

## Report to Cabinet

9 June 2022

By Tony Hogben (Cabinet Member for Finance and Parking)

### DECISION REQUIRED



Not Exempt

**Using the 2021/22 surplus to help support local residents in need, topping up the 2022/23 Transformation Fund, and earmarking an inflation reserve. Plus increases to the Drill Hall and Community Development revenue budgets and Horsham Park skate park capital 2022/23 budgets and utilising the UK Shared Prosperity Funding.**

## Executive Summary

The Council produced a £2.1m operational surplus in 2021/22, in the context of performance recovering from Covid-19 faster than the cautious budget predicted when it was set in lockdown in January 2021. Budgets of £16,345 were carried over to 2022/23 relating to work in Economic Development that will now take place in the first quarter of 2022/23.

The Council received one-off Covid-19 compensation grants from Government for some loss of income and non-ringfenced 'expenditure' grants totalling £1.13m, offsetting the operational budget deficit that was set. The Council's non-operational income from Council tax and these grants meant that a surplus of £2.1m was generated in 2021/22.

This report recommends that £0.3m of the surplus is used in 2022/23 to top up existing discretionary funding schemes that are under pressure from residents struggling with rising costs. The additional funding of these discretionary schemes will help support more people on low incomes and / or the vulnerable, as well as supporting Young People in the district.

The Council is facing significant future costs. Inflation has risen beyond 6%, energy prices are rapidly rising, salary inflation pressures are increasing, an annual cost of £1.3m is estimated for the collection of food waste when it is implemented, and the additional capital spend on decarbonisation could be as high as £30m by the end of the decade. Income in some areas such as parking may not return to pre-Covid-19 levels as customer habits have changed. Implementing a range of actions delivering a better customer journey, efficiency measures, and other income generation areas will help to reduce the forecast budget deficits. This will require further investment in a number of smaller transformational projects.

£0.393m remains unspent in the transformation reserve at 31 March 2022 which will help transform the Council in the future. The report recommends that is topped up by £0.107m effectively funded from the 2021/22 overall budget surplus, giving a total transformation fund reserve of £0.5m in 2022/23.

This report also recommends the Council sets aside £1m of the 2021/22 surplus into an earmarked inflation reserve to help fight the costs of inflation in 2022/23.

The Trustees at the Royal British Legion are reviewing the current condition of the Drill Hall. This review and subsequent agreement of legal terms over the Drill Hall may take a further three to six months. This report requests that the budget for operating the Drill Hall in 2022/23 is extended to 31 December 2022 whilst this work takes place. The net cost for this six-month period is estimated to be £20,000. This will enable the discussions and legal work to continue, and the Drill Hall to remain open during this time.

Following the ongoing conflict in Ukraine, central Government announced two resettlement schemes, the Extended Family Visa Scheme and Homes for Ukraine Sponsorship Scheme to support families to a place of safety in the UK. The Council is working with West Sussex County Council to support the resettlement and community support of Ukrainian families across the Horsham District. Funding in support of this work is currently estimated to be £0.3m, taking place in 2022/23.

Feedback from the consultation of users of the Horsham Park skate park identified a strong desire for higher ramps and an improved plaza area that will make the skate park more accessible to a greater number of users. The improvements come at a cost of £20,000 which require additional capital budget approval.

On 13 April 2022, allocations for the UK Shared Prosperity Fund were announced and more details have since emerged. Councils are strongly encouraged to work with other authorities to agree and commission people and skills activity, or business support activity over a larger scale representative of the full labour market or business base. Horsham has been allocated £1m of funding over three years, starting with £150,000 in 2022/23. A further £20,000 has also been made available to undertake the initial preparatory work including developing the local investment plan for submission in the summer. The funding is aimed at supporting local businesses, Communities and Place and people and skills.

## **Recommendations**

That the Cabinet is recommended to:

- i) Recommend to Council that £0.3m of the 2021/22 surplus is used to further fund existing discretionary schemes in 2022/23 as set out in Appendix A.
- ii) Approve the transfer of £106,499 from the General Fund reserve to the earmarked transformation reserve.
- iii) Delegate to the Chief Executive, in consultation with the Leader and Cabinet Member for Finance and Parking, the authority to use the transformation fund as appropriate.
- iv) Approve the transfer of £1m of the surplus into an earmarked inflation fund, for use in 2022/23 should current price increases cause an overspend.
- v) Recommend to Council to approve an increase in the revenue budget in Leisure services for the Drill Hall of £17,000 income and £37,000 expenditure, which is a net cost increase of £20,000 in the 2022/23 budget.
- vi) Recommend to Council to approve a £300,000 increase in the revenue income and expenditure budgets in Community Development in 2022/23.
- vii) Recommend to Council to add an additional £20,000 to the £0.25m already in the 2022/23 capital programme to help deliver a better skate park in Horsham Park.
- viii) Recommend to Council that £50,000 of income from the UK Shared Prosperity Fund and corresponding expenditure is added to the Economic Development. 2022/23 revenue budget.

- ix) Recommend to Council that £120,000 is added to the 2022/23 capital programme which will be fully funded by the UK Shared Prosperity Fund.

## **Reasons for recommendations**

- i) Additional funding will help those on low incomes and / or are vulnerable as well as supporting Young People.
- ii & iii) To top up of the earmarked transformation reserve for projects that will help transform the Council in the future; effectively funded from the 2021/22 budget surplus.
- iv) Inflation is over 6% and is causing significant price rises, and this, coupled with high salary pressures, is likely to cause a deficit in the 2022/23 outturn.
- v) The budget will enable the Council to continue to operate the Drill Hall through to the end of the calendar year whilst discussions with the Royal British Legion are finalised.
- vi) to help the resettlement and community support of Ukrainian families across the Horsham District
- vii) Feedback from the consultation with users at the Horsham Park skate park requested higher ramps and an improved plaza area that would be more accessible to more users.
- viii) To develop and then help deliver a local investment plan for the UK Shared Prosperity Fund.
- ix) To enable capital investment spending under the UK Shared Prosperity Fund to support local businesses, Communities and Place and people and skills.

**Background papers:** 2022/23 budget and MTFs papers from 27 January 2022 Cabinet meeting and 9 February 2022 Council meeting.  
Extension of Budget for Drill Hall into June 2022 Report to Cabinet on 24 March 2022.

**Wards affected:** All

**Contact:** Dominic Bradley, interim Director of Resources, 01403 215300

## **Background Information**

### **1 Introduction and background**

- 1.1 The cost-of-living crisis is creating pressure on many households in the district who are struggling to pay rising energy and food bills. Those on lower incomes and the vulnerable are particularly affected. Inflation is rising steeply, causing higher costs for both residents and the Council.
- 1.2 The transformation earmarked reserve was set up in 2016/17 to help fund business transformation within the Council. Cabinet transferred £0.5m from the 2015/16 budget surplus and has topped up the fund each year since.
- 1.3 The following amounts have been spent on transformation through the reserve since 2016/17, unlocking opportunities to enable future savings:
  - £387k in 2016/17
  - £518k in 2017/18
  - £239k in 2018/19
  - £123k in 2019/20
  - £111k in 2020/21
  - £107k in 2021/22
- 1.4 £393k remains unspent in the reserve at 31 March 2022 and will be made available in 2022/23.

### **2 Relevant Council policy**

- 2.1 The Council continues to provide the quality, value for money services that people need throughout the 2020s. Continue to manage our finances prudently and identify and deliver business transformation to help balance our budgets as funding from central government reduces.

### **3 Details**

- 3.1 The Council tax increase in 2022-23 of 2.9% will increase the amount of Council tax collected in the year by approximately £0.3m. The report recommends that £0.3m of the surplus from 2021/22 is used in 2022/23 to top up largely existing discretionary schemes further supporting residents on low incomes that are struggling with rising costs and also providing services to help young people. A list of the discretionary funds is set out in Appendix A.
- 3.2 The Council holds a number of earmarked reserves and spends them on the purpose for which they were earmarked. Where the Council receives grants and contributions in year, but does not spend them, Cabinet may transfer the unused portion to earmarked reserves for use in future years. The Council can also choose to move funds from the general fund reserve to earmarked reserves to cover future costs.
- 3.3 The Council is facing significant future costs. Inflation has risen beyond 6%, salary inflation pressures are increasing, an annual cost of £1.3m is estimated for the collection of food waste when it is implemented, and the additional capital spend on decarbonisation could be as high as £30m by the end of the decade. Income in some areas such as parking may not return to pre-Covid-19 levels as customer habits have changed. Implementing a range of actions delivering a better customer journey, efficiency measures, and other income generation areas will help to reduce

the forecast budget deficits. This will require further investment in a number of smaller transformational projects.

- 3.4 Projects to facilitate transformation include areas such as ICT to help unlock further digital change to deliver a restructuring of products and services, changing the way we operate to better serve our customers and preventing re-keying of data. Environmental Health has just completed a move to a new Cloud-based system, to be followed by Building Control and then Planning. The Council is also growing our own staff through development, learning and coaching to encourage cultural change within the organisation. Further understanding of food waste collection and the impact on residents is needed to be able to implement an efficient food waste collection service when the time comes.
- 3.5 This report proposes Cabinet move £0.107m from the General Fund reserve balance to top up the earmarked transformation reserve to £0.5m for this purpose in 2022/23. This will help transform the Council in the future. The schemes upon which this earmarked transformation reserve will be spent will be authorised by the Chief Executive in consultation with the Leader and Cabinet member for Finance and Parking, and then follow normal financial authorisation and budget process procedures. Appendix B contains a snapshot of the transformation fund at 31 March 2022 with anticipated estimated future expenditure.
- 3.6 This report recommends the Council sets aside £1m of the 2021/22 surplus into an earmarked inflation reserve to help fight the costs of inflation in 2022/23. This will only be used in 2022/23 should the Council experience overspends against expenditure, and if unused, will otherwise be returned to the general fund at year-end.
- 3.7 The Trustees at the Royal British Legion are reviewing the current condition of the Drill Hall. This review and subsequent agreement of legal terms over the Drill Hall may take a further three to six months. This report requests that the budget for operating the Drill Hall in 2022/23 is extended to 31 December 2022 whilst this work takes place. The net cost for this six-month period is estimated to be £20,000. This will enable the discussions and legal work to continue, and the Drill Hall to remain open during this time.
- 3.8 Following the ongoing conflict in Ukraine, central Government announced two resettlement schemes, the Extended Family Visa Scheme and Homes for Ukraine Sponsorship Scheme to support families to a place of safety in the UK. The Council is working with West Sussex County Council to support the resettlement and community support of Ukrainian families across the Horsham District. Funding in support of this work is currently estimated to be in the region of £0.3m to be received and spent in 2022/23.
- 3.9 Feedback from the consultation of users of the Horsham Park skate park identified a strong desire for higher ramps and an improved plaza area that will make the skate park more accessible to a greater number of users. The improvements come at a cost of £20,000 which requires additional capital budget approval.
- 3.10 On 13 April 2022, allocations for the UK Shared Prosperity Fund were announced and more details have since emerged. Councils are strongly encouraged to support Communities and Place, agree and commission people and skills activity, or business support activity over a larger scale representative of the full labour market or business base. Horsham has been allocated £1m of funding over three years:
  - 2023/23 £150,000 minimum 10% capital

- 2023/24 £270,000 minimum 13% capital
- 2024/25 £580,000 minimum 20% capital

3.11 A further £20,000 has also been made available to undertake the initial preparatory work including developing the local investment plan for submission in the summer.

## **4 Next steps**

- 4.1 Once approved, the Chief Executive in consultation with the Leader and Cabinet Member for Finance and Parking will consider the appropriate schemes and authorise expenditure from the transformation fund against these schemes as appropriate.
- 4.2 Approval is required from Council for the budgets for the discretionary schemes, the Drill Hall revenue and skate park capital budgets and the UK Shared Prosperity Fund revenue and capital budgets in 2022/23.

## **5 Views of the Policy Development Advisory Group and outcome of consultations**

- 5.1 The Finance and Assets Policy Development Advisory Group discussed the proposals on 7 May 2022. Note that the UK Prosperity Fund and Horsham Park skate park information was identified after 7 May.

## **6 Other courses of action considered but rejected**

- 6.1 Not spending £0.3m on further discretionary measures in 2022/23 would retain this money in reserves for future use, but not help support those on lower incomes at a time when some residents are struggling now.
- 6.2 Not spending on transformation would save the Council up to £0.5m, but would not transform the Council or unlock efficiencies for future years.
- 6.3 The £107k of surplus from 2021/22 would otherwise go into the general reserve and used to fund any deficit that would occur if transformation does not take place at the required rate. This would not be sustainable.
- 6.4 Closing the Drill Hall was rejected, because there are regular users who require hire of the facilities which we do not want to let down. The Council also wishes to pass these regular users over to the new operator of the Drill Hall, which will help with their income, thereby making it more likely to succeed.
- 6.5 Undertaking the expansion of the Horsham Park skate park plaza at a later date was considered, but rejected due to the cost efficiency of undertaking the work at the same time.
- 6.6 Not using the UK Shared Prosperity Fund allocation was rejected as this is likely to bring benefits to both residents and businesses of the district.

## **7 Resource consequences**

- 7.1 The 2021/22 surplus would otherwise be transferred into the general fund reserve. Spending £0.3m further supporting residents in need will reduce the level of reserves available in the future.

- 7.2 Transformational spend from the earmarked reserve will help the delivery of efficiencies and income which will help towards balancing the budget over the medium-term. The transfer of £1m into an earmarked inflation fund will only be used should price and salary pressures cause an overspend in 2022/23. Any significant overspend in these areas will be offset by drawing down against this earmarked reserve.
- 7.3 The estimated revenue impact for continuing to operate the Drill Hall until 31 December 2022 is £17,000 income and £37,000 expenditure, which is a net cost of £20,000 in the 2022/23 budget.
- 7.4 The £0.3m income and expenditure budgets in Community Development will have no overall net effect on the cost of the service to the Council as it will be fully funded, but will impact on officer time and therefore could lead to capacity issues. This will be managed within the service.
- 7.5 The skate park's additional £20,000 capital budget is an 8% increase to the already approved £0.25m capital budget taking the total cost to £270,000.
- 7.6 The UK Shared Prosperity Fund should have nil net impact as expenditure of £170,000 in 2022/23 will be funded from the grant. £120,000 will go into the capital programme with the remaining £50,000 to be spent in revenue helping to devise and deliver the projects. Time spent by officers will be absorbed into current roles although could lead to capacity issues.

## **8 Legal consequences**

- 8.1 There are no legal consequences of this scheme.

## **9 Risk assessment**

- 9.1 Corporate Risk CRR01: Failure to achieve the required level of savings and income in the Medium-Term Financial Strategy.

## **10 Procurement implications**

- 10.1 There are no procurement implications associated with this report.

## **11. Equalities and Human Rights implications / Public Sector Equality Duty**

- 11.1 This report tops up existing discretionary schemes, which already support vulnerable groups and have regard to equalities. The Communities team already works closely with Young People. These schemes will continue to follow existing equalities procedures.
- 11.2 The design of the skate park enables users of all abilities to access the facility. The Sports Development team will also work with under-represented groups to enable increased participation.

## **12 Environmental Implications**

- 12.1 Additional quantities of concrete will be needed for the Horsham Park skatepark development. This will be mitigated by the use of low-carbon concrete mix, which has a footprint of 0.312 tCO<sub>2</sub> eq/m<sup>3</sup>, which is almost a third lower than standard mixes and by using a shallower fill of concrete.

## **13 Other Considerations**

- 13.1 There are no GDPR / Data Protection implications arising from this report.
- 13.2 Outdoor youth facilities can sometimes attract crime and disorder, however the skate park in Horsham Park has a strong history of preventing anti-social behaviour. The proposed changes to the skate park design are also responding to the consultation with the users and therefore should have a strong sense of ownership from the community.





## Appendix A - £0.3m set aside for discretionary support

Area	£	Description
Discretionary Housing Payments support	£90,000	Helping those on benefits. Note Government reduced the pot from £184,450 in 2021/22 to £128,080 in 2022/23, so over half this additional support takes it back to previous levels.
Hardship fund and helping people with debt	£35,000	Similar to DHP, but helping to support households that are not benefit recipients. Fund to be administered by housing team and identified through homeless prevention routes and in partnership with community advice services.
Horsham Matters Fuel cost	£15,000	Provide grant to Horsham Matters to expand their fuel crisis support. Anticipated impact likely to be experienced Autumn/Winter 2022 into 2023.
Additional co-located advice workers in partnership with Citizens Advice (CA)	£60,000	Everyone knows Citizens Advice are the go-to organisation for support but they are over-subscribed. Additional funding could secure a couple of volunteers to become paid members of staff and provide the equivalent of two full time posts. These posts could be co-located in community services to access additional wrap around support more easily.
Mentoring scheme for Young People	£80,000	Expanding the funding from WSCC to provide a scheme that would fit alongside and would be similar to 'Esteem' which offers social, wellbeing, mentoring and volunteering opportunities to young adults across Sussex.
Increase Young People intervention courses	£15,000	Train appropriate staff (wardens for example) to be able to run courses such as understanding teenage behaviour.
Hub for Young People	£1,000	Provide the Health and Wellbeing Centre for one or two afternoons a week as a space for professionals to be and for young people to drop in. Minimal costs to make an area of the space more youth focused and making it available for appropriate staff to access.
Support for staff on lowest grades	£4,000	Supporting the Council's lowest paid workers through means such as subsidising parking charges to help them afford to come to work.
<b>Total</b>	<b>£300,000</b>	

## Appendix B – The Transformation Fund Reserve

Actual spend in 2021/22 and indicative areas of spend in 2022/23:

<b>2021/22</b>		<b>2022/23</b>	
389,336	<i>balance brought forward</i>	393,501	<i>balance brought forward</i>
110,664	<i>In year addition</i>	106,499	<i>In year addition</i>
<b>500,000</b>		<b>500,000</b>	
-19,502	<i>Food waste trial</i>	-12,186	<i>Food waste trial residual</i>
-41,136	<i>Backfill for the digitalisation project</i>	-83,000	<i>Backfill for the digitalisation project</i>
-18,000	<i>Licence and implementation tech costs for the PRS digitalisation project.</i>	-50,000	<i>Licence and implementation tech costs for the PRS digitalisation project.</i>
-13,710	<i>Technical kit for hybrid working in all 2nd floor meeting and Director rooms</i>	-8,000	<i>Carbon audit of a Council building to enable future grant funding</i>
-14,151	<i>Conference room video streaming</i>	-35,000	<i>Creation of large meeting room on second floor of Parkside incl Tech</i>
<b>-106,499</b>	<i>indicative spend in year</i>	<b>-188,186</b>	<i>indicative spend in year</i>
<b>393,501</b>	<i>balance</i>	<b>311,813</b>	<i>balance</i>
			<i>* 2022/23 costs are indicative estimates only.</i>
			<i>Appropriate additional items may be added as required</i>
			<i>via SLT and Leader and Cabinet Member for Finance and Parking approval</i>