provided to Cabinet as part of the budget update report on 15 December 2020. A full update is now attached as part of this report (Annex 1.1).</p> <p>The following sections provide an update on the Council's resources, together with updated budget proposals and the outlook over the medium term.</p>
	<u>Council Resources</u>
	<u>Council Tax</u>
37.	<p>The draft budget proposes an increase for the 'core' council tax level for 2021/22 of 1.99%. An increase of 3% is proposed for 2021/22 in relation to the Adult Social Care precept, with the funds generated earmarked for use in the Adult Social Care budget.</p> <p>This takes the overall charge for the Southampton City Council element of the council tax from £1,566.18 to £1,644.39 for a Band D household. For the typical household (the SCC median is a Band B), it means the increase amounts to an extra £1.17 per week.</p>

	The full calculation is set out in Annex 1.2, which shows the council tax requirement for 2021/22 is £105.9M. Additional charges will be made by the Police and Fire authorities as set out in Annex 1.3.
38.	The tax base has been calculated at 64,389 (Band D equivalents) for 2021/22, which represents a decrease of 1.6% on the tax base applied in 2020/21 (a loss of around £1.8M in council tax). The reduction stems from an estimated increase in the number of working age local council tax support claimants.
	<u>Business Rates</u>
39.	Under the Business Rates Retention Scheme the Council will retain 49% of the business rates collected locally, with 1% going to the Hampshire and Isle of Wight Fire & Rescue Authority and 50% to Central Government. The Council's estimated share of business rates income (excluding S31 grant) for 2021/22 is £48.8M. The estimate includes anticipated losses from appeals to rateable values due to the COVID-19 pandemic and an expected increase in the number of empty properties.
40.	The business rates income estimates included in the MTFF assume some business rates growth, based on an assessment of new developments that are already in the pipeline. A very cautious approach has been taken, with the following developments not yet factored in to growth estimates: <ul style="list-style-type: none"> • Bargate • Frobisher House • Mayflower Quarter (former Toys R Us site)
41.	<u>Business Rates Pilot</u> Southampton City Council participated in the Solent business rates pool pilot during 2018/19 and 2019/20, along with Portsmouth City Council and the Isle of Wight Council. The benefit of the pilot was that a greater share of the growth in business rates was retained locally within the pilot area. The pilot scheme came to an end on 31 March 2020, however accumulated funds retained by the pool have been shared between participants and the Council has received a £3.6M one-off benefit. An estimated share of £3.3M had been anticipated in the MTFF agreed in February 2020 and factored in to the 2021/22 budget.
	<u>Government Grants</u>
42.	<u>Revenue Support Grant</u> Following years of reductions due to austerity measures up to 2019/20, Revenue Support Grant (RSG) has seen two years of small inflationary uplifts. For 2021/22 the proposed inflationary uplift from government amounts to less than £0.1M, taking RSG to £11.0M. However, this compares with an RSG allocation of £72.7M when the current funding system was first introduced in 2013/14.
43.	<u>New Homes Bonus</u> The Council's New Homes Bonus allocation for 2021/22 is £1.5M. This is a significant reduction when compared with the £4.1M received in 2020/21, reflecting government winding down the current scheme. The MTFF assumes that the final legacy payment for grant allocations in previous years will be made in 2022/23. The government launched a

	consultation alongside the final local government final settlement on 10 February 2021 on the future approach to rewarding housing growth.																
44.	<p><u>Other Grants</u></p> <p>In the Spending Review 2020 the government announced support to local authorities to help meet COVID-19 costs in 2021/22. The Council's allocation for general support grant is £7.8M and its allocation for local council tax support grant is £2.8M (see paragraph 75 below).</p>																
45.	Further details on government grants is provided in section 1.2.3 of the Medium Term Financial Forecast (Annex 1.1) and a schedule of key grants received by the Council is included at Annex 1.4.																
46.	Chart 2 below shows how the Council's 2021/22 Net General Fund Budget of £173.9M is funded from council tax, business rates and government grants. Council tax revenue is by far the largest single element.																
47.	<p><u>Chart 2 Funding of 2021/22 Net General Fund Budget</u></p> <table border="1"> <caption>Funding of Net General Fund Budget</caption> <thead> <tr> <th>Funding Source</th> <th>Estimated Value (£M)</th> </tr> </thead> <tbody> <tr> <td>Council Tax</td> <td>~100.0</td> </tr> <tr> <td>Business Rates</td> <td>~30.0</td> </tr> <tr> <td>Other Non-Specific Government Grants</td> <td>~20.0</td> </tr> <tr> <td>Revenue Support Grant</td> <td>~10.0</td> </tr> <tr> <td>S31 Business Rates Grants</td> <td>~5.0</td> </tr> <tr> <td>Top-Up Grant</td> <td>~2.0</td> </tr> <tr> <td>New Homes Bonus</td> <td>~1.0</td> </tr> </tbody> </table>	Funding Source	Estimated Value (£M)	Council Tax	~100.0	Business Rates	~30.0	Other Non-Specific Government Grants	~20.0	Revenue Support Grant	~10.0	S31 Business Rates Grants	~5.0	Top-Up Grant	~2.0	New Homes Bonus	~1.0
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	<u>Budget Pressures and Investments</u>																
48.	The budget update report to Cabinet in December 2020 set out budget pressures that are anticipated to continue into 2021/22 from COVID-19 and other budget pressures for business as usual activities totalling £40.4M for 2021/22. Other pressures relate primarily to unavoidable costs, however also include some investments in key priorities of the Council.																
49.	Table 2 below sets out the updated position for projected expenditure pressures from both COVID-19 and business as usual activities. Reserve funding is being used to meet specific budget pressures as set out in the table.																

50.	<p>Table 2 – Summary of Budget Pressures and Investments</p> <table border="1"> <thead> <tr> <th data-bbox="220 241 1074 320">Key Theme</th> <th data-bbox="1082 241 1225 320">2021/22 £M</th> </tr> </thead> <tbody> <tr> <td data-bbox="220 331 1074 365">Place Shaping</td> <td data-bbox="1082 331 1225 365">2.56</td> </tr> <tr> <td data-bbox="220 376 1074 409">Wellbeing</td> <td data-bbox="1082 376 1225 409">23.27</td> </tr> <tr> <td data-bbox="220 421 1074 454">Communities, Culture & Homes</td> <td data-bbox="1082 421 1225 454">2.26</td> </tr> <tr> <td data-bbox="220 465 1074 499">Green City</td> <td data-bbox="1082 465 1225 499">0.79</td> </tr> <tr> <td data-bbox="220 510 1074 544">Successful, Sustainable Business</td> <td data-bbox="1082 510 1225 544">14.99</td> </tr> <tr> <td data-bbox="220 555 1074 589">Centrally Held Budgets</td> <td data-bbox="1082 555 1225 589">(7.06)</td> </tr> <tr> <td data-bbox="220 600 1074 633">Total Budget Pressures</td> <td data-bbox="1082 600 1225 633">36.81</td> </tr> <tr> <td data-bbox="220 645 1074 678">Less:</td> <td data-bbox="1082 645 1225 678"></td> </tr> <tr> <td data-bbox="220 689 1074 723">Use of Social Care Demand Reserve to meet Social Care pressures</td> <td data-bbox="1082 689 1225 723">(12.86)</td> </tr> <tr> <td data-bbox="220 734 1074 768">Use of Digital Strategy Reserve to fund IT investment</td> <td data-bbox="1082 734 1225 768">(1.17)</td> </tr> <tr> <td data-bbox="220 779 1074 813">Total Net Budget Pressures</td> <td data-bbox="1082 779 1225 813">22.78</td> </tr> </tbody> </table> <p>Numbers are rounded</p>	Key Theme	2021/22 £M	Place Shaping	2.56	Wellbeing	23.27	Communities, Culture & Homes	2.26	Green City	0.79	Successful, Sustainable Business	14.99	Centrally Held Budgets	(7.06)	Total Budget Pressures	36.81	Less:		Use of Social Care Demand Reserve to meet Social Care pressures	(12.86)	Use of Digital Strategy Reserve to fund IT investment	(1.17)	Total Net Budget Pressures	22.78
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51.	<p>Details of the final budget pressures for 2021/22 are included at Annex 1.5. Given the high degree of uncertainty and potential volatility with budget in 2021/22, against the impact of the pandemic, elements of the additional budget provision will not immediately be allocated to front line budgets but held subject to release by the Executive Director for Finance, Commercialisation & S151 Officer. This will apply to high risk areas, and should anticipated pressures not emerge, this would provide scope to redirect funds or hold them corporately against new or unexpected pressures, subject to the normal council governance rules around virement of budgets.</p>																								
52.	<p>Assumptions have been made about which COVID-19 pressures are likely to continue beyond 2021/22 and which are likely to cease in the next financial year for the purposes of the MTFP (Annex 1.1).</p>																								
	<p><u>Savings</u></p>																								
53.	<p>Savings proposals totalling £10.3M for 2021/22, with £6.7M in 2022/23 were published for consultation as part of the budget update to Cabinet in December 2020. Full details can be found in appendix 4 to that report which is available as agenda item 9 at: .Agenda for Cabinet on Tuesday, 15th December, 2020, 4.30 pm Southampton City Council</p>																								
54.	<p>The Council’s approach is to find savings through income generation and efficiencies to help address budget shortfalls, to minimise the impact on front line services. While maximising opportunities to generate income remains a key strand of the Council's strategy, the scope for doing so during a period of economic downturn is reduced, therefore greater emphasis will need to be placed on reducing costs and being innovative with service delivery.</p>																								
55.	<p>Further work has been on-going to refine the savings proposals published in December 2020. Table 3 below gives a summary of the updated position, with details of the final savings proposals included at Annex 1.6.</p>																								

56. Table 3 – Summary of Savings Proposals

Key Theme	2021/22 £M	2022/23 £M
Place Shaping	(2.38)	0.00
Wellbeing	(0.53)	(0.92)
Communities, Culture & Homes	(0.36)	(0.17)
Green City	(0.02)	(0.02)
Successful, Sustainable Business	(4.38)	(3.90)
Centrally Held Budgets	(3.00)	(2.14)
Total Savings	(10.68)	(7.14)

The Council proposed a saving in December, by paying bus companies based on patronage for Concessionary Fares (as per the contractual terms).

At the time, this saving was forecast to be £1M for SCC and would provide bus operators with 75% of pre COVID-19 levels of concessionary fares income. Bus usage has since been badly impacted by the recent lockdown, with passenger numbers much more sharply reduced than expected, further delaying the recovery, which could mean a far lower payment from SCC than forecast.

Whilst still seeking a saving, the Council recognises how the situation has evolved and payments based only on current very low usage would be counter productive to maintaining services and supporting the recovery. We propose to engage constructively with the Bus Operators about reducing the Concessionary Fare Subsidy payment, whilst taking the Government guidance issued in January 2021 into consideration. However, this needs to strike a balance so we can ensure the essential bus network provides sufficient coverage, is in a position to respond positively to the national public transport recovery and is consistent with our green aims, also being fair to those reliant on public transport services including allowing access to essential services such as health.

It should also be noted that the Property Investment Fund saving of £2.75M previously included in the budget for 2020/21 onwards has had to be removed, following a change in the rules to access borrowing from the Public Works Loans Board (PWLB) by the Government.

Other MTFF Amendments57. Inflation

£1.1M has been allocated from the central inflationary pressures budget for 2021/22 for inflation on contracts. No allocation has been made at this stage for 2021/22 pay awards, pending further details on the local government pay settlement, however £0.5M (0.5%) has been allowed for within the budget.

£2.0M has been released from the central inflationary pressures budget as part of the savings proposals outlined above and a further £0.1M to help meet budget pressures.

58. Employer's Pension Costs

The Council's employer contributions to the Local Government Pension Scheme will remain at 18.2% of salary in 2021/22, the same rate as in the current year and as set by the actuary under the triennial valuation. Therefore, there is no additional cost to the Council.

59.	<p><u>Contingency</u></p> <p>£0.6M has been released from the centrally held contingency budget in 2021/22 to help meet budget pressures.</p>														
	<p><u>Balances and Earmarked Reserves</u></p>														
60.	<p>The current General Fund Balance of £10.1M is considered to be appropriate to cover for unforeseen events and financial risks not provided for elsewhere.</p>														
61.	<p>A review of useable reserves has been undertaken as part of the budget planning process and an element of the uncommitted amount has been factored in to the MTFF to help offset the budget shortfall. Earmarked reserves (excluding schools' balances) are projected to reduce from £86.2M at the start of 2020/21 to £37.4M by the end of 2024/25. Further details are provided in section 1.4 of the Medium Term Financial Forecast (Annex 1.1).</p>														
62.	<p>In recognition of the increasing pressures being placed on both Adults and Children Social Care, a demand management reserve was established to cater for the risks faced with these costs. The Social Care Demand Risk Reserve, under these budget proposals, will have a balance of £7.4M by the end of 2024/25, but that is subject to potential further usage. The reserve was applied in the current year to address rising client numbers and costs within Children's services identified through in-year financial monitoring.</p>														
63.	<p>Table 4 sets out the net use of reserves included within the 2021/22 budget proposals. This does not include contributions to or from reserves agreed in previous years.</p>														
64.	<p><u>Table 4 – Use of Reserves</u></p> <table border="1"> <thead> <tr> <th></th> <th>2021/22 £M</th> </tr> </thead> <tbody> <tr> <td>Net use of Social Care Demand Reserve</td> <td>(10.86)</td> </tr> <tr> <td>Use of Digital Strategy Reserve</td> <td>(1.17)</td> </tr> <tr> <td>Use of Medium Term Financial Risk Reserve</td> <td>(6.03)</td> </tr> <tr> <td>Government grant for additional 2020/21 business rates relief carried forward to offset Collection Fund deficit</td> <td>(24.71)</td> </tr> <tr> <td>Government compensation for 2020/21 irrecoverable tax losses carried forward to offset Collection Fund deficit</td> <td>(3.46)</td> </tr> <tr> <td>Net contribution (from) / to reserves</td> <td>(46.23)</td> </tr> </tbody> </table>		2021/22 £M	Net use of Social Care Demand Reserve	(10.86)	Use of Digital Strategy Reserve	(1.17)	Use of Medium Term Financial Risk Reserve	(6.03)	Government grant for additional 2020/21 business rates relief carried forward to offset Collection Fund deficit	(24.71)	Government compensation for 2020/21 irrecoverable tax losses carried forward to offset Collection Fund deficit	(3.46)	Net contribution (from) / to reserves	(46.23)
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Net contribution (from) / to reserves	(46.23)														
65.	<p><u>Capital Asset Management</u></p>														
66.	<p>Capital financing costs are met from the Capital Asset Management budget held centrally within the Council. Further details regarding capital financing assumptions are included in the Treasury Management Strategy and Prudential Limits report to Governance Committee on 15 February 2021.</p> <p>As noted above the Property Investment Fund saving previously included in the budget has been removed. The Capital Asset Management budget has been reduced to reflect the removal of the associated capital financing costs.</p>														
67.	<p>Interest rate forecasts will continue to be monitored and their impact on major projects and the capital programme kept under scrutiny.</p>														
	<p><u>Updated MTFF</u></p>														
68.	<p>Table 5 below summarises the changes since the position for 2021/22 reported to Cabinet in December 2020. Further details of the movements in the budget shortfall since December are provided in Annex 1.7. The new savings identified of £0.42M included in table 5 are anticipated mainly from reduced staff travel and lower office expenses on consumables, arising from the considerable increase in home working, and will have no front line impact.</p>														

69.	<p>Table 5 – Summary of Changes</p> <table border="1"> <thead> <tr> <th></th> <th>2021/22 £M</th> </tr> </thead> <tbody> <tr> <td>Budget Shortfall – December 2020</td> <td>3.97</td> </tr> <tr> <td>New budget pressures</td> <td>2.19</td> </tr> <tr> <td>Changes to budget pressures</td> <td>(5.75)</td> </tr> <tr> <td>New savings proposals</td> <td>(0.42)</td> </tr> <tr> <td>Changes to use of reserves</td> <td>0.53</td> </tr> <tr> <td>Release of centrally held budgets</td> <td>(0.67)</td> </tr> <tr> <td>Changes to grants</td> <td>(0.94)</td> </tr> <tr> <td>Changes to council tax and business rates estimates</td> <td>2.10</td> </tr> <tr> <td>Additional 1% Adult Social Care precept</td> <td>(1.01)</td> </tr> <tr> <td>Amended Budget Shortfall – February 2021</td> <td>0.00</td> </tr> </tbody> </table>		2021/22 £M	Budget Shortfall – December 2020	3.97	New budget pressures	2.19	Changes to budget pressures	(5.75)	New savings proposals	(0.42)	Changes to use of reserves	0.53	Release of centrally held budgets	(0.67)	Changes to grants	(0.94)	Changes to council tax and business rates estimates	2.10	Additional 1% Adult Social Care precept	(1.01)	Amended Budget Shortfall – February 2021	0.00
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70.	<p>The updated position over the period of the MTFF shows a budget shortfall of £26.6M of net expenditure over funding by 2024/25 (the end of the MTFF period) as set out in table 6.</p>																						
71.	<p>Table 6 – Forecast Budget Shortfall</p> <table border="1"> <thead> <tr> <th></th> <th>2021/22 £M</th> <th>2022/23 £M</th> <th>2023/24 £M</th> <th>2024/25 £M</th> </tr> </thead> <tbody> <tr> <td>Net Expenditure</td> <td>173.85</td> <td>212.36</td> <td>220.22</td> <td>225.08</td> </tr> <tr> <td>Funding</td> <td>(173.85)</td> <td>(189.84)</td> <td>(192.91)</td> <td>(198.51)</td> </tr> <tr> <td>Forecast Budget Shortfall</td> <td>0.00</td> <td>22.52</td> <td>27.31</td> <td>26.57</td> </tr> </tbody> </table>		2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	Net Expenditure	173.85	212.36	220.22	225.08	Funding	(173.85)	(189.84)	(192.91)	(198.51)	Forecast Budget Shortfall	0.00	22.52	27.31	26.57		
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72.	<p>The medium term forecast includes the cautious assumption that there will be no further increases in the Adult Social Care precept. Nothing has been included for Government reward for housing growth once the current New Homes Bonus scheme comes to an end and Revenue Support Grant is assumed to be a flat cash allocation pending any changes to the local government finance system. If any of these assumptions are more favourable than anticipated this would reduce the budget shortfall.</p> <p>No allowance has been made for any new use of uncommitted reserves to help offset budget shortfalls in future years, although any such use would be one-off in nature and further action would need to be taken to replace one-off reserves funding with sustainable measures.</p>																						
73.	<p>Annex 1.1(a) to the Medium Term Financial Forecast (Annex 1.1) sets out the 2021/22 budget and projections for 2022/23, 2023/24 and 2024/25 by key themes, centrally held budgets and sources of funding.</p>																						
74.	<p>The Council will continue to keep the MTFF under review, given the high degree of uncertainty surrounding any potential impacts from the ongoing pandemic, Brexit and possible service pressures.</p>																						
<p><u>Local Council Tax Support Grant</u></p>																							
75.	<p>In 2020/21, Government provided £2.6M to the council for Council Tax Hardship Funding, which has been used to provide £150 reduction on council tax bills for those working age residents entitled to claim Local Council Tax Support, but still paying at least £150 normally. On recent take-up numbers, the grant looks to be insufficient.</p> <p>£2.8M of Local Council Tax Support Grant has been provisionally allocated as part of the finance settlement from Government for 2021/22. This is an un-ringfenced grant. The budget for 2021/22 has no proposals on how to apply this funding as yet, given it has only</p>																						

	recently been received and the economic uncertainty means the take-up of any scheme will be uncertain during 2021. Proposals will therefore be brought forward during the year.
<u>ON-GOING BUDGET WORK IN 2021/22</u>	
76.	<p>The budget report to Cabinet on 15 December 2020 noted that “the uncertainty around the council’s finances will persist into 2021/22 and will call for continued adaptability and agility in meeting the financial challenges faced, especially in relation to COVID-19”.</p> <p>The Council’s priorities, corporate processes and budget management will need to adapt to more challenging times with increased financial uncertainty. This will require greater adaptability and flexibility with our finances to ensure a sustainable financial position can be maintained over the longer term. To this end, it is anticipated that the Council will undertake in-year work during 2021/22 to review its budget, the financial pressures faced plus saving opportunities to ensure local services adapt to these challenges faced and provide value for money to our residents.</p>
Annexes	
1.	Medium Term Financial Forecast
2	2021/22 Council Tax Calculation
3	2021/22 Council Tax Collection Fund Estimates
4	Government Grants
5	Budget Pressures and Investments
6	Savings Proposals
7	Movements in Budget Shortfall