Bath & North East Somerset Council		
MEETING:	**Cabinet**	
MEETING DATE:	**6th February 2019**	EXECUTIVE FORWARD PLAN REFERENCE: E3106
TITLE:	**Budget and Council Tax 2019/20 and Financial Outlook**	
WARD:	All	
AN OPEN PUBLIC ITEM		

List of attachments to this report

Annex 1: Revenue Budget 2019/20 – individual service cash limits
Annex 2: 2019/20 to 2020/21 Budget Savings & Income Generation Proposals
Annex 3: Equalities Impact Assessment of 2019/20 to 2020/21 Savings Proposals
Annex 4: Efficiency Strategy
Annex 5: Draft Capital Programme 2019/20 to 2023/24
Annex 5 (i) New and Emerging Capital Schemes
Annex 5 (ii): Highways Maintenance Programme
Annex 5 (iii): Transport Improvement Programme
Annex 5 (iv): Corporate Estate Planned Maintenance Programme
Annex 5 (v): Community Infrastructure Levy (CIL) Allocations
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1. THE ISSUE

This report presents the revenue and capital budgets for 2019/20 together with proposals for Council Tax and Adult Social Care Precept for 2019/20.

2. RECOMMENDATIONS

2.1 The Cabinet recommends Council approves:-

a) The General Fund net revenue budget for 2019/20 of **£113.10m** and the individual service cash limits for 2019/20 as outlined in Annex 1.

b) The savings and income generation plans outlined in Annex 2 in conjunction with the Equalities Impact Assessment Report in Annex 3 and thereby agrees to implement the Council's draft Organisational Plan which has been presented to each of the relevant PDS Panels.

c) To help protect front line services and meet additional pressures in Children's Services, the budget includes a recommendation that Council Tax is increased by 2.95% in 2019/20 (an increase of £39.76 per Band D).

d) An increase of 1% to Council Tax for the Adult Social Care Precept is approved in recognition of the current demands and financial pressures on this service. This is equivalent to an increase of £13.47 on a Band D property.

e) The adequacy of Un-earmarked Reserves at £12.2m within a risk assessed range requirement of £11.9m - £13.1m.

f) The Efficiency Strategy attached at Annex 4.

g) The Capital Programme for 2019/20 of £78.591m including new and emerging capital bids outlined in Annex 5(i), planned sources of funding in 5.7.2, and notes the programme for 2020/21 to 2023/24 and that any wholly funded projects coming forward during the year will be added to the Capital Programme in line with the Budget Management Scheme.

h) The delegation of implementation, subject to consultation where appropriate, of the capital programmes set out in Annex 5(ii) to Annex 5(iv) to the relevant Director in Consultation with the appropriate Portfolio Holder.

i) The Community Infrastructure Levy (CIL) allocations and amendments outlined in Annex 5(v) and the addition of Alternative Education Provision to the Regulation 123 list.

j) The Capital & Investment Strategy attached at Annex 6.

k) The MRP Policy attached at Annex 7.

l) The Capital Prudential Indicators outlined in 5.7.8

m) The Annual Pay Policy Statement at Annex 9.

n) The Council's Organisational Plan at Annex 10

o) The Council Tax Support Scheme for 2019/20 shown in the following link: http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Council-Tax-Benefits-and-Grants/CouncilTax/draft_bath_ne_someset_s13a_201920.pdf and referred to in 5.3.4.

2.2 That the Council include in its Council Tax setting, the precepts set and approved by other bodies including the local precepts of Town Councils, Parish Councils, and Charter Trustees of the City of Bath, and those of the Fire and Police Authorities.

2.3 That Cabinet note the S151 Officer's report on the robustness of the proposed budget and the adequacy of the Council's reserves outlined in 5.6.

2.4 Authorise the Council's S151 Officer, in consultation with the Portfolio Holder for Finance and Efficiency, to make any necessary changes to the draft budget proposal for submission to Council.

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

The resource implications are contained within the body of the report

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSALS

A local authority has a statutory duty to set an annual budget and Council Tax. The advice of the Council's Monitoring Officer regarding the budget setting process is attached at Annex 8.

Members must have regard to the impact on specific groups in their decision making. The Equalities Team has reviewed savings plans to ensure that any impact the saving will have on diversity and equality has been assessed and to ensure that any issues are highlighted to members before a decision is made. The analysis is attached at Annex 3.

5. THE REPORT

5.1 The 2019/20 Budget Summary

The Medium Term Financial Strategy (MTFS) was approved in October 2018 and outlined how the budget would be delivered over the medium to long-term. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments. The MTFS shows a projected budget gap for 2020/21 and beyond. The figures include all estimates for pay awards, pension costs, Council Tax, business rates, Government grant, and inflation.

The budget focusses on protecting frontline services at a time when the authority is facing cuts in funding whilst facing unprecedented increases in demand in Adults and Children's Services. An increase of 1% in the Adult Social Care Precept has been included in this budget to help meet the pressures in Adult Social Care.

The Council has a good track record in savings delivery with £55.4m delivered between 2013/14 to 2017/18 and, a further £17m expected in this (2018/19) financial year – a total of £72.4m over six years.

The current plans identified, delivered, and will continue to deliver a high number of efficiency savings and therefore the scope for delivering further large savings from efficiencies is limited. The agreed approach is:-

- To review Council priorities to understand scope for further savings;
- To rationalise our corporate estate;
- To review the conditions of service of our workforce and ensure they are fit for the future;
- To review the scope for shared services;
- To review and target capital spend to priority areas and reduce the costs of funding the programme and the capacity demands for delivery;
- To review our contracts to reduce expenditure; and
- To establish a "core offer" which the council is able to sustain into the future, including through managing demand.

Significant savings and income generation plans totalling £12.3m are included within these budget proposals. Of these savings 35% are considered high risk (an improvement compared to 2018/19 of 61%) and continues to reflect the same position as many local authorities in that a proportion of savings plans are relatively complex and difficult to deliver. Therefore, a prudent view has been taken to allocate £2m to the Revenue Budget Contingency to meet savings and other budget risks.

To help protect front line services and meet additional pressures in Children's Services the budget includes a recommendation that Council Tax is increased by 2.95% in 2019/20 (an increase of £39.76 per Band D). The proposed Band D Council Tax for Bath and North East Somerset Council next year including the Adult Social Care Precept is £1,401.12 (£1,347.89 in 2018/19) an increase of £53.23 per Band D (£4.44 per month).

There are a number of issues that are specifically impacting on B&NES that the Council has directly approached central Government to recognise and agree solutions such as the financial impact of the level of student accommodation and these are outlined in the report below.

The proposed net revenue budget for Bath and North East Somerset for 2019/20 is £113.10m.

5.1.1 Council Priorities

The Council's Corporate Strategy was adopted by Council at their meeting on 16th February 2016. It set out the 2020 Vision and the Council's direction of travel. The Council's four strategic priorities as set out in the Corporate Strategy are outlined below:-

- A strong economy and growth;
- A focus on prevention;

- A new relationship with customers and communities; and

- An efficient business.

An Organisational Plan (see Annex 10) has been developed across portfolios in 2019/20 outlining the Core Service Offer which will prioritise resources to the following:-

- Protect and care for our most vulnerable;

- Nurture our residents' health, safety, and wellbeing;

- Provide ways for everyone in the community to reach their full potential.

This outlines key targets for service provision as well as outlining proposals for budget savings. The Organisational Plan proposed by Cabinet translates the Council's overarching Corporate Strategy and vision for the future, setting out the key activities and projects that the Council plans to deliver to achieve this in 2019/20. The Organisational Plan was considered by the Policy and Scrutiny Panels in January 2019 to inform the budget process. Annex 11 outlines some examples of how the budget will continue to deliver the Cabinet's commitments, including a selection of projects and schemes from the capital investment programme.

5.2 The Revenue Budget 2019/20

5.2.1 Current Position

At the end of 2017/18 the Council reported a £1.1m over budget position and work was carried out to rebase the budget for 2018/19. However, despite this the expected 2018/19 year end position at the end of December 2018 is an over budget position of £3.2m mainly due to additional demand in Children's Services, a shortfall in income in Commercial Estate, and delays/ non-delivery of savings targets. This is an improvement on the position at the end of October 2018 which predicted an over budget position of £4.1m. There are a number of mitigations that are currently being reviewed as well as a recruitment freeze and Managers have been requested to minimise spend wherever possible which will further improve the year-end position.

In addition to this a review of the Capital Programme has been completed and £19.1m of projects were deferred or removed resulting in revenue saving of £0.6m. This was reported and agreed as part of the previous budget monitoring report

5.2.2 The Budget and Medium Term Financial Outlook

The budget detail and assumptions as well as the future forecast is shown in the table below:-

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Budget Requirement (Previous Year)	**113.27**	**113.10**	**110.89**	**112.34**	**113.79**
Once-Off items from previous year	-0.15	0.00	0.00	0.00	0.00
Pay inflation	1.77	1.24	1.21	1.21	1.22
National living wage impact	0.18	0.19	0.20	0.21	0.22
Pension Contributions	0.05	0.61	0.61	0.61	0.61
Demographic Growth & Increase in Service Volumes	3.49	3.08	3.08	3.08	3.08
Contractual Inflation	1.54	1.54	1.49	0.53	0.42
Budget Pressures / Rebasing	2.92	0.00	0.12	0.10	0.00
New Growth	0.76	0.00	0.00	0.00	0.00
Provision for amber rates savings in future years	0.00	1.00	0.80	0.80	0.80
Increase(-)/ Reduction in New Homes Bonus Grant	-0.35	1.93	0.91	1.39	0.90
Reduction in Public Health Grant	0.22	0.00	0.00	0.00	0.00
Capital Financing	2.11	1.61	1.11	0.50	0.50
Review of Capital Programme	-0.60	-	-	-	-
Increased Business Rates income (incl s31 grants)	-2.36	-	-	-	-
Once-off ASC Grant - Winter Pressures	0.73	-0.73	-	-	-
Once-off costs	0.71	-0.71	-	-	-
Draft Budget Before Savings	**124.29**	**122.86**	**120.41**	**120.78**	**121.54**

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Savings Proposals					
Once-off Winter Pressures Funding Adult Social Care	0.73	-0.73	-	-	-
Once-off Business Rates Grant	0.36	-0.36	-	-	-
Once-Off Grant for Children's Services	1.25	-1.25	-	-	-
New and Revised Savings Plan	8.85	3.44	-	-	-
Estimated Savings Required	0.00	10.87	8.07	6.98	6.25
Budget Requirement	**113.10**	**110.89**	**112.34**	**113.80**	**115.30**
Funding of Budget Requirement					
Council Tax @ 2.95% in 2019/20	85.41	86.27	87.13	88.00	88.88
Adult Social Care Precept 1% in 2019/20	6.62	6.69	6.76	6.82	6.89
Collection Fund Surplus (Council Tax)	0.71	-	-	-	-
Business Rate Retention incl Revenue Support Grant	22.55	17.93	18.45	18.98	19.53
Collection Fund Deficit (NDR)	-0.27	-	-	-	-
Business Rates Reserve	-0.33	-	-	-	-
Contribution to Revenue Budget Contingency Reserve	-1.590	-	-	-	-
Funding of Budget Requirement	**113.10**	**110.89**	**112.34**	**113.80**	**115.30**

(Note the table outlines an increase in Council Tax in 2019/20 only with Adult Social Care Precept of 1% in 2019/20)

Some of the figures in the table above are affected by rounding.

The forecast includes the following cost pressures and assumptions:-

Pay – Pay inflation has been allocated in accordance with the national agreement for 2019/20. The Council's Pay Policy Statement is attached at Annex 9;
Pension Costs – Estimated at 1% increase per annum from 2020/21;
Service Demand Pressures – the strategy assumes that demand especially within Adults and Children's Social Care remains in line with estimates as at December 2018;
Interest Rates – Estimated average interest of c1.2% per annum for treasury management cash investments. The Council will maintain a minimum cash policy;
Inflation – CPI projections for the coming years are expected to be 2.0% in 2019/20, 2.0% in 2020/21 and 2.1% 2021/22. However it is expected that services will continue to absorb all but a limited amount based on specific service circumstances and contractual commitments;
Capital Spending – an allowance has been made to fund a minimal number of new schemes funded from corporate supported borrowing;
Borrowing – the strategy introduces longer term borrowing costs into the MTFS to free up revenue reserves however the authority will continue to optimise the use of cash balances subject to market conditions and the overriding need to meet cash outflows;

Annex 1 shows the Revenue Budget Summary for 2019/20, which totals £113.10m. Once approved by Council, these represent the financial plans that the Cabinet will manage under their delegated authority and monitor in accordance with the Budget Management Scheme.

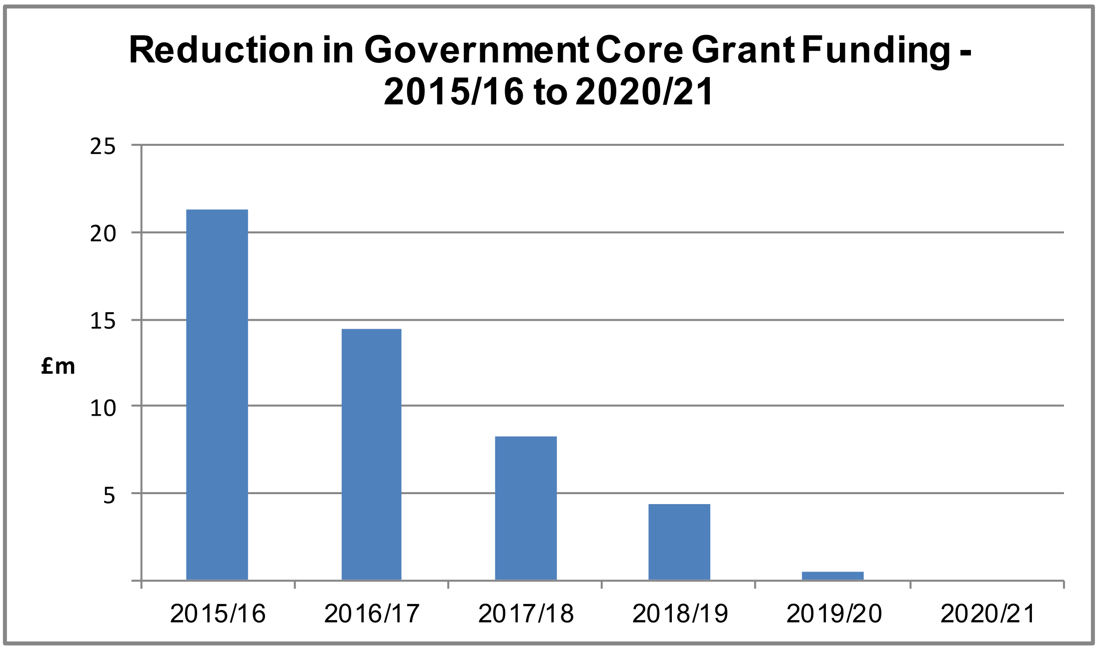
5.2.3 The Government Settlement

B&NES agreed to accept the four-year settlement as did 97% of all local authorities – 2019/20 is the last year of this agreement.

The Provisional Settlement was received on the 13th December 2018 but has not yet been finalised. MPs are unlikely to decide on the final settlement until mid to late February and therefore there is a small chance that the figures for B&NES will change. The figures outlined in this report reflect the provisional figures. The final settlement details will be reflected within the report to Council if they are published before the report deadline.

- **Revenue Support Grant**

  The budget and strategy assumes that the 4-year settlement agreed for 2016/17, will continue to 2019/20 with further reductions of £0.49m in 2020/21 removing any remaining RSG (note the remaining RSG allocated to B&NES has been rolled into the 100% Business Rate Pilot). The reductions are shown in the table below:-



- **New Homes Bonus**

  The 2017/18 Settlement announced changes to the funding arrangement for New Homes Bonus which would reduce the number of years for which payments are made to 4 years in 2018/19. The settlement announced that the national housing growth baseline adjustment would remain at 0.4% for 2019/20.

  The amount allocated to B&NES for 2019/20 is £5.139m.

- **Adult Social Care Support Grant**

  The Government announced further grant distribution as part of the Finance Settlement. Including £0.73m in 2018/19 and £0.73m in 2019/20, for winter pressures grant funding to be pooled through the Better Care Fund. This grant has specific criteria and requirement for use including targeted investment into Adult Social Care to help enable Hospital Discharges. A further once-off grant of £1.247m was announced that can be utilised for pressures within Adult Social Care or Children's Services. The grant will be used to fund Social Care placement pressures within Children's Services in 2019/20.

- **Better Care Fund**

  The Better Care Fund is intended to incentivise the integration of health and social care, requiring Clinical Commissioning Groups (CCG) and Local Authorities to pool budgets and agree an integrated spending plan. Greater integration is seen as a potential way to use resources more efficiently and achieve better outcomes for people, in particular by reducing avoidable hospital admissions and facilitating early discharge from hospital.

  The Council & B&NES CCG Better Care fund for 2019/20 is anticipated to be £70.7m with the Council contribution of £33.3m and CCG contribution of £37.4m. In addition to the mandated financial amounts for pooling this includes Council and CCG budgets for the Joint Community Services contract with Virgin Care and associated sub-contracts.

The Council budget assumes that the funding transfer from the £11.6m NHS mandated minimum contribution will remain consistent with prior years with £8.93m transferred in 2019/20 for Council commissioned schemes under the S75 pooled budget arrangements.

In addition extra funding for adult social care was announced in the 2017 national budget with local allocations of one-off funding of £2.064m in 2018/19 reducing to £1.028m in 2019/20, this funding is pre-committed through the approved Better Care Fund plan and is helping to protect current Social Care spending levels and meet the national conditions for the BCF plan including improving delayed transfers of care (DTOC) performance.

For 2018/19 & 2019/20 the government through the improved BCF has made funding available incrementally to Local Authorities, £825m in 2018/19 and £1.5bn in 2019/20. For the Council, allocation of the one-off grant funding was £1.4m in 2018/19 increasing to £3m in 2019/20. This funding has been incorporated into the 2018/19 Better Care fund planning assumptions with the funding allowing the Council to continue in meeting Adult Social Care needs and supporting the local Social Care provider market. The B&NES Better Care Fund Plan and scheme proposals will require refreshing for 2019/20 and agreeing through the Health and Wellbeing Board.

- **Non-Domestic Rates**

It has been confirmed that the 100% Business Rate Retention Pilot will continue into 2019/20. The estimated benefit of £2.5m per annum for this Council was factored into the Budget in 2017/18. The strategy assumes (although no confirmation has been received to date) that this benefit will be removed as part of the review of Local Government Financing and Fairer Funding Review that the Council will be included in the 75% Business Rate Retention Scheme. Although the details have not yet been published an estimated £3.6m has been added to the budget gap in 2020/21. The strategy also assumes that a baseline reset will occur in 2020/21.

As part of the proposed budget, reasonable assumptions have been made for likely levels of future Business Rate income, together with specific provisions for appeals and growth. Any surplus or deficit on the Business Rate Collection Fund and associated income will be transferred to or from the Business Rates Reserve for consideration as part of the Business Rates calculations for future years. This approach will include any changes that arise from the final settlement announcement relating to Business Rates, the announcement was still awaited at the time this report was finalised.

As part of the Autumn Budget Statement, the Government announced the introduction of a new relief scheme for retail premises that have a rateable value of below £51,000. Under the scheme, eligible ratepayers will receive a one third discount of their chargeable amount. This relief will have effect for 2019/20 and 2020/21 requiring delivery through Council's local discretionary relief powers (under s47 of the Local Government Finance Act 1988) and the Council is updating its discretionary relief policy to include the new relief. The government will compensate Council's for the cost of this relief through a Section 31 grant.

- **Schools Funding**

  Schools are funded by the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education (DFE). The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools. It does not cover the statutory responsibilities the Council has towards parents. These responsibilities are funded through the Councils main revenue funding and included as part of the proposed budget.

  As schools convert to academies the DFE take back the element of DSG payable to the local authority in order to make payments direct to the academies. It is estimated that 80% of schools will have converted to academies by September 2019 and that all schools will develop plans to convert in the coming years.

  With the introduction of the National Funding Formula for schools the DSG for schools (The Schools Block) was ring-fenced for schools from 2018/19 leaving the LA as ultimately responsible for the demographic pressures being observed in the other Blocks in particular the SEND / High Needs element of the DSG. The underlying overspend on the High Needs Block is expected to be £4.3m in 2018/19. The Council provided additional funding of £2.3m, in anticipation of this, and schools through the Schools Forum agreed to support the pressures to the full extent of their delegated powers with a contribution of 0.5% of the schools budget amounting to £0.5m. Further contributions above the 0.5% were not agreed for 2019/20 and would have required DFE approval.

  For 2019-20 the DFE have consulted with Local Authorities and issued guidance on the recording of pressures and balances in the DSG grant regime. In line with this guidance the accounting treatment of the support to the High Needs Budget will be changed. For 2019-20 the £2.3m will now be placed in a contingency reserve that may be utilised to fund any overspends at year end once all other options including underspends within other DSG Blocks and the contribution from schools have been utilised. The Council can therefore plan over time to reduce the contribution from its General Fund.

  As part of the plan to limit the draw on the council funding for the pressures on the high needs block efficiencies from other elements of the DSG are being considered. In particular the introduction of a new banding process for pupils with Education Health and Care Plans (EHCPs) which will ensure that pupils entering the SEND system are assessed appropriately to ensure correct resources are allocated to schools and settings. In addition to this capital projects are planned to increase local provision to limit the funding that is paid to expensive independent providers and reduce the cost and travel time for children.

  The final settlement of the DSG for 2019/20 has been provided by the DFE and is in line with the estimates predicted. A further £0.4m grant has been allocated to B&NES for both 2018/19 and 2019/20 in recognition of the national pressures of funding for SEND/ High Needs Block. However, this remains insufficient to ensure that DSG is fully self-funded.

- **Requests made to Central Government**

The Council has asked Central Government to recognise the challenges it faces and the solutions that might help, and have identified 20 key areas where a shift in approach or legislation could help address pressures or mitigate additional future costs. These have been included as part of the Council's response to the Government's Fairer Funding Review and four of the key areas are as follows:-
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- **Council funding for student households -** Students are rightly exempt from paying Council Tax but Councils are no longer compensated by Government for this loss of income. As students in the city of Bath account for almost a quarter of all residents, such compensation would equate to over £3m in additional Council Tax income. In addition we receive no Business Rates on student accommodation, which is often run by highly profitable businesses.

- **Ability to introduce a Local Tourism Levy -** Visitors are important to our economy, but they also impact upon Council resources and services with around 5.8 million visitors every year. If a Local Tourism Levy of £1 nightly surcharge per room for example was introduced £2.4m each year could be reinvested into the local area.

- **Special Education Needs and Disabilities (SEND) -** We welcome the SEND reforms however the Council is now facing a significant increase in workload and support costs as a result and it has asked the Government to transfer additional money to fund this important area.

- **Removal of non-domestic rate exemption for listed buildings -** This would not require a significant change in law and would enable the Council to bill £2.4m for rates on empty, listed properties to support services.

5.2.4. Savings and Income Generation

Revised estimates for savings and income generation show that £23.2m will be required over the next two years. This is based on the assumption that the savings already approved and proposed savings of £12.3m can be delivered. This leaves a remaining savings gap of £10.9m in 2020/21 for which savings plans will need to be developed by February 2020.

The proposals for savings and income generation outlined in Annex 2 have been included in the Organisational Plan for 2019/20 and will be reviewed by each of the PDS Panels before Council on the 19th February 2019. The Annex has been updated to reflect any amendments to savings plans and income generation.

The savings strategy can be delivered as part of the authority's assessment of its **long term delivery model and Core Services Offer.** This can be achieved through:-

- **Priority based resourcing** to develop options to reduce spend by:-

    - Reducing or stopping services but maintaining a Core Services Offer;

- **Maintain commercial income to;**

  - Increase discretionary charges only where appropriate;
  - Ensure statutory charges are based on full cost recovery.

- **Shared services where appropriate/ right sizing:-**

  - Review shared service opportunities with the CCG, WECA, and other local authorities;
  - Assess future staffing and management requirements through new ways of working/digital/estates to deliver the core offer.

- **Targeted capital spend:-**

  - Minimise the impact of capital spend by reviewing schemes and minimising new additions through prioritisation.

- **Managing Demand (and the processes surrounding demand)**

  - E.g. signposting and investing in self-help and early intervention to reduce demand on specialist roles.

- **Contract Savings**

  - Review of all contract spend to reduce costs.

- **Capital Programme**

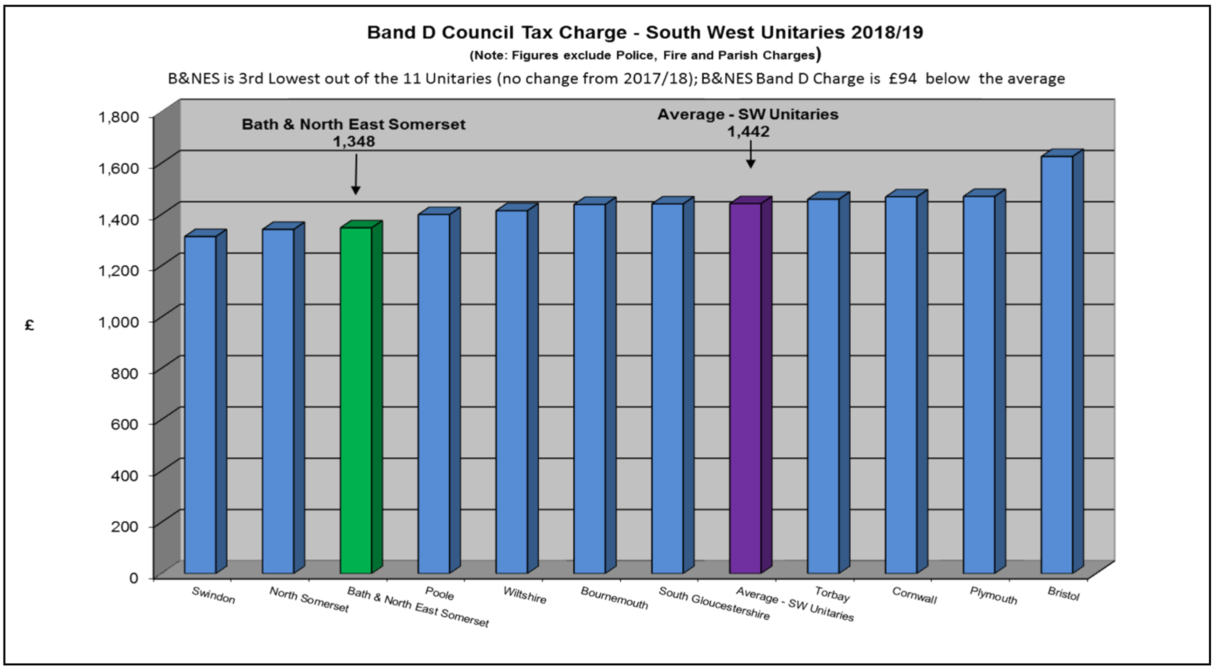
  - A review of the capital programme is being carried out as part of preparing next year's budget with the following objectives:-

    - To ease staffing capacity issues;
    - Ease financial pressures
    - Ensure schemes still meet key priorities;
    - Review financial and delivery risks;

5.3 Council Tax

5.3.1 Band D Equivalent Council Tax

The MTFS did not include any assumptions on increases in Council Tax. The proposal within this report is to increase general Council Tax by 2.95% in 2019/20 to ease pressures within front line services but specifically Children's Services. This will increase a Band D by £39.76 for 2019/20 to £1,300.28. The tax base for 2019/20 is 65,687.52, an increase of 1,340.88 from 2018/19.
The diagram below shows that B&NES had the third lowest Council Tax of the South West Unitary Authorities in 2018/19:-



As billing authority, B&NES has to calculate a basic level of tax based on its own spending plans, to which is added the precepts from, Adult Social Care, Avon Fire Authority, Avon and Somerset Police Authority, and any town/parish Council. The actual total of Council Tax for Bath and North East Somerset residents will be calculated once all precepting authorities have notified B&NES of their proposals to be approved at Full Council on 19th February 2019.

The Government outlined in the settlement that the referendum level for Council Tax as 3% before a local referendum was required in recognition of the financial difficulties local authorities are facing.

5.3.2 Adult Social Care Precept

The Government has recognised some of the pressures facing Adult Social Care (ASC) authorities, providing for a continuation for a specific increase in the local Council Tax precept ringfenced to ASC. B&NES approved an increase of 2% in 2017/18, 3.0% in 2018/19, and proposes a further 1% in 2019/20 to meet the increasing demands on this service (this would increase the Adult Social Care Precept to £100.84 an increase of £13.47 from 2018/19).

5.3.3 Estimates for Future Years Band D Council Tax

The current Medium Term Financial Strategy **has not factored in any future increases** in Council Tax.

5.3.4 Council Tax Support

The Council Tax Support Scheme has been updated to reflect upper and lower thresholds – see link as follows http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Council-Tax-Benefits-and-Grants/CouncilTax/draft_bath_ne_someset_s13a_201920.pdf. The tax base currently assumes the same number of recipients as at the end of November 2018 will continue into 2019/20. The budget estimate is £9.2m compared to £8.9m in 2018/19.

The Revenue Support Grant passported to the Town and Parish Councils has been reduced to zero in 2019/20, with the exception of Radstock where the grant will be phased out by 2021/22 to take account of their relatively higher dependency on the grant as a result of having a higher proportion of Council Tax Benefit claimants under the old scheme.

5.4 West of England Combined Authority (WECA)

In 2016, three councils in the West of England – Bath and North East Somerset, Bristol and South Gloucestershire – signed a devolution deal worth £1 billion. As a result, significant powers and funding have been transferred to the region through the new West of England Combined Authority (WECA) and West of England Mayor.

Since it was set up in 2017, in addition to the £30m per year from the devolution deal, WECA has secured the following additional investment for the region: -

- £103M for transport
- £5M to trial superfast 5G networks
- £4M for the Future Bright skills programme
- £46.4M from our business rates retention*
- £3M to progress housing development and attract additional funding (plus a further £250M bid in to Government)
- £5.7M to improve roads
- £17.6M to invest in adult education
- £2.8M for a new Energy Hub and Low Carbon Fund
- £1.35M to support the region's creative sector
- £2m to run the Combined Authority and deliver our ambitious plans

** 100% of business rates are kept in the region – 5% to WECA, 94% to Councils (£2.5m for B&NES) and 1% to fire service*

The Budget for the WECA will be set on 1st February 2019 by the WECA Committee – at the time of writing the budget assumptions set out below are based upon the WECA Budget proposals and are subject to the outcome of the above meeting. The following elements of the WECA Budget and medium term financial plan have therefore been incorporated within the Council Budget proposal:

- Capital Grant payments in respect of Highways Maintenance and Transport Improvement funding will continue in line with the 4-year allocations provided indicatively by DfT covering 2017/18 to 2020/21. The total allocation for the Council in 2019/20 is £4.829m including £0.632m for the highest level of incentive grants which is automatically provided for Mayoral Combined Authority areas.

- Appropriate commissioning payments from the WECA to the Council of £0.482m for delivery of transport activities to ensure continuity of service provision in line with the Inter-Authority Agreements (concessionary travel, community transport and bus information).

- Contributions to the WECA from the Council (from existing budgets) to meet the Levy for costs of associated transport functions (concessionary travel, community transport and bus information). The basis of the Levy remains in line with the Councils estimated share of costs and is set at £4.259m. The net impact is neutral for the Council reflecting the movement of funds in line with the devolution arrangements.

- Within the Business Rates Collection Fund to continue to provide for an appropriate share of Business Rates to be allocated to the WECA in accordance with the 100% Business Rate Retention pilot to meet the costs of Highways Maintenance and Transport Improvement Grants (this does not impact on the Council's significant benefits from participation in the Pilot).

- Grants funding received from the WECA for feasibility studies and business case development for infrastructure schemes including:-

    - A share of £3.9m to help improve the skills of up to 3,000 adults;
    - £75k to progress the Safer Routes to Schools Scheme;
    - £400k towards improvements to the A39 / B3116 'Two Headed Man' junction;
    - £700k towards improvements to the A39/A368 'Bence's Garage' junction;
    - £40k towards improving cycle networks, including employer grants to encourage cycling to work;
    - Investment of £10m in the area to establish a new Institute for Advanced Automotive Propulsion Systems;
    - Funds to develop the road improvements schemes at Freezing Hill Lane and Hicksgate;
    - £3.3m "Love our High Street" initiative.

- These are funded from the additional investment funds received by the WECA as part of the devolution arrangements and reflected accordingly with the Councils revenue and capital budget proposals. Further bids for infrastructure funding may be made in line with the WECA Strategy and Assurance Framework and may come forward for inclusion in the capital programme in line with future delivery arrangements.

- The continuation of the reduction of £40K against the Council's annual contribution of £150K towards the running of the LEP/WoE Office reflecting the efficiencies that have been achieved though integrating these arrangements with WECA including the accountable body role for the significant WoE Growth and City Deal funds.

The WECA is not permitted to raise a Council Tax to fund any of its activity and therefore no precept will be requested.

Full details of the WECA Budget proposals are available at www.westofengland-ca.gov.uk

5.5 Revenue Balances, Contingency & Reserves

Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An estimate of the key reserves has been made for 2019/20 and future years using capital receipts flexibility mainly to fund restructuring and severance costs in 2018/19 to 2019/20.

	Estimated Balance 1/4/19 **£'m**	**Estimated Balance 31/3/20** **£'m**	**Estimated Balance 31/3/21** **£'m**	**Estimated Balance 31/3/22** **£'m**	**Estimated Balance 31/3/23** **£'m**
Revenue Budget Contingency	2.0	2.0	2.0	2.0	2.0
Financial Planning and Smoothing Reserve	3.3	1.8	-	-	-
Transformation Investment Reserve	1.9	0.2	-	-	-
Restructuring & Severance Reserve	2.2	2.2	2.2	2.2	2.2

5.5.1 Revenue Budget Contingency

The primary purpose of this reserve is to fund in year unforeseen events, overspends, and to meet the risks of non-delivery of budget savings. Budget monitoring for the period April to December 2018 has outlined that £2.0m will be required to fund the year end position for 2018/19 and therefore provision has been made in the budget for £1.6m to be transferred into the reserve to maintain it at £2.0m for 2019/20.

5.5.2 Financial Planning and Smoothing Reserve

The Financial Planning Reserve will be used to smooth the delivery of organisational change. It has been estimated that within the savings plans proposed the Council will continue to downsize further in 2019/20. An allowance of £1.5m has been made in 2019/20 to smooth the timing of redundancies as they are made during the financial year.

5.5.3 Transformation Investment Reserve

The reserve was set up to deliver the Strategic Review savings. The reserve was realigned in the MTFS to fund commitments from flexible capital receipts and transfer some the reserve to the Financial Planning and Smoothing Reserve. There remains a sum of £0.2m which can be allocated in 2019/20 for new initiatives.

5.5.4 Restructuring and Severance Reserve

The reserve was set up to fund severance costs and will only be utilised in future for spend that is not linked to a specific budget savings plan or where there are insufficient capital receipts to fund severance costs. The requirement for this reserve will be reviewed once the required flexible capital receipts target is reached.

5.5.5 Invest to Save Reserve

The Invest to Save Reserve was separated from Un-earmarked Reserves as part of budget setting for 2018/19. The reserve of £1.5m is utilised for new projects that make savings and repay the sum borrowed over an agreed period of time. It is currently fully committed with repayments currently expected to commence in 2022/23.

5.5.6 Reserves and Flexible Capital Receipts

Flexible capital Receipts can be used for revenue spend that results in ongoing revenue savings. Actual usage for 2017/18 was £3.1m with a further £5.4m estimated for 2018/19. A revised target of £3.0m for 2019/20 has been set through the Efficiency Strategy attached at Annex 4. Currently £3.2m of capital receipts through estate assets, land holdings etc have been received by the end of December 2018 with a further £12.4m (£5.0m in 2018/19 and £7.4m in 2020/21identified to meet requirements for flexible capital receipts or to finance the capital programme.

	Actual Usage 2017/18 £'m	Estimated Usage 2018/19 £'m	Estimated Usage 2019/20 £'m	Estimated Usage 2020/21 £'m	Estimated Usage 2021/22 £'m
Flexible Capital Receipts	3.1	5.4	3.0	-	-

5.5.7 General Fund Un-earmarked Reserve

The General Fund Un-earmarked Reserve is retained to meet the Council's key financial risks. The risk assessment has set a range of between £11.9m and £13.1m to meet those risks. Budget Monitoring for the period April to December 2018 estimated that Un-earmarked Reserves would total £12.2m by 31st March 2019 therefore will remain sufficient to meet those risks.

5.6 Robustness of and Risks within the Proposed Budget for 2019/20 Statutory Chief Finance Officer (CFO) Report and Advice on the Robustness of the Budget and Adequacy of Reserves and Balances

5.6.1 Introduction

The Local Government Act 2003 states that when a local authority is preparing its budget, “the Chief Finance Officer of the authority must report to it on the following matters:—

(a) the robustness of the estimates made for the purposes of the calculations; and
(b) the adequacy of the proposed financial reserves.”

And goes on to state that the authority “shall have regard to the report when making decisions about the calculations in connection with which it is made.”

This report has been prepared by the Director of Finance to fulfil her duty and gives the required advice relating to the 2019/20 financial year including a consideration of the budget proposal as a whole and all the financial risks facing the Council in this budget. Also, it identifies the Council’s approach to budget risk management and assesses the particular risks associated with the 2019/20 budget to inform the advice.

5.6.2 CIPFA’s Financial Resilience Index

CIPFA has shared its initial Financial Resilience indicators with the Chief Finance Officers for each authority. These measure different aspects of financial indicators such as levels of reserves across each tier of local authority.

The majority of the indicators show (in 2017/18) B&NES to be low risk for some aspects such as the ratio of costs of Children’s Social Care compared to net budget, and the levels of earmarked and unallocated reserves compared to other Unitary Authorities.

The areas highlighted as higher risk include reserve depletion time, changes in reserves, budget flexibility and the ratio of costs of Adult Social Care compared to the net budget. In terms of a response to these risks:-

Reserve depletion time and changes in reserves – the level of reserves have been outlined as low or mid-risk however the indicators are showing a higher use of reserves in 2017/18 (note these were in line with budget plans). The budget for 2019/20 recognises this with £1.6m added into reserves and the continuation of the use of flexible capital receipts to fund the once-off costs associated with the delivery of savings. Unallocated Reserves remain sufficient to meet the Council’s key risks.

Budget flexibility is shown as a higher risk and this reflects the position of most smaller Unitary authorities in managing the demand pressures by savings in other service areas to support the highest spend budgets of both Adult Social Care and Children’s Services. The Organisational Plan outlines that spend on these services is 81.6p of every £1 spent. The increase in Council Tax for 2019/20 coupled with the move to a “Core Offer” will assist with sustainability as the Council moves forward into uncertainty with regards to its funding for 2020/21.

The high Adult Social Care ratio reflects the fact that B&NES has a relatively low net budget reflecting the net income stream from Heritage and the Commercial Estate.

5.6.3 Executive Summary of the Director of Finance (CFO) on the budget position

For 2019/20 the total gap before savings is £8.9m, this is comprised of budget pressures brought forward from 2018/19, reviewed savings plans, budgets updated for inflation and demographics, the loss of Revenue Support Grant in 2019/20 but partially offset by business rates and tax base growth including the proposed Council Tax increase, and other budget changes.

The assessment of the plans to close the gap outlines a requirement for up to £1.5m of funds from the Financial Planning Reserve to smooth the delivery of savings in 2019/20 as they cannot all be delivered by the 1st April. It will also require a Revenue Budget Contingency sum of £2.0m to reflect the assessed level of risk associated with the scale of savings and further unknown pressures and demographics in 2019/20.

In addition to this putting forward a balanced budget for 2019/20 continues to be dependent on the flexible use of capital receipts to fund redundancies and once-off costs such as transformation to deliver the savings required. If sufficient receipts are not achieved the Council will have to fund redundancy costs from other reserves.

Delays to the timescales outlined for delivery of savings will impact adversely on remaining reserves and as a consequence may reduce non-earmarked balances below the minimum level required.

5.6.4 Consequences of Failing to Deliver a Budget

If the Council is unable to produce a budget or a plan for reducing the budget requirement for future years or finds it cannot deliver the budget in year, the CFO (under s151 of the Local Government Act) would be required to produce a Section 114 report. (Note the conclusion under 5.6.5 of this report).

Section 114 of the Local Government Finance Act 1988 requires a report to all the authority's members to be made by the CFO, in consultation with the Council's Monitoring Officer and Head of Paid Service, if "the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure" (i.e. there is likely to be an unbalanced budget). In this event the Council must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take to bring the budget into balance. The publication of such a report starts an immediate 'prohibition period'. This means that everyone who has delegated authority to spend the Council money immediately has those powers suspended during the prohibition period, and only the CFO can authorise new commitments.

5.6.5 Report of the Director of Finance (CFO) in Respect of Statutory Duties

The Budget Report as a whole sets out the Council's financial position and budget. This is the formal report and is part of a continuum of professional advice and is the culmination of a budget process in which substantial detailed work has already been carried out with Directors, Senior Managers and their teams and Members. This section provides a summary of the conclusions which are considered in more detail within this report and its appendices.

In respect of the robustness of estimates, estimates have been prepared by Directors and their staff supported by appropriate finance staff reviewing pressures, savings, demographics, inflation and contractual obligations, and income generation. Each Directorate has completed a Robustness Statement outlining savings and delivery risk that have been incorporated into a corporate wide assessment. A sum of £2.0m Budget Contingency Reserve has been allocated to mitigate unforeseen risks, and the risk of savings not being realised in 2019/20. This contingency includes a general provision as well as allowances against various specific savings and is intended to increase confidence in the deliverability of the overall budget.

The total known pressures of £2.9m from 2018/19 have been included to ensure there should be sufficient funds to meet service demand and delivery costs as currently forecast. These have been reviewed on a regular basis by SMT and the Directors as part of the regular budget monitoring process in 2018/19 as well as need for additional growth resources for example an additional £0.4m for Social Workers within Children's Services.

Given the over budget position in 2017/18 and likely outturn in 2018/19, it has been critical to review those pressures as well as demographic demand and inflation (a total of £5.0m) to prepare a robust budget for 2019/20. Monitoring of the budget especially around demand pressures in Adult and Children's Services will be critical to identifying any emerging issues as quickly as possible. Although once-off additional grant has been utilised to meet some of the rising pressures in Children's Services these have been fully based into the budget for forward planning purposes from 2020/21.

In the context of this report as a whole, clearly the financial position continues to be challenging, but the **CFO concludes that the estimates are robust**, in that they have been robustly constructed.

With regard to the adequacy of balances, whilst the minimum level of General Fund Un-earmarked Reserve of £12.2m (within the required range of £11.9m to £13.1m) is preserved, the Council remains highly dependent on the use of flexible capital receipts to achieve its budget aims. Achievement of further capital receipts income of £5.2m by the end of 2019/20 is therefore imperative to the delivery of the budget and preservation of reserves.

The conclusion of the CFO is that the estimates for 2019/20 are robust and the budget is lawful, balances are adequate but highly dependent on the achievement of the capital receipts target to maintain a reasonable level of reserves.

5.7 Capital Strategy, Programme and Capital Receipts 2019/20 to 2023/24

5.7.1 Capital & Investment Strategy

Production of a Capital and Investment Strategy is a new Government requirement for 2019/20 and is the overarching document which sets the policy framework for the development, management and monitoring of capital investment as well as lending to other organisations and commercial investments. The strategy focuses on core principles that underpin the council's capital programme, investment property, financing and the risks that will impact on the delivery of the programme and commercial estate; and the governance framework required for decision making and delivery.

5.7.2 Overall Capital Programme & Financing including New Capital Schemes

The Prudential Code for Capital Finance in Local Authorities was updated in December 2017. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

It requires authorities to assess capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decision are made with sufficient regard to the long term financial implications and potential risks to the authority.

The Council follows this approach through:-

- Continuing to review all existing schemes and simplify, reduce, pause or stop as necessary;
- Minimising new schemes except those that meet corporate priorities;
- Agreeing an affordable limit for new schemes requiring corporate borrowing;
- Ensuring adequate investment in assets supporting key service provision (including meeting health and safety requirements or replace obsolete or inefficient assets/equipment);and
- Delivering or working with partners to deliver high priority government funded programmes and WoE programmes where they meet corporate priorities.

The Capital Programme will retain the clear separation of schemes for **Full Approval** and those which are for **Provisional Approval**.

Items gaining **Full Approval** are clear to proceed to full scheme implementation and delivery, subject to appropriate project management and governance.

Items for **Provisional Approval** will require either a further Officer decision and in some cases a formal Executive decision for Full Approval. The budget estimates for schemes shown for Provisional Approval are therefore included on an indicative basis, and as an aid to planning.

The Capital Programme will retain narrative only reference to pipeline projects and grant funding in early stage progression. These items will require further decision to incorporate into the programme at a later date, in line with the delegations outlined in the February Budget report.

The capital programme is aligned with the Community Infrastructure Levy allocations agreed for the coming financial year

A summary of the proposed capital programme and it's financing for 2019/2020 – 2023/2024 is shown below:-

Capital Schemes For Approval

Cabinet Portfolio: Capital Schemes	Budget 2019/2020 £'m	Budget 2020/2021 £'m	Budget 2022/2022 £'m	Budget 2022/2023 £'m	Budget 2023/2024 £'m	Total £'m
Development & Neighbourhoods	8.063	0.000	0.000	0.000	0.000	**8.063**
Economic & Community Regeneration	28.582	31.456	7.582	3.321	1.281	**72.222**
Transport & Environment	10.252	0.239	0.110	0.000	0.000	**10.601**
Children & Young People	2.692	0.000	0.000	0.000	0.000	**2.692**
Finance & Efficiency	28.910	0.000	0.000	0.000	0.000	**28.910**
Transformation & Customer Services	0.087	0.000	0.000	0.000	0.000	**0.087**
Corporate Capital Contingency	0.005	0.000	0.000	0.000	0.000	**0.005**
Total	**78.591**	**31.695**	**7.692**	**3.321**	**1.281**	**122.579**

Capital Schemes For Provisional Approval (Subject to)

Cabinet Portfolio: Capital Schemes	Budget 2019/2020 £'m	Budget 2020/2021 £'m	Budget 2022/2022 £'m	Budget 2022/2023 £'m	Budget 2023/2024 £'m	Total £'m
Development & Neighbourhoods	24.346	1.816	0.971	2.055	0.408	**29.596**
Economic & Community Regeneration	24.356	9.943	10.792	0.985	0.635	**46.711**
Transport & Environment	3.529	7.056	5.924	5.204	4.829	**26.542**
Children & Young People	22.464	6.645	0.000	0.000	0.000	**29.109**

Cabinet Portfolio: Capital Schemes	**Budget 2019/2020 £'m**	**Budget 2020/2021 £'m**	**Budget 2022/2022 £'m**	**Budget 2022/2023 £'m**	**Budget 2023/2024 £'m**	**Total £'m**
Finance & Efficiency	16.052	2.325	2.250	2.310	0.670	**23.607**
Transformation & Customer Services	3.825	0.068	0.068	0.000	0.000	**3.961**
Total	**94.571**	**27.853**	**20.005**	**10.554**	**6.542**	**159.525**

Grand Total	**173.162**	**59.548**	**27.697**	**13.875**	**7.823**	**282.105**

<u>Funded By</u>

Financing	**Budget 2019/2020 £'m**	**Budget 2020/2021 £'m**	**Budget 2022/2022 £'m**	**Budget 2022/2023 £'m**	**Budget 2023/2024 £'m**	**Total £'m**
Grant	56.346	21.874	10.597	6.805	5.829	**101.451**
Capital Receipts/RTB	8.666	3.495	0.791	6.135	0.635	**19.722**
Revenue	1.355	0.000	0.000	0.000	0.000	**1.355**
Borrowing	96.974	33.615	16.159	0.835	1.329	**148.912**
3rd Party (inc S106 & CIL)	9.822	0.564	0.150	0.100	0.030	**10.666**
Total	**173.162**	**59.548**	**27.697**	**13.875**	**7.823**	**282.105**

Note1: The figures in the table above include re-phasing from prior years.

Note 2: Some of the figures in the above table are affected by rounding.

Attached at Annex 5(ii) is the Highways Maintenance Programme, 5(iii) the Transport Improvement Programme, and at 5(iv) the Corporate Estates Planned Maintenance Programme for approval. Once approved implementation is delegated subject to internal authorisation of Project Initiation Documents.

5.7.3 Efficiency Strategy

Central Government outlined in December 2015 that local authorities will be able under certain circumstances to utilise capital receipts for revenue expenditure for certain purposes. This was updated in March 2016 which outlined a simpler approach to allow authorities to utilise receipts if the spend resulted in an ongoing saving. The guidance is clear however that expenditure should be once-off and the flexibility cannot be utilised for ongoing expenditure. The flexibility was due to end in March 2019 but the Government has extended this in the settlement for a further three years.

Council approved the current Efficiency Strategy in November 2017. The Efficiency Strategy is fundamental to funding the once-off costs to deliver savings plans. An updated Strategy is attached at Annex 4 to reflect the requirement of £3m in capital receipts to fund proposed savings plans in 2019/20. The Strategy must be approved by Full Council.

5.7.4 Review of the Capital Programme

A review of the capital programme was carried out as part of preparing the budget with the following aims:-

- To ease staffing capacity issues;
- Ease financial pressures;
- Ensure schemes still meet key priorities;
- Review financial and delivery risks;

The review deferred or removed £19.1m of projects resulting in revenue saving of £0.6m. This was reported and agreed at Cabinet in December 2018.

5.7.5 Capital Risk Contingency

There are three levels of risk provision in relation to the capital programme.

- Individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;

- The capital programme includes a funded corporate risk contingency which will be maintained at £1.9m;

- The corporate risk assessment on which the general reserves target is based includes an element in the context of the capital programme based on the risks of the current programme.

As with all capital projects, relevant risks are being considered as part of the overall risk-assessed general reserves and the Corporate Risk Register.

5.7.6 Capital Invest to Save

A process for small “Invest to Save” schemes requiring capital funding is currently being investigated with proposals being brought forward once completed.

5.7.7 Minimum Revenue Provision (MRP) Policy

The Council is required to make revenue provision to repay capital spend that is financed by borrowing (either supported or unsupported). This is called the Minimum Revenue Provision (MRP). The Department of Communities & Local Government has issued regulations that require full Council to approve a MRP Policy in advance each year, or if revisions are proposed during the year they should be put to the Council at that time. The policy as attached at Annex 7 has been updated to add the flexibility of using capital receipts to repay borrowing as permitted under regulations.

5.7.8 Prudential Indicators

The key objectives of the Prudential Code are to ensure that capital investment plans of local authorities are affordable, prudent, and sustainable. The Capital Prudential Indicators are shown below:-

Prudential Indicator	2017/18 Actual	2018/19 Forecast Outturn	2019/20	2020/21	2021/22
Estimate of Capital Expenditure (£'000s)					
Actual/estimates of capital expenditure	76,298	149,512	173,162	59,548	27,697
Net Increase in Council Tax (band D per annum) Figures in £'s (not £'000's)					
The implied estimate of incremental impact of the new capital investment decisions on the Council Tax			£6.49	£7.12	(£0.42)
Cumulative totals:			£6.49	£13.61	£13.19
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			15.91%	20.85%	21.97%
Memo: estimates of the ratio of financing cost to gross revenue stream			*5.23%*	*6.77%*	*7.20%*
Borrowing Limits (£m)					
Operational boundary – borrowing			£409m	£432m	£437m
Operational boundary – other long-term liabilities			£2m	£2m	£2m
Operational boundary – total			**£411m**	**£434m**	**£439m**
Authorised limit - borrowing			£440m	£463m	£467m
Authorised limit – other long-term liabilities			£2m	£2m	£2m
Authorised limit - total			**£442m**	**£465m**	**£469m**
Capital Financing Requirement (£'000s) (as at 31 March)					
Actual/estimate of capital financing requirement	247,107	351,649	440,220	462,774	467,197

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that external debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

After reviewing the capital programme and borrowing proposals, the Section 151 officer reports that the Council will continue to meet the demands of this indicator.

Borrowing limits

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt (or planned borrowing level) is based on the same estimates as the authorised limit, but including an allowance for cash flow funding of specific capital schemes and without the additional headroom for unusual cash movements.

5.7.9 Community Infrastructure Levy (CIL) Spend Proposals 2019/20

The allocations proposed for CIL spend are attached in Annex 5(v) for approval. These allocations have been included in the capital programme where appropriate.

6. RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. The key risks to the budget are currently assessed as:

Risk	Likelihood	Impact	Risk Management
Further demands on service continue to escalate beyond current estimates	Possible	High	Ongoing monitoring of spend and controls. Ensure reserves are sufficient to manage in-year pressures
Pay awards will be higher than estimated	Unlikely	Medium	Agreement in place for 2019/20.
Interest rates reduce further impacting on investment income	Unlikely	Low	Rates are predicted to increase rather than decrease although the impact on interest rates post Brexit remains a risk. A prudent view has been taken within the MTFP and cash is being utilised for purchase of assets while rates are low
Interest rates increase	Likely	Medium	A reserve is available for borrowing to manage market risk and long term borrowing costs have been factored into the longer-term MTFS
Volatility and uncertainty around business rates	Likely	High	Ensure business rate income and appeals are monitored and that specific reserve is sufficient to manage in-year volatility
The Business Rates 100% pilot ceases	Unlikely in 2019/20	High	It has been confirmed that Combined Authorities will retain

			100% of business rates in 2019/20. Although possible it is unlikely that this will continue in 2020/21 and an estimated £3.6m pressure has been added to the MTFS
Anticipated savings not delivered	Possible	High	Ensure delivery plans are monitored and continue to assess on a regular basis. Ensure Budget Contingency Reserve sufficient to meet in-year issues.
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Likely	High	The Council has a number of projects within this category. These risks will continue to be monitored and reported. An assessment is made as part of the budget process to ensure that revenue reserves are sufficient to meet these risks. The capital programme methodology looks to de-risk projects wherever possible.
Changes to Government Policy that affects future funding	Likely	High	Need to monitor and continue to highlight impact
Economic downturn impacts on commercial income	Possible	High	Portfolio has been diversified to manage some of this risk especially within the retail sector.
Brexit risks	Likely	Medium	Given the outcome of the vote on the 15th January uncertainty continues regarding how or when the UK will leave the EU. A need to continue to highlight the demand pressures to central Government regarding Adult Social Care and Children's Services. Review reserves to manage any short-term impact. Monitor any economic impact.
Funding pressures through WECA, CCG and other partners	Possible	Medium	Ensure good communication links with partner organisations
The additional income from Heritage may not be sustained	Possible	Medium	Continue to monitor income levels and impact on business plan
Capital receipts in the areas identified are	Possible	Medium	Currently £5.2m receipts are required to meet the target and

insufficient to meet target			£12.4m expected.

The key risks will continue to be monitored and reported through regular budget monitoring to Cabinet.

In addition this report includes the Section 151 Officer's assessment of the Robustness of Estimates and Adequacy of Reserves. One of the considerations taken into account is the Directors' Review of Robustness of Estimates and Budget Risks/Sensitivities and the Corporate Risk Register. This is completed by all Directors in respect of their own services.

7 RATIONALE

The rationale for the recommendations is contained throughout this report and the accompanying appendices.

The Council's Section 151 Officer is the Director of Finance. As Section 151 Officer and CFO her duties include ensuring a prudent and balanced budget is set on time which properly takes into account the financial constraints and risks facing the Council.

8 OTHER OPTIONS CONSIDERED

The report and annexes also contain the other options that can be considered in making any recommendations.

9 CONSULTATION

Planned public consultation took place in November and December 2018. Planned scrutiny of the Organisational Plan, savings proposals, and capital bids took place through the Scrutiny Panels in January 2019 with an overall review including the budget through the Resources and Policy Development and Scrutiny Panel in February 2019.

Contact person	Donna Parham, Director of Finance (01225) 477468
Background papers	*January/February PDS Panels* *CIL Infrastructure List (Reg 123 List):* http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Planning-and-Building-Control/Apply-for-Planning-Permission/bnes_reg_123.pdf
Please contact the report author if you need to access this report in an alternative format	