Accessible version of Cabinet report about risks and financial pressures - 30 May 2022

This is an adapted report for accessible requirements. This report is from the Cabinet committee meeting on 30 May 2022, to provide Members with an update of the risks to the Council, its Residents and Businesses from the current economic situation.

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Introduction

The national fiscal and economic situation is an important consideration for the Council in setting and managing its revenue and capital budgets. At its Budget Setting Meeting on 22 February 2022, the Council reflected on and recognised the significant financial challenges created as a result of:

- the COVID-19 Pandemic
- the shift in funding from Central Government Grant to local taxation (council tax and retained business rates receipts) and uncertainty on the future funding of local government
- decisions by other organisations, such as Kent County Council, which would impact all district and borough councils across Kent
- increasing service pressures in areas such as homelessness
- restrictions on activity to generate income, in particular the limiting of the Council's ability to make commercial property investments
- future fluctuations in inflation.

In addition, the Council recognised the uncertainty placed on the borough residents, businesses and other stakeholders Central Government Support starts to unwind and the longer-term impacts of COVID-19 became known.

This report is intended to provide an updated assessment to Members on the risks to the council.

Austerity and Local Government core funding pressures

Since 2010, the council has seen significant and sustained cuts to its funding whilst demand on services had risen. Between 2016 and 2019 the council delivered a robust and multi-faceted programme of activity intended to optimise income generation, innovate service delivery of services, and ensure that resources were appropriately focused on the needs of the borough. In February 2020, the council was able to announce that £4.25m of base budget reductions had been reflected in the MTFP and that it had in place a sustainable financial plan for the next 10 years, the period covered by its Medium-Term Financial Plan.

Over a turbulent last two years, the financial pressures on the council have mounted resulting in the latest Medium Term Financial Strategy setting out the need for the council to deliver a further £3m in reductions to its base budget by 2026/27.

The system of funding for local government has significantly changed since 2010, moving from a situation where local authorities were significantly dependent upon Central Government support to one where the Council is becoming increasingly reliant on localised funding sources, principally council tax, and business rates.

Figure 1 shows that in 2010/2011, council funding was made up of 59.2% Central Government Grant and 40.8% Council Tax income.

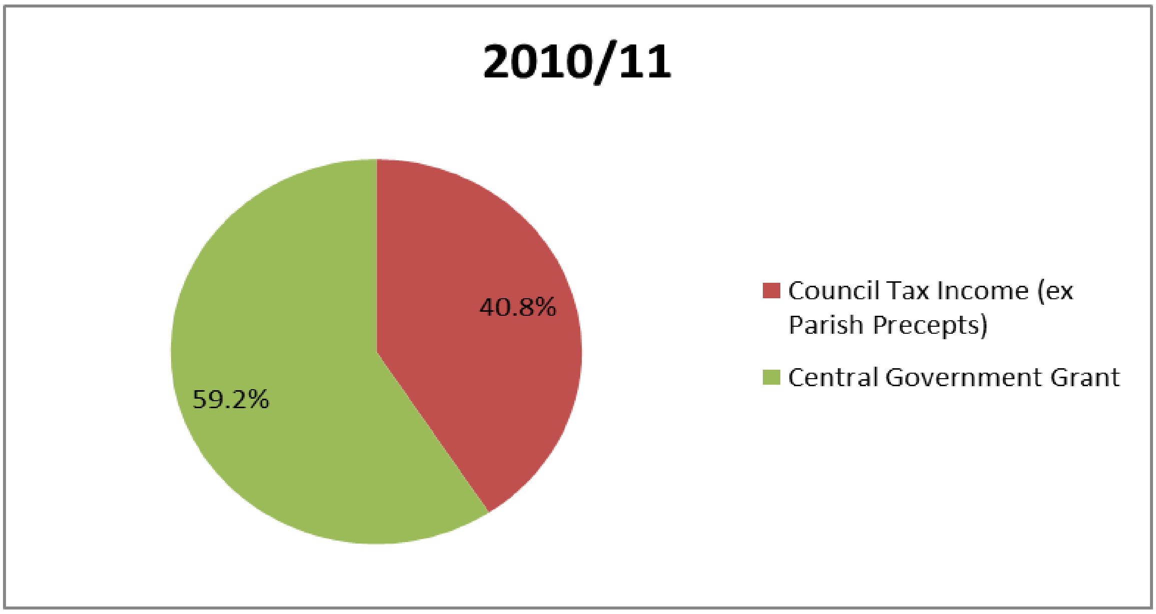


Figure 1 Council funding 2010/11

Figure 2 shows that in 2021/22, Council Tax now makes up 64.7% of council funding, 31.5% from Business Rates incomes, 2.7% New Homes Bonus and 1.1% from Lower Tier Services Grant.

The lower tier services grant is for services such as homelessness, planning, recycling and refuse collection.

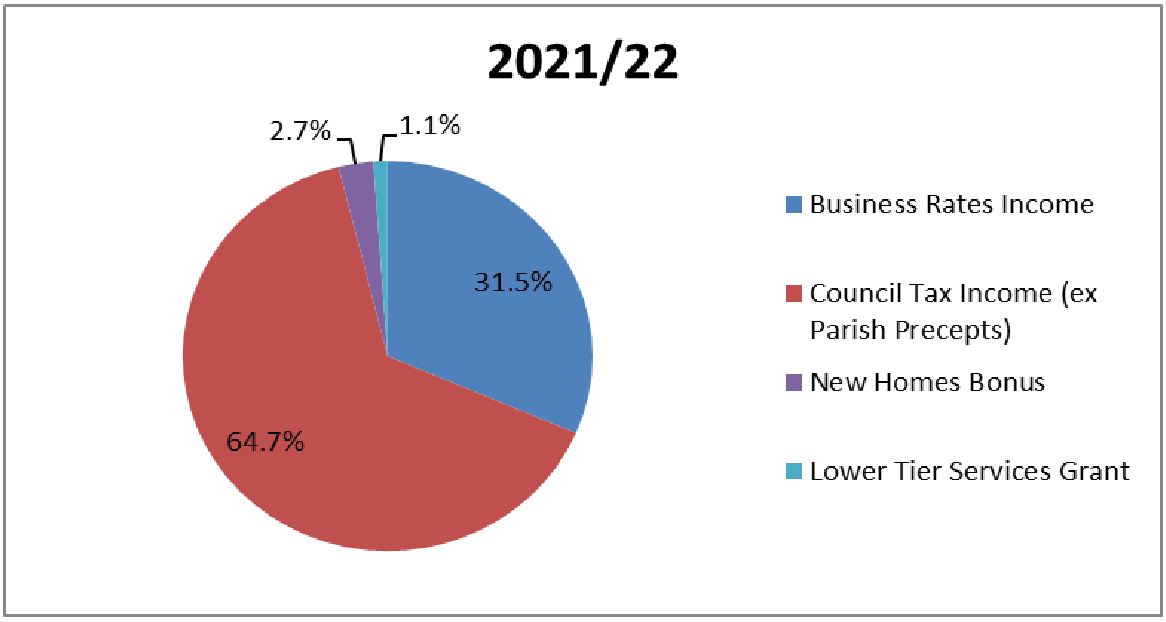


Figure 2 Council funding 2021/22

National Forecasts

Inflation

The Office of Budget Responsibility (OBR) are forecasting inflation to peak at 8.7% at the end of 2022, its highest rate in around 40 years, and above 7% in each quarter from Q2 2022 to Q1 2023. This is a significant upward movement on the peak of 4.4% that was forecast by the OBR in October 2021, as demonstrated in Figure 3.

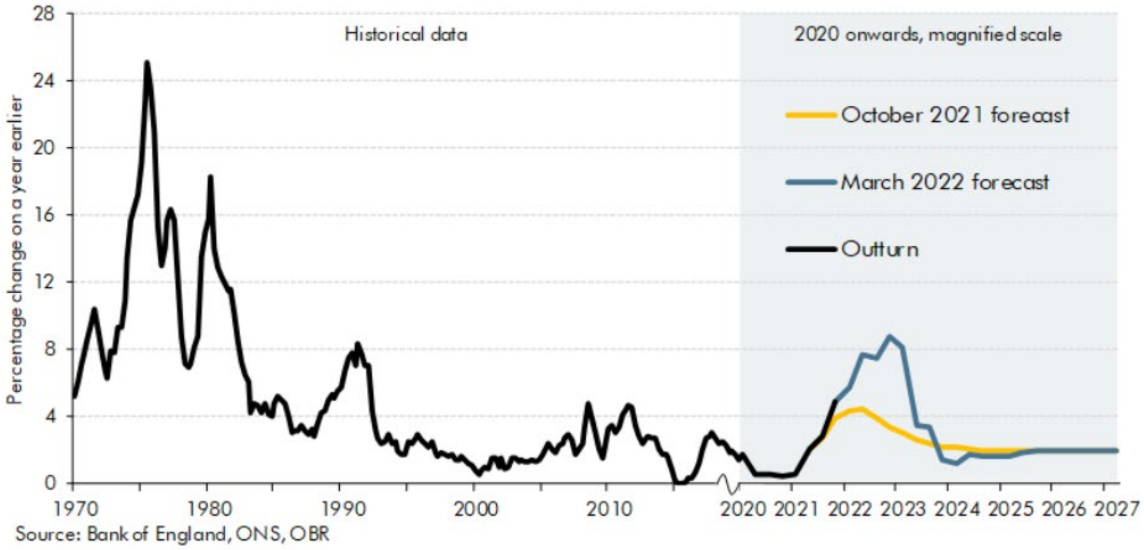


Figure 3 inflation forecast

The OBR also predicts that the economy will grow 1.6% this year, down from their 3.6% October forecast, see table 1.

Table 1 The quarterly GDP growth outlook

	Percentage change on previous quarter											
	2021				2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
October 2021[1]	-1.6	4.8	1.6	1.9	1.2	1.0	0.7	0.7	0.4	0.4	0.3	0.3
March 2022[2]	-1.2	5.6	1.0	1.0	0.5	0.6	0.3	0.2	0.4	0.6	0.6	0.5
Change[3]	**0.4**	**0.8**	**-0.6**	**-0.9**	**-0.7**	**-0.3**	**-0.4**	**-0.4**	**0.0**	**0.2**	**0.3**	**0.2**

[1] Forecast from the third quarter of 2021.
[2] Forecast from the first quarter of 2022.
[3] Changes may not sum due to rounding.

These negative projections, combined with the economic effects of the Russian invasion of Ukraine, will lower the average disposable incomes in the UK (adjusted for inflation) by 2.2% in 2022, according to OBR estimates. See figure 4.

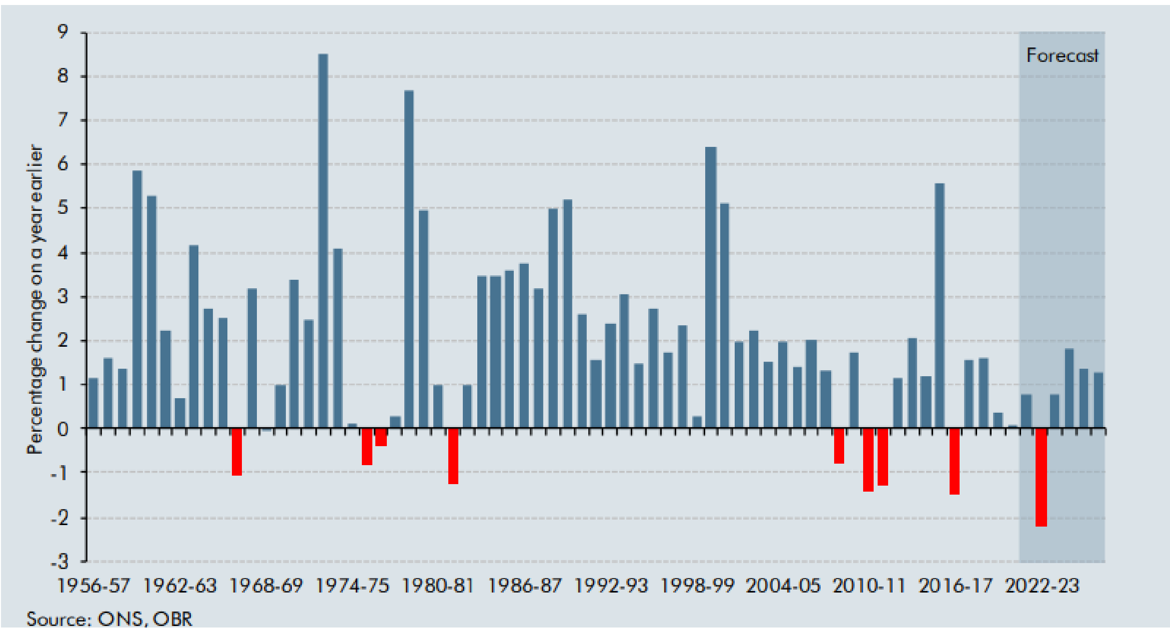


Figure 4 – change in real household disposable income per person since 1956/57

Interest Rates

In May 2022, the Bank of England voted to increase the Bank rate by 0.25 percentage points to 1.00%, the highest level in 13 years and warned that the cost-of-living crisis could push the economy into recession this year. Further movements in Bank rate are likely to be targeted to manage domestic inflation pressures (such as the pace of wage increases) rather than the transient, shorter-term impacts caused by oil and gas prices.

The Bank expects inflation, which currently stands at 7%, to hit 10.25% by the end of the year, far exceeding its 2% target and beyond the projections of the OBR in March 2022.

The Council's treasury management consultants, Link, issued an updated interest rate forecast on 10 May 2022 in which they stated an expectation that the Monetary Policy Committee (MPC) would look to increase bank base rate at pace during 2022/23 to keep inflation in check. Link's forecast includes an assumption which would see bank base rate increase by a further 0.25% in June and again in each of the three subsequent quarters, peaking at 2.00% in March 2023. This is some 0.75% higher than Link's interest rate forecast in February 2022. Link are currently indicating that it is not thought that the MPC would increase bank rate above 2.00%.

Unemployment

Figures reported by the Office for National Statistics report that national unemployment levels fell to 3.8% in the three months to February 2022. Analytics produced by Kent County Council set out that as of March 2022, the unemployment rate in Kent was 3.8%, albeit the unemployment rate in Gravesham, at 4.7%, was higher than both the county and national averages. Youth unemployment in Kent (those aged 18-24) remains slightly above the national average at 5.3% with the youth unemployment rate for Gravesham reported to be 7.2%.

Nationally, there has been a reduction in the labour market due to older workers choosing to retire during the Coronavirus pandemic or because individuals are looking after family or home, or long-term sick. The number of job vacancies in January to March 2022 rose to a new record of 1,288,000. However, the rate of growth in vacancies continued to slow down. Over the quarter the largest increase in vacancies was observed in human health and social work.

Pay from Employment

Growth in average total pay (including bonuses) was 5.4% and growth in regular pay (excluding bonuses) was 4.0% in December 2021 to February 2022. In real terms (adjusted for inflation), growth in total pay was 0.4% and regular pay fell by 1.0%. Some of this effect, however, will be due to comparing the latest period with a period where certain sectors had increasing numbers of employees on furlough due to the Winter 2020 lockdown.

Workplace pay in Gravesham is higher than resident pay in contrast to other parts of the Southeast which are dependent on commuting to better paid jobs within the London labour market. This indicates that large numbers of people commute out of Gravesham to relatively modest salaries and in the current economic climate suggests a downward pressure on disposable income given the costs of commuting.

Welfare Benefits

Figures reported by the Department for Work and Pensions indicate that the total number of people claiming Universal Credit in the borough was 10,054 in March 2022 (incorporating those not in employment and those in employment).

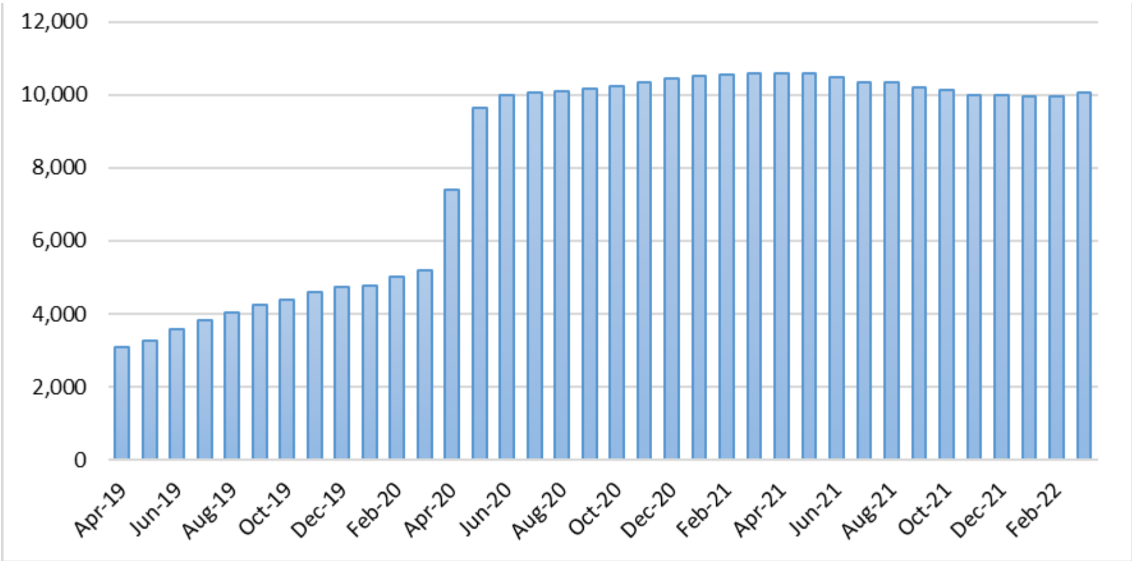
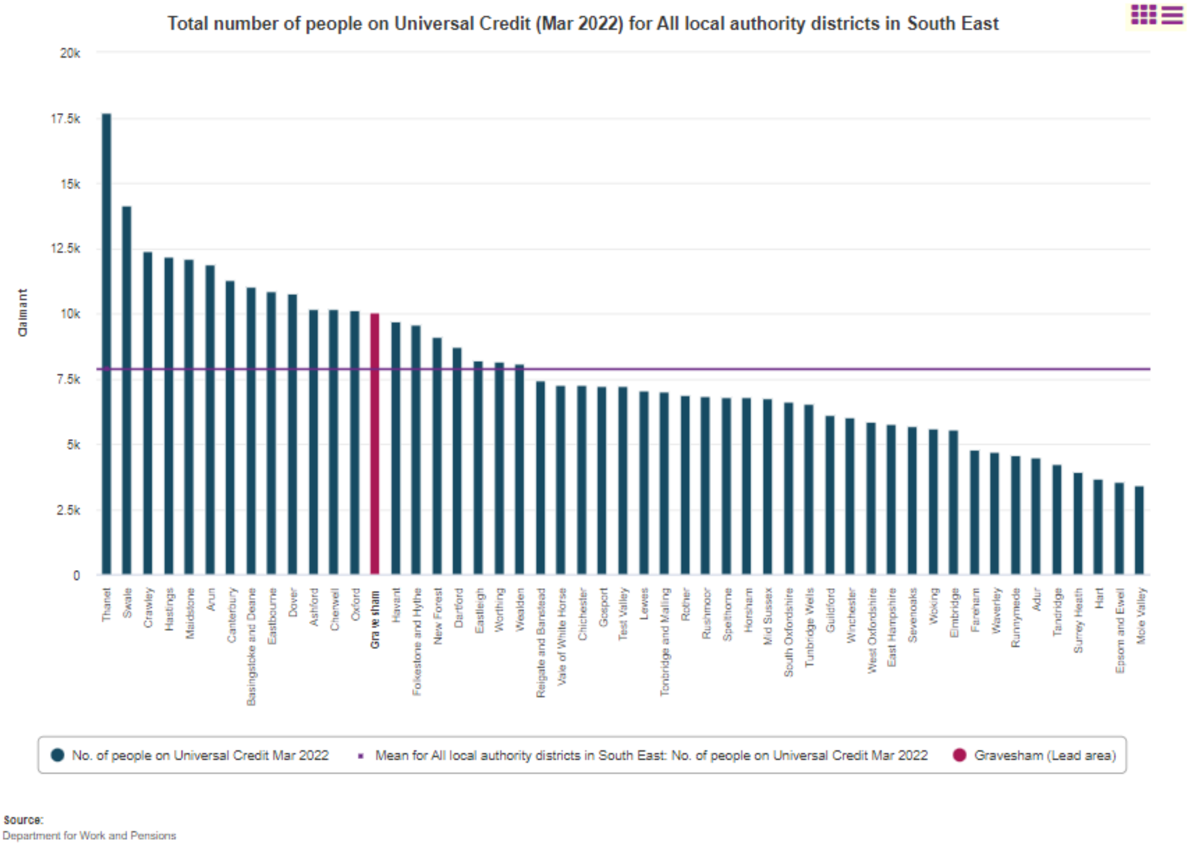
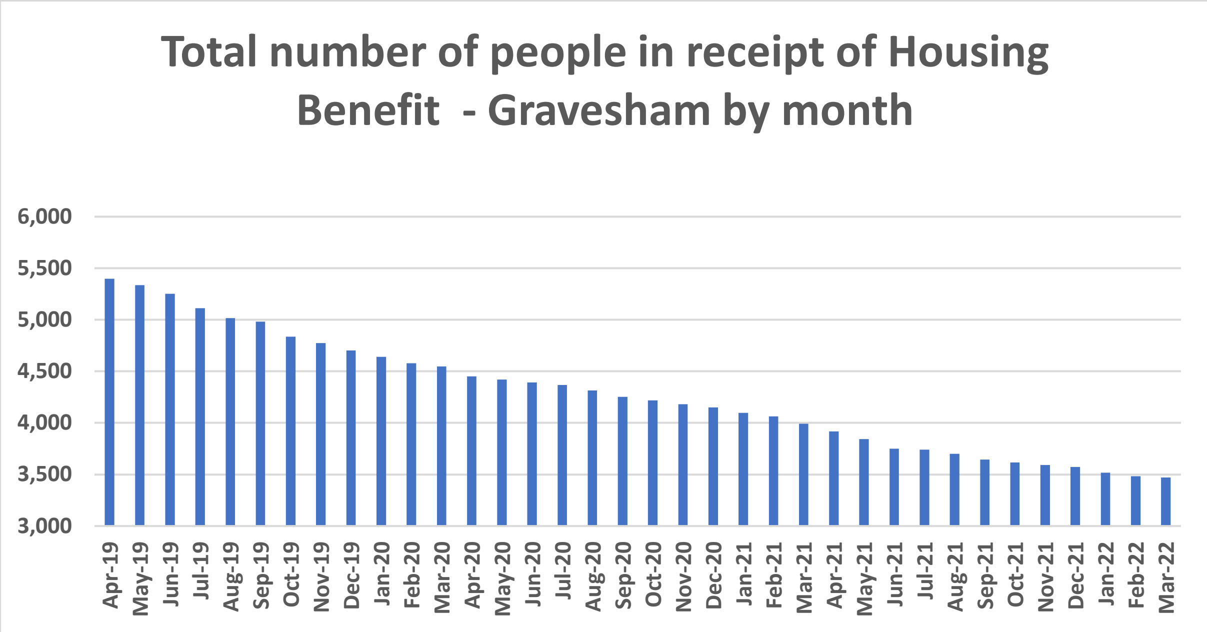


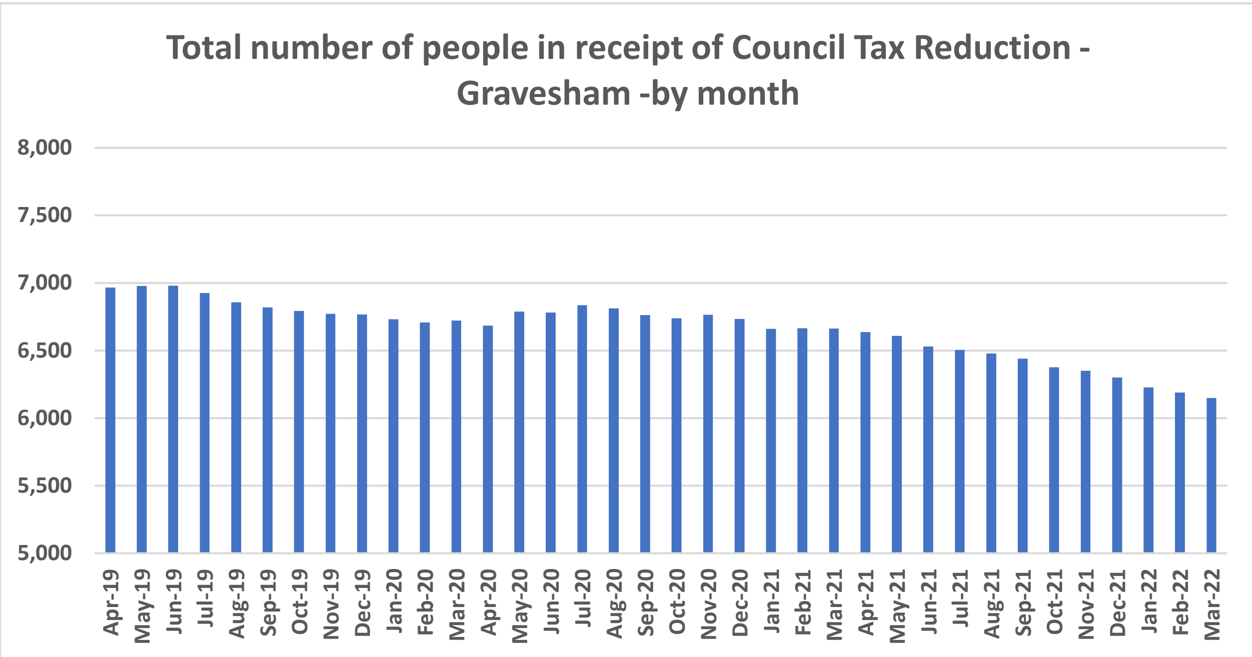
Figure 5 - total number of people on universal credit in Gravesham by month



The number of people in receipt of Housing Benefit continues to be on a downward trend as the vast majority of new claims in respect of housing costs must be through the Universal Credit system administered by the Department for Work and Pensions. The council now only deals with new claims from claimants who have reached State Pension age or those of a more complex type of claims where the claimant is in supported, sheltered or temporary housing. There were 3,471 Housing Benefit claims in the borough in March 2022.



The number of people in receipt of Council Tax Reduction scheme also continues to be on a downward trend. However, it is anticipated that the number of cases will begin level off or increase as changes to a banded discount scheme from April 2022 begin to take effect. The main change is that a claim for Universal Credit will now be accepted as a claim for Council Tax Reduction. There were 6,148 live Housing Benefit claims in the borough in March 2022.



Energy Price Cap

The energy price cap is the maximum amount that energy suppliers are allowed to charge per kWh of gas and electricity (unit rate) per year to domestic energy customers on standard variable rate energy tariffs. The cap is updated twice a year and tracks wholesale energy and other costs.

In April 2022, the energy price cap increased by £693, from £1,277 to £1,971 (difference due to rounding), due to the record rise in global gas prices over the previous 6 months. Indications are that the October update could see the cap rise significantly further (the latest OBR forecasts suggest 40%), based on current wholesale gas prices.

Food Pricing

Higher global food prices are part of a wider trend of cost-of-living increases which has been exacerbated more recently by events in Eastern Europe, given both Ukraine and Russia's significance as producers of cereals (corn and wheat) and sunflower oil. Shortages of such materials will affect availability and, ultimately, the supply chain of goods reliant on these materials, as well as pushing up prices of alternative goods in the market.

Within the UK, this comes on top of rising inflation, upward pressures on fuel costs and supply-chain disruption and greater food insecurity driven by reduced exports. These factors all contribute to increases to the weekly shopping bills of all households. Food and non-alcoholic drink inflation is currently at its highest level since June 2011, with April's prices rising 6.7% year on year, up from 5.9% in March.

Spring Statement

The Chancellor of the Exchequer's Spring Statement outlined several measures intended to respond to the increasing financial pressure on the cost of living for households:

- A 5p cut per litre in petrol duty for one year
- A £3,000 increase in the income threshold after which National Insurance duty is payable
- A 1% reduction in the basic rate of income tax starting in 2024
- An extension to the Household Support Fund administered by upper tier authorities, providing £500m to support vulnerable households with rising living costs
- No VAT for households on the installation of energy efficiency materials such as solar panels, heat pumps, or insulation for five years.

Further to these measures and following the announcement of the April energy price cap, the Chancellor outlined a further package of support to help households with rising energy bills, worth £9.1 billion in 2022/2023. This includes:

- A £200 discount on their energy bill this autumn for domestic electricity customers in Great Britain, to be paid back automatically over the next 5 years
- A £150 payment for households in England in council tax bands A – D, known as the Council Tax Rebate
- £144 million of discretionary funding for billing authorities to support households who are in need but are not eligible for the Council Tax Rebate, known as the Discretionary Fund.

Council - Emerging Financial Pressures

On 27 October 2021, the Autumn Budget and Spending Review 2021 announced that public sector workers would receive "fair and affordable" pay rises across the 2022/23 to 2024/25 Spending Review period.

Having agreed a 1.75% pay increase for public sector workers at the beginning of March 2022 for 2021-22, Unions have already set out their intention to focus on achieving a more substantial, inflation-busting pay rise for 2022/23. Most council's, including Gravesham, have budgeted 2% for pay increases, whilst also budgeting for the 1.25% increase in National Insurance Contributions that became effective from April 2022.

Energy Costs

The energy market has had a challenging few years, with global market prices affected by increased demand from for energy from China, Asia, and Europe post-Covid and an extended, colder winter period in 2020/21. In addition, there has been a number of energy suppliers fail forcing households to switch to a smaller number of suppliers who have a greater proportion of the market share, limiting competition. More recently, sanctions placed on Russia have increased pressure on pricing of both oil and UK wholesale gas. The UK sources only around 5% of its gas usage and about 10% of its oil consumption from Russia and, therefore, is unlikely that sanctions around energy imports from Russia will lead to oil or gas shortages in the UK. The impact will be felt through higher commodity prices for longer.

The General Fund expends some £350,000 annually heating and lighting its administrative buildings, other operational buildings, and street lighting. The HRA budget for 2022/23 includes a provision of £216,570 for electricity and gas for heating and lighting in communal areas in HRA properties.

Supply is procured through LASER energy with prices currently fixed until October 2022, so the impact of cost increases on unit price per kilowatt hour is likely to be felt in the second half of the financial year.

The council is already receiving requests from third party providers to invoke contractual clauses regarding energy cost increases.

Fuel Costs

The council operates over 120 vehicles in delivering services to the residents of the borough, with the fleet increasing over recent years and including 18 refuse collection vehicles and 97 small to medium vans. Fuel for vehicles is purchased at volume and stored at the Brookvale Depot site. Prices per litre have increased significantly over the last two years, from £0.88 per litre in March 2020, to £0.97 in March 2021 and £1.37 in March 2022.

The total council budget in 2022/2023 for fuel costs is £303,260, and early projections are that the 2022/23 outturn could potentially be in the region of £490,000 based on current pricing.

Supply chain and capital contracts

The council has already experienced impacts of orders for works and services and the delays in the delivery of capital projects, including disruption to supply chains and availability of materials. There is also the potential for the council to experience a reduction in suppliers for opportunities advertised.

Inflation

The likely impact of inflation has increased the risks facing the council in terms of delivering against the financial budget for 2022/23, as well as managing the effect of increased costs in future years.

Analysis indicates that across the General Fund and HRA, the council spends some £36m on supplies and works contracts each year. The approximate split is £22m on HRA and £14m on the General Fund.

The 2022/23 General Fund budget includes a general £250,000 provision for price increases due to inflation, which is uplifted by 2% annually over the life of the Medium-Term Financial Plan. Activity will be taking place over the next few months to assess the sufficiency of this provision to meet potential increases in costs of contracts, energy, and fuel.

Unlike the General Fund, the HRA does not include a specific inflation budget. However, when modelling future costs within the HRA, the 30-year HRA Business Plan does inflate costs in order to forecast the impact in future years. Different inflationary increase can be applied to each area of spend whichever is considered to be most appropriate. Previous inflationary increases considered within the Business Plan have, however, been modest in comparison to the levels currently being experienced.

During 2021/22 the impact of rising inflation, shortage of materials and cost of contractors began to become increasingly evident. Officers within Housing are anticipating repairs and service costs to increase by 7%, with a forecast that some prices in relation to void properties may increase by as much as 10%. Prices incurred in relation to the delivery of the capital programme are also expected to increase between 7% and 10%. In order to stay within the budget agreed by Full Council, it will be necessary to reduce the works undertaken within programmes accordingly.

Pension Costs

Long-term assumptions around inflation may impact on the outcomes of the forthcoming triennial actuarial review of the Local Government Pension Scheme which is due to take place during 2022/23 and the recommended levels at which future employer pension contribution rates should be set. Inflation is one of the factors the actuary will consider in assessing the solvency of the fund and how future employer pension contribution rates should be set, therefore it is possible that any impact may be offset by assumptions around mortality rates, asset returns etc.

Investment

Link's interest rate forecast includes the view that the current market volatility will see gilt yields and Public Works Loan Board (PWLB) rates to rise only moderately as a market expectation of rate increases are already priced in. The table below shows a comparison of current PWLB rates compared to the expected level as at the end of Q2 2022/23.

PWLB Debt	Rates as at 10/5/22	Target borrowing rate (end of Q2 2022)
5 year	2.39%	2.50%
10 year	2.74%	2.80%
25 year	3.00%	3.00%
50 year	2.72%	2.70%

Link's long-term view (beyond 10 years) is that the forecast for bank rate is 2.00%. Given nearly all PWLB certainty rates are now above this level, the Council's borrowing strategies will need to be reviewed in that context, especially as the maturity curve has flattened out considerably. Better value can be obtained at the shorter end of the curve. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

The Treasury Management Strategy Statement for 2022/23 (TMSS) details a borrowing requirement of £71.502m in 22/23, £55.481m in 23/24 and £6.703m in 24/25. During the budget setting process, assumptions were made that the rates that borrowing could be secured at would be increasing over this period. However, based on the increasing target rates identified in the table above, it is likely that interest costs will be higher than have currently been budgeted albeit it is difficult to quantify the impact at this stage given their number of variables in play. Advice will continue to be sourced from Link to ensure that the Council maintains a balanced debt portfolio and manages the risk of rate changes accordingly.

The rising bank rate is likely to have a positive impact on investments. Link's updated interest rate forecast includes updated suggested budgeted earning for investments. These revised rates are detailed in the table below compared to the equivalent figures included in the Treasury Management Strategy Statement (TMSS) for 2022/23.

Average Earning in year	Now	TMSS 2022/23
2022/23	1.60%	0.50%

2023/24	2.00%	0.75%
2024/25	1.70%	1.00%
2025/26	1.70%	1.25%
Later Years	2.00%	2.00%

The Council does not benefit immediately from the increasing interest rate. Benefits can start to be realised as existing investments mature and deposits can then be reinvested at a higher rate.

A significant element of the Council's investment income is generated from dividend payments on monies invested in three property and three multi asset funds. The dividends generated on these investments are not wholly linked to the bank rate and therefore the return on these funds are anticipated to remain relatively static over the coming years. In addition, the Council's surplus cash balances available for investment are forecast to reduce over the coming years as reserves are utilised to support ongoing revenue and capital expenditure in the coming years.

The MTFP already includes an assumption that investment income will increase over the next few years, increasing from £814k in 22/23 to £892k in 23/24. Again, given the number of variables it is difficult to quantify the impact of the rising interest rates on the Council's investment income and whether it will be higher than the amounts already included in the MTFP.

Fees and Charges Income and Collection Rates

Assumptions around recovery of income streams following the COVID pandemic were built into the approved budget for 2022/23. With the increasing pressures on the cost of living, there is a risk that behaviours and habits change as disposable income and potential secondary spend is impacted.

It should be noted that there are no assumptions within the current MTFP on inflationary increases of fees and charges for services provided by the council. Fees and charges are reviewed annually by Directors and Assistant Directors under delegated powers. Due consideration will need to be given as part of the review of 2023/24 fees and charges as to the need to increase fees and charges to reflect increased costs of the council.

The table below shows that collection rates have held up well during the pandemic. It should be noted that the figures below represent the in-year collection rate, and that collection continues beyond the year the debt is initially raised in.

	Council Tax	**Non-Domestic Rates**	**Sundry Debtors**
2018-2019	96.5%	98.3%	88%
2019-2020	96.9%	99.1%	86%
2020-2021	94.5%	96.5%	82%
2021-2022	95.5%	96.1%	87%

Future of Local Government Funding

Central Government continues to consider how Local Government should be funded over the longer term. The settlement for 2022/23 was a single year settlement and included ‘temporary’ allocations for Lower Tier Service Grant and Services Grant in lieu of the Fair Funding Review and a longer-term funding package for Local Government.

As the time of the Provisional Local Government Finance Settlement announcements in December 2021, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC), the Rt. Hon. Michael Gove MP stated:

“Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.”

There is still no confirmed published timetable for the programme of work referenced in the quotation above, nor the Fair Funding Review and Business Rates Reset.

Emerging Service Pressures

Officers have identified the following areas where there is anticipated to be an increase in demand for council services, which could also generate financial pressures on the council’s budget:

- Housing advice and support and households presenting as homeless
- Applications for the Council Tax Reduction Scheme
- Applications for additional support to meet housing costs and council tax liability (Discretionary Housing Payments, Financial Support Payment Scheme)
- Enforcement action required due to individuals and businesses seeking ways to reduce spend – trading standards, food standards, fly tipping etc.
- Increased credit control activity - potential for increased accounts requiring advice and assistance with payments, defaulting or recovery action, compounded by a lack of available court time.
- Increased requests for support from the third party/voluntary sector/food banks /charitable organisations.
- Increased risk of fraud from failure to report changes and false applications for CTRS, CTAX or business rate discounts/exemptions.
- Challenges to staff recruitment and retention - potential for more attractive employment opportunities based on salary, location, flexible working arrangements.
- Heightened threat of cyber-attack – financial and operation impact of an attack and recovery.
- New responsibilities - Increased burdens due to central government programmes to be delivered by local authorities e.g., Council Tax Rebate and Discretionary Fund and Homes for Ukraine Scheme.

Support for the community

The council has always been responsive to the needs of its communities and are already well placed to support its residents and businesses through these challenging times. By way of context, provided at Appendix One to this report are three short case studies reflecting circumstances being experienced by some households at this current time.

The Corporate Debt Strategy has been in place since May 2019 with the purpose of assisting some of the Borough’s most vulnerable customers address their debts across the council’s services. The council aims to understand its customers’ circumstances and ability to pay to distinguish between a customer who won’t pay and a customer who can’t pay. The council uses every opportunity to engage with the customer to allow them to pay, including the development of a tailored instalment plan if required.

As part of the council's Corporate Debt approach, council departments actively work together to assist residents with debts owed to the council to review and consolidate their payments to the council and prioritise payment to primary debts first. Council departments will also work together to refer and signpost residents to financial support offered by the council, including Discretionary Housing Payments and the Homelessness Prevention Fund.

During the second half of 2021/22, the council also assisted Kent County Council in the distribution of the Household Support Fund, a government-funded scheme intended to provide vulnerable households across the country with financial support to help meet essential daily needs such as food, clothing, and utilities over the winter. The government has announced a further tranche of funding for the period April to September 2022, and indications are that Gravesham will receive a further allocation of funds from Kent County Council to provide further support to local households in need.

In addition, council departments are working hard to support tenants and residents through utilising partnerships to provide the much-needed advice and support. By way of example, the Housing Income Team work closely with local charities and organisations, providing advice regarding local foodbanks and support services and are able to refer tenants directly to the Money Advice Network for financial advice and support.

The Housing department are also working alongside bodies such as the Kent Energy Efficiency Partnership (KEEP), the Kent and Medway Sustainable Energy Partnership and the Greater South-East Energy Hub to co-ordinate a range of initiatives to help all households reduce energy requirements and improve the energy efficiency of their homes as a means of addressing fuel poverty and cutting CO2 emissions.

The Council Tax Reduction (CTR) scheme for working age claimants was changed from 1 April 2022 to a banded income scheme. This strategic change had the following aims: -

- To make the scheme easier for claimants and potential claimants to access. Any claim for Universal Credit automatically being a claim for CTR
- To provide greater stability to those in receipt of CTR by the introduction of a simplified income 'grid' scheme based on household composition with the level of discount based on total 'net' income of the claimant and any partner.
- To provide additional protection to claimants including disregarding £25 per week of earnings; and disregarding specific income such as Personal Independence Payments or Disability Living Allowance with a further £40 disregard of £40 per week in specific circumstances.
- To make the scheme more transparent and easier for claimants to understand
- To protect claimants from financial crisis by proactively identifying, engaging with and ultimately assisting and supporting residents who are vulnerable and/or in financial crisis because of these changes

The Low-Income Family Tracker (LIFT) project was implemented last year and brings together the monthly administrative datasets of the council, allowing analysis and identification of target households for various via one accessible system. There have been a number of successful campaigns already completed, including: -

- Contact being made with 270 households who may be entitled to Pension Credit but had not claimed; 45 households went on to successfully claimed Pension Credit equivalent to a total of £232,336 or £5,163 per household per annum.
- 95 households who met food, financial and energy poverty triggers being identified, and each household paid £320 (total £30,400) from the council's Household Support Fund allocation by Kent County Council.

Future uses of the LIFT product include identifying the total poverty gap within the borough to support lobbying of government for specific additional funding; use of debt segmentation reports to proactively identify and support households in financial crisis; and identification of households who may be financially assisted to ensure digital inclusion.

The council continues to lead by example and offer work experience, apprenticeships and career development opportunities within its own services and staffing structure.

The Summer intake of the council's work experience offer will see around twenty school students in Academic years 12 and 13 within the Borough join council services for a period of one or two weeks.

The council currently has thirteen apprentices in post, with advertisements currently out to recruit a further five. Apprentices are supported by the council's Employability Coordinator to obtain a qualification and source permanent employment on completion of their apprenticeship. Over the last five years 80.6% of apprentices employed by the Council have secured permanent employment on completion of their apprenticeship, 52.2% within the Council and 28.4% externally.

A number of Career Graded and Trainee posts have been established over the years within areas where recruitment has proved challenging, including Information Technology, Planning, Revenues & Benefits, Committee Services, Environmental Health, and Housing. The council also actively explores creating Career Graded or Trainee posts as and when positions become vacant and encourages career progression paths and training opportunities within its current staffing structure.

The council also took part in the Kickstart Scheme, offering 6-month placements to 34 individuals across various council departments. The Scheme was introduced to provide paid work experience to long term unemployed young people aged between 16 and 24. Three placements have been recruited within the Council on permanent contracts and a further two are currently working on casual contracts.

The Council's experience with some of the work placements under the Kickstart Scheme indicates that additional support is required to enable individuals to be better prepared for the workplace. The Scheme was. Ongoing discussions between the Council, DWP and other partners is seeking to respond to that need. The UK Shared Prosperity Fund identifies People and Skills as one of three investment priorities with scope to address the local need for additional employability support activity. Interventions, together with those to meet local skills needs, including basic and numeracy skills (via Multiply) are being discussed to see if they can be included within the Investment Plan required by the Fund. The Council has also supported an extension of skills training within the construction sector.

The Council's Economic Stimulus Package, agreed by the Council for 2021/22, most recently paid out grants to businesses to help them adapt in the current economic climate. Steps have been taken to extend support into 2022/23 to help businesses take steps towards Net Zero and to enhance their procurement skills. Consideration will be given to further actions under the UK Shared Prosperity Fund's Local Business Support investment priority, subject to identifying local need. Steps are being taken to communicate the availability of the wide range of help and advice that the Council and its partners can give to its residents and businesses, especially to those who have not experienced hardship or payment difficulties previously.

Action and Monitoring

The Medium-Term Financial Strategy includes the objective to ensure that the council remains resilient for the longer term. In recent years, the council has sought to strengthen its financial sustainability through its Balancing the Budget Initiatives, delivering on these initiatives within the council's self-imposed timescale. In February 2022, the council adopted a new five-year medium Term Financial Strategy, which set out the need to deliver £3m of initiatives within the General Fund by 2026-27 to ensure that it would continue to have a robust and stable financial basis on which to deliver quality council services. The same principles are to be applied to the Housing Revenue Account.

The Reserves Policy is an important element of the council's financial governance arrangements. The council maintains a principal of holding a minimum of £5.25m in General Fund Working Balances, £3m in HRA Working Balances. The council has also adopted earmarked reserves intended to bolster its financial resilience and provide for specific areas of expenditure commitment or limit future risk exposure.

The council's financial strategy means that there are currently sufficient funds available to meet the short-term risks of rising inflation. It is important to note, however, that any use of general reserves above the minimum working balance levels to support higher spending in 2022-23 would impact on funds available to meet future years spending projections and increase the emerging budget gap within the Medium-Term Financial Plan. It is more essential than ever that robust budget monitoring is undertaken by budget managers to ensure that where possible, increases in spend are retained within budgeted amounts and where this is not possible, other action is taken to contain spending.

The Council's regular budget monitoring and reporting will include specific information on the financial risk highlighted in this report, as more information is known.

Background Documents

The following background documents were used:

- Economic and fiscal outlook - March 2022 - Office for Budget Responsibility (obr.uk)
- Unemployment - Office for National Statistics (ons.gov.uk)
- Stat explorer for Department of Working Pension's statistics
- LG Inform
- Nimblefins report about the average uk household costs of food
- Ofgem publication about the price cap increase

Key implications

Finance and Value for Money

The potential financial implications are set out in the main body of the report.

Legal

Not applicable – report is for information only.

Corporate Plan

Not applicable – report is for information only.

Climate Change

Not applicable – report is for information only.

Secondary implications

Risk assessment

The risks and opportunities associated with the current economic situation are set out within the main body of the report.

Data Protection Impact Assessment

Not applicable

Equality Impact Assessment

Not applicable

Crime and Disorder

There are no direct crime and disorder implications arising from this report.

Digital and website implications

The Council's website and other digital communication channels will be of increased importance in supporting communities in the current economic situation.

Safeguarding children and vulnerable adults

There are no direct safeguarding implications arising from this report.