

# Bath & North East Somerset Council

MEETING:	<b>Cabinet</b>			
MEETING DATE:	<b>7<sup>th</sup> November 2019</b>	EXECUTIVE FORWARD PLAN REFERENCE: <b>E 3157</b>		
TITLE:	<b>Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2019 to September 2019</b>			
WARD:	All			
<b>AN OPEN PUBLIC ITEM</b>				
<b>List of attachments to this report:</b>				
<b>Appendix 1</b> – Revenue Monitoring Commentary				
<b>Appendix 2</b> – Key Scheme Capital Monitoring Commentary				
<b>Appendix 3 (i) &amp; 3 (ii)</b> – Proposed Revenue Virements & Revised Revenue Cash Limits 2019/20				
<b>Appendix 4 (i) &amp; 4 (ii)</b> – Capital Virements & Capital Programme by Portfolio 2019/20				

## **EXECUTIVE SUMMARY**

### **a) Revenue budget**

The Revenue budget outturn is currently forecast to be £0.08m under budget this is a favourable movement of £1.76m from Quarter 1.

Whilst the movement is favourable there continues to be further adverse movements in service revenue budgets, key areas of risk are additional demand in Children's Services £0.84m and £0.35m shortfall in income from the Councils Housing Delivery Vehicle. The Children's Services budget has a forecast £1.9m over budget position after 2019/20 budget rebasing, this is due to increases in specialist Health and Social Care placements, also Commercial Estate income has not increased in line with budgeted income levels due to a slowing down of high street retail income and fewer acquisition options creating a £1m budget pressure. Across all portfolios the forecast over budget position excluding corporate budgets is £2.68m.

This adverse position has been mitigated by a £2.76m favourable forecast on the Councils Corporate Budgets largely attributable to an under budget position on capital financing from re-phasing of capital expenditure and lower than budgeted cost of capital from beneficial interest rates for borrowing.

Of the overall savings target for 2019/20 of £8.9m, £0.9m (10%) will not be delivered and will impact on the 2020/21 budget; £5.1m (57%) is forecast to be delivered by the year-end and £2.9m (33%) has been delivered. To provide mitigation to delays in delivering savings and over budget areas Directors have put cost reduction plans in place to minimise spend wherever possible which will further improve the year-end position. These will need to continue to be reviewed to ensure that the Council remains within the approved budget by the year-end.

### **b) Capital budget**

The capital budget is currently showing an expected under budget position of £34.6m mainly due to re-phasing of Bath Quays, ACL/ADL loan drawdowns and Roman Baths Archway Project into future financial years to reflect revised project spend profiles.

Following a review of the Modern Library programme options for Central Bath which were paused last year, it is proposed not to proceed with the remodelling of the Podium site and closure of the existing one stop shop in Manvers Street due to financial viability. The Modern Libraries project has saved £0.45m in recurring savings to date but the further £0.35m outlined in the Medium Term Financial Plan for 2020/21 will no longer be delivered and will be reflected in next year's budget. The Capital Programme will be adjusted as a result to remove the £3.0m allocated to the scheme. Capital spend to date of £0.362m will revert to revenue and will be funded from the Capital Financing Reserve

### **c) Council Tax and Business Rates**

The current forecast Council's share of the year end Collection Fund position is:

- Council Tax – Surplus of £0.82m (2018/19 Surplus £0.69m)
- Business Rates – Surplus of £1.21m (2018/19 Surplus £0.76m)

### **d) Council Reserves**

The current forecast revenue position would not require use of the Budget Contingency Reserve (which was set up to mitigate budget risk). The Council's reserve levels will continue to be monitored during the remainder of the financial year.

## **1 THE ISSUE**

- 1.1 This report presents the financial monitoring information for the Authority as a whole for the financial year 2019/20 to the end of September 2019.

## **2 RECOMMENDATION**

The Cabinet is asked :

- 2.1 To note the 2019/20 forecast under budget of £0.08m (as at the end of September 2019) and the recovery plan actions outlined in Appendix 1;
- 2.2 To note that Recovery Plans are in place and these will continually be reviewed to ensure that the Council remains within the approved budget.
- 2.3 To approve the revenue virements listed for approval in Appendix 3(i) and to note those virements listed for information only.
- 2.4 To note the capital year-end forecast detailed in paragraph 3.14 of this report;
- 2.5 To note the changes in the capital programme including capital schemes that have been agreed for full approval under delegation listed in Appendix 4(i)
- 2.6 To approve the removal of £3.0m provisional capital scheme for Modern Libraries relating the Podium re-modelling as an integrated Library and One Stop Shop.
- 2.7 To note that the associated one-off revenue reversion costs of £0.362m of the Library scheme will be funded from the Capital Financing Reserve.
- 2.8 To note that the remaining savings target of £0.35m for the Modern Libraries programme will be removed as part of the 2020/21 revenue budget proposals.

### **3 THE REPORT**

3.1 The Budget Management Scheme requires that the Cabinet consider the revenue and capital monitoring position four times per year.

#### **REVENUE BUDGET**

3.2 Service Directors have been asked to outline the actual expected outturn for the year and the reasons to date for over / under budget forecasts. For revenue budgets which are forecast to be over budget, the Directors are expected to seek compensating savings to try and bring budgets back to balance. To achieve this the Directors have been developing in year recovery plans, including:-

- Holding / deleting vacant posts;
- Centralising and reducing discretionary spend;
- Considering Voluntary Redundancy requests in service areas where there are planned staffing savings.

3.3 A summary by Portfolio of the revenue position as at 30<sup>th</sup> September 2019 is shown in the table below:

<b>Portfolio</b>	<b>Revised Budget £'m</b>	<b>Year End Forecast £'m</b>	<b>Variance Over / (Under) £'m</b>
Leader	(0.36)	(0.06)	0.30
Resources	7.38	6.46	(0.92)
Adult Services	62.45	62.40	(0.05)
Children's Services	28.99	30.86	1.87
Climate Emergency & Neighbourhood Services	15.92	15.91	(0.01)
Transport Services	(0.50)	(0.01)	0.49
Housing, Planning & Economic Development	3.23	3.35	0.12
Community Services	(3.55)	(4.03)	(0.48)
Smoothing reserve to be allocated		(1.40)	(1.40)
<b>Total</b>	<b>113.56</b>	<b>113.48</b>	<b>(0.08)</b>

Note1: Some of the figures in this table are affected by rounding.

3.4 The current **year-end** forecast is an under budget position of £0.08m, which equates to 0.03% of gross budgeted spend (excluding Schools).

### **Portfolio Commentary**

3.5 Key variances and associated actions by Portfolio are as follows, a more detailed breakdown can be found in Appendix 1.

#### **Leader (*£0.3m over budget, £0.35m adverse movement*)**

The variance is mainly due to an adverse movement in the return to the Council from the Aequus group, this is from revisions to the company business plan projections which have resulted in the timing of the dividend payment to the Council being amended for 2019/20.

#### **Resources (*£0.9m under budget, £2.9m favourable movement*)**

There has been a material £2.5m favourable movement from last period in the capital financing corporate budgets this is due to re-profiling the delivery of capital schemes such as the Waste Relocation strategy into future years. In addition the Council has had the benefit of lower borrowing rates, both have contributed to a one-off reduction in the revenue budget required to repay capital borrowing costs.

There remains a £1m shortfall on Commercial Estate income; this is due to a slowing down of retail income and challenges in new acquisitions that will generate additional income. This reduction will be incorporated into the 2020/21 budget planning assumptions as an unavoidable pressure. To address this, the management of the commercial estate will continue to focus on the existing commercial assets, ensuring that void units are marketed at the earliest opportunity. The performance of commercial estate income will continue to be closely monitored.

There is also an adverse variance of c£1.4m as a result of the phased implementation of schemes within the Improving How We Work savings programme; this is being mitigated through the planned use of smoothing reserves with savings to be realised in full towards the end of the financial year. This is partially offset by service mitigations from other budget areas.

There are favourable variances of c£0.5m in Information Technology, Revenues & Benefits and Risk & Assurance Services that have partially mitigated a pressure in Legal Services alongside the above adverse variances. Variance narrative for these areas can be found in appendix 1.

#### **Adult Services (*on budget*)**

The Adult Service Portfolio is on budget. This current position has benefited from a review of the Improved Better Care funding, identifying £0.3m of available government grant that can be used to fund the protection of social care. This has mitigated the over budget forecast in Learning Disabilities from new transition placements. Some of the forecast increase in costs of care packages has also been offset through an updated forecast of appropriate service user contributions.

In addition there has been good progress on the delivery of Social Care savings plans which is reflected in the monitoring position, with savings commentary in section 3.6 of this report.

### **Childrens Services (*£1.87m over budget, £0.84m adverse movement*)**

The Childrens Services financial position is £1.9m over budget; this is £0.84m adverse movement from the last periods forecast due to ongoing pressures on the number and cost of individual placements. The main variances include:

- increases of £0.21m in joint Health and Care placement spend;
- increases in Inter-agency adoption fees creating a pressure of £0.2m, this cost results from supporting children to be adopted permanently;
- respite costs for disabled children are a new pressure of £0.5m, which arise from the support needed to keep these children at home.

Some of these pressures are as a result of the 'staying put' legislation that supports children to continue in their current care placement from 18 up to 25, and hence they do not leave care. These pressures are partially mitigated by a corresponding underspend for children leaving care of (£0.2m).

Management action includes all requests for children to come into care are subject to service manager scrutiny. Placement with family is always considered before care placement. We regularly review whether any children in care can return home. The Placements, Contracts and Commissioning Team use a preferred provider framework and dynamic purchasing system to negotiate the best value. We are refreshing our recruitment drive for in house foster carers to reduce the need to use more costly independent fostering agencies.

Further work is underway to identify ways to better support families at an earlier stage and reduce the growth in costly specialist interventions and placements.

In addition to the above there is an increase in SEND placements that is funded from the high needs block within the Dedicated Schools Grant (DSG), the above budget costs are £2.5m after utilising £2.1m of one off SEND grant funding. This cost pressure has been recognised by the Council with a contingency budget of £2.35m for SEND made available to help prevent a negative DSG balance; however the current forecast indicates a £0.12m pressure to the DSG that will not be funded by Council reserves and will require recovery plans. (NB Government is currently consulting on clarification of the rules which would mean the whole of this pressure would need to remain within the DSG and be carried forward to future years, rather than being a pressure to the Council. The pressure on DSG would be offset by an increase in DSG income.).

### **Climate Emergency & Neighbourhoods (*£0.01m over budget*)**

There are no material variances to report for the April – September monitoring report; services are forecast to be on budget at year end.

### **Transport Services (*£0.49m over budget, £0.1m favourable movement*)**

The favourable movement from last period is attributable to a budget virement approved at September Cabinet transferring corporate budget to fund supported bus routes. There is a reported pressure in Parking from income under recovery of £0.3m; this is largely attributable to early signs of behaviour changes following the new off street parking pricing structure. There has also been a reduction in PCN income from vacancies in enforcement officers that need

recruiting into, income levels are being monitored closely; this has been recognised as a potential financial planning pressure.

It is also forecast that CCTV income target of £0.15m will not be achieved; a service review of the Council's CCTV operations is planned in the coming months that will assess the technology and service configuration with a recommended set of options for implementation.

### **Housing, Planning & Economic Development (**£0.12m over budget, £0.2m adverse movement**)**

There has been an adverse movement of in planning fee income due to lower than expected applications in August; this has been partially offset by savings in salary budgets resulting in a £0.17m pressure.

### **Community Services (**£0.42m under budget, £0.06 favourable movement**)**

There has been further improvement from strong visitor performance in the Roman Baths resulting in favourable movement of £0.3m from the last period and above income target performance of £0.6m; this has offset adverse variances in Bereavement Services from a lower number of cremations to date than the previous year.

The strong performance in the Roman Baths is largely attributable to the new pricing strategy introduced in January 2019. This resulted in differentiated pricing depending on time of week and time of year, with a discount introduced for people who book their ticket online. The headline impact is that over the first 8 months of the year there has been a 2.5% increase in visitors.

## **REVENUE BALANCES, CONTINGENCY AND RESERVES**

The current forecast revenue position includes planned and approved use of earmarked reserves as set out in the table below.

### **Key Reserves**

The following table shows the balances of key reserves at the beginning of the year, planned use, and expected balance at the year-end based on current forecast:-

	<b>Unallocated Balance as at 1/4/19 £'m</b>	<b>Projected Use in Year £'m</b>	<b>Current Estimated Balance 31/3/20 £'m</b>
Revenue Budget Contingency	3.05	0.36	2.69
Financial Planning and Smoothing Reserve*	5.73	1.50	4.23
Transformation Investment Reserve *	2.15	1.85	0.30
Restructuring & Severance Reserve	2.18	0.00	2.18

Note \* Use of these reserves are in line with budget plans agreed in February 2019

## Reserves and Flexible Capital Receipts

Flexible Capital Receipts are being utilised for revenue spend that results in ongoing revenue savings. A three year target of £11.5m was agreed as part of budget setting in February 2019, this has now been updated to reflect the re-profiled requirement as follows:-

	Actual Usage 2017/18 £'m	Actual Usage 2018/19 £'m	Estimated Usage 2019/20 £'m	Estimated Total Usage £'m
Flexible Capital Receipts	3.12	3.45	4.92	11.50

Unapplied capital receipts of £1.25m were carried forward from 2018/19 and £1.10m has been received in 2019/20 so far with a further £4.40m expected by 31<sup>st</sup> March 2019.

## 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. The current estimate is that as at 31/03/20 the reserve will remain at £12.3m and remains sufficient to meet those risks.

## SAVINGS PERFORMANCE

3.6 The 2019/20 revenue budget approved savings of £8.9m, with £2.2m of these savings to be found through service improvement, £3.2m from commissioning and contract management, £2m from additional income and the rest from service efficiencies. The table below shows forecast performance against the savings targets.

Cabinet Portfolio	RED £'000	AMBER £'000	GREEN £'000	TOTAL £'000
	£000	£000	£000	£000
Leader	150	280	0	430
Resources	660	1,961	715	3,336
Community (Leisure, Tourism & Culture)	0	9	1,350	1,359
Adult Care & Health	0	2,535	55	2,590
Children & Young People	0	0	418	418
Environment & Climate Change	16	0	260	276
Planning, Homes & Economic Development	0	95	39	134
Transport	50	259	50	359
<b>Total</b>	<b>876</b>	<b>5,139</b>	<b>2,887</b>	<b>8,902</b>

The above table shows progress has been made with £2.89m forecast to be fully delivered, £5.14m are expected to be delivered and have associated budget risks

if not implemented in 2019/20 and £0.88m which will not be achieved during 2019/20.

Savings items that have been identified as high risk in 2019/20 and will require further action to ensure delivery in 2019/20 are as follows:

- **Improving How we work Programme £1.65m.**

- **Consolidation of Performance / intelligence function £0.25m**

The first stage of the project has been completed and £0.1m of the target above reported as delivered. The service are now focusing on delivery of the priorities for Children Service and improving resilience across the rest of the Council. The service will consider other opportunities for further consolidation and centralisation once the revised structure has been embedded.

- **Office Accommodation £0.30m**

The Programme will continue to explore the release of other buildings and income opportunities as the overall Programme progresses with staff working differently and more flexibly. Plans are in place to increase the footprint for the Police. Rental income will not start accruing until 20/21.

- **Service redesign/digital business improvement £0.75m**

The Digital projects are already in progress and as the Programme has only just mobilised some savings will be identified this financial year but only a proportion delivered.

- **Training £0.35m**

The centralisation of training budgets has delivered £0.1m and further budget reductions will leave an insufficient amount to fund mandatory and essential statutory training for 2,100 staff across the council. The savings balance requires re-allocation to alternative savings plans from within the IHWW programme.

- **Commissioning £2.59m**

The 2019/20 savings target has been fully allocated to purchased care budgets with the monitoring showing positive performance with a on budget position for Adult Social Care. The focus is being placed on targeting and reducing existing placements and packages where appropriate. A Programme approach is in place which has identified a number of Projects that will achieve the longer term savings. However, some risks have been identified with realising cashable savings in 2019/20, due to phased implementation timescales.

- **Commissioning of Destination Management £0.150m**

The Visit Bath saving is unlikely to be achieved in 2019/20. Destination Management review is being commissioned and financial recovery plan being implemented by the Visit Bath Board to reduce annual running costs.

3.7 The Council's financial position, along with its financial management arrangements and controls, are fundamental in continuing to plan and provide services in a managed way, particularly in light of the medium term financial challenge. Close monitoring of the financial situation provides information on

new risks and pressures in service areas, and appropriate management actions are then identified and agreed to manage and mitigate those risks.

- 3.8 Any revenue budget movements which require Cabinet approval are listed in Appendix 3(i). Technical budget adjustments are also shown in Appendix 3(i) for information purposes, as required by the Budget Management Scheme.

## COUNCIL TAX & COUNCIL TAX SUPPORT

- 3.9 The current overall forecast outturn position on the Council Tax Collection Fund is for a surplus of around £0.82m for the Council's share, this represents a 0.9% variance against target income. The reason for the surplus is mainly due to the number of chargeable dwelling being higher than forecast, with continued growth during the second quarter. For 2019/20, the tax base included an adjustment of £9.16m for the estimated costs of the Local Council Tax Support Scheme and current estimates continue to be in line with this amount. The one-off impacts of the Council Tax collection fund projected outturn position will be built into the financial planning assumptions for the 2020/21 budget.

- 3.10 The collection rate for Council Tax was 56.9%, compared to the previous year's figure of 57.0% at the end of September.

## BUSINESS RATES

- 3.11 The current year-end forecast is for the Council's share of Business Rate income relating to 2019/20 to be approximately £0.19m greater than estimated, creating a positive impact on the Collection Fund. The overall Collection Fund surplus position, including the element relating to the 2018/19 outturn, is forecast at £1.21m. As set out in the Budget Report, 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 and this position will be reflected in the 2020/21 budget. Based on current forecasts, the projected balance on the Business Rate Reserve as at the end of 2019/20 is £3m, rising to £4.65m by the end of 2020/21, which represents c7.1% of annual business rates payable. The main in year factors impacting on Business Rates are new chargeable properties and lower than forecast empty property and retail reliefs, partially offset by higher than forecast small business and charitable reliefs. This reflects the position based on current reliefs, which includes an increase over the first quarter of £309k in respect of Empty Property Relief and £210k for Small Business Rate Relief. Any further relief granted during the remainder of the financial year would reduce the projected collection fund surplus position.

- 3.12 The collection rate for Business Rates was 58.3% at the end of September, compared to the previous year's figure of 56.8%.

- 3.13 As previously highlighted, there continues to be a future risk relating to NHS Trusts claims that they are entitled to mandatory charitable relief from Business Rates. This claim will ultimately be subject to a legal ruling with a court hearing planned for November 2019, the Local Government Association is co-ordinating legal support on behalf of Local Authorities. Whilst the Council's view remains that the relief is not applicable in this case, if this

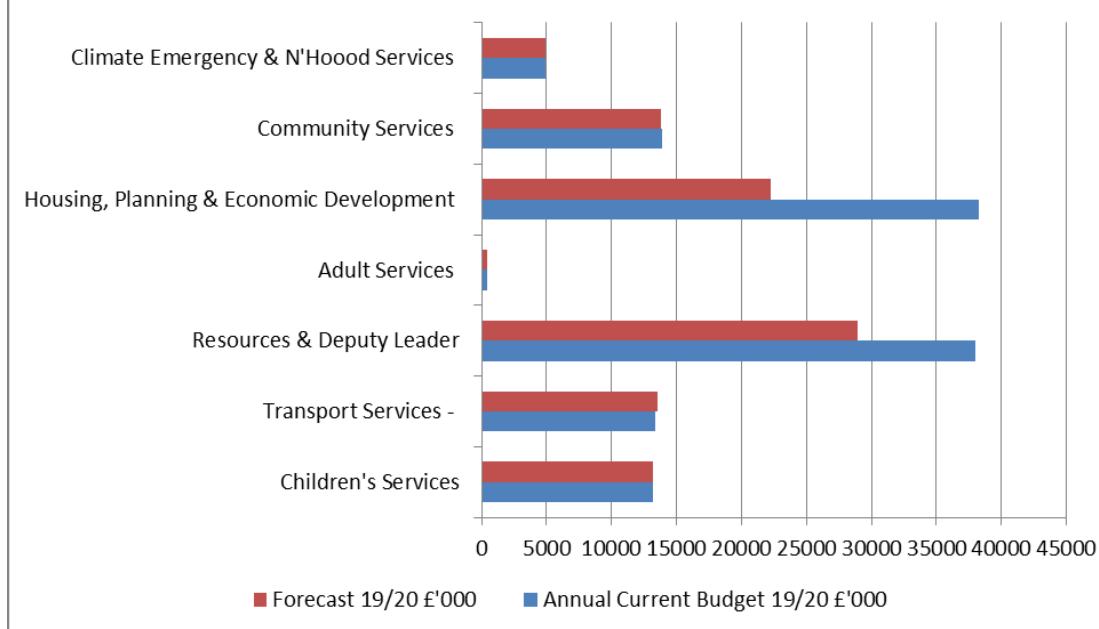
position were to change, the granting of such a relief would present a significant challenge to the ongoing financial viability of the Council.

## CAPITAL BUDGET

3.14 The current position for the fully approved schemes against the 2019/20 Capital budget of £125.9m is forecast at £91.3m, which is £34.6m less than the budget. The full breakdown of the Capital Programme by Portfolio can be found in Appendix 4(ii) with key scheme commentary in Appendix 2.

Portfolio Summary Monitor	Annual Current Budget 2019/20 £'000	Forecast 2019/20 £'000	In-Year Variance 2019/20 £'000	Forecast Re-phasing to 2020/21 £'000	Other Variance 2019/20 £'000
Adult Services	433	433	-	-	-
Children's Services	15,808	15,808	-	-	-
Climate Emergency & Neighbourhood Services	4,899	4,899	-	-	-
Community Services	13,909	10,865	3,044	2,944	101
Housing, Planning & Economic Development	38,704	21,398	17,306	17,305	1
Resources & Deputy Leader	38,582	24,088	14,494	14,462	32
Transport Services -	13,592	13,792	(200)	-	(200)
<b>Grand Total</b>	<b>125,926</b>	<b>91,283</b>	<b>34,643</b>	<b>34,711</b>	<b>(67)</b>

The graph below illustrates the value and forecast against budget for all in year capital budgets by Cabinet Portfolio:



## Capital Commentary

3.15 Key variances on the programme and updates on key project funding approvals by portfolio include:

- **Community Services** – The Roman Bath Archway Project has completed the Roman Scheduled Monument and Victorian Archway, and drainage works in Swallow Street. The main contract commenced in July 2019 with strip out works complete. Forecast re-phasing of £2.596m reflects that construction works are due to end in September 2020 and will be followed by a period of exhibition installation. The forecast also reflects spend of £0.1m less than budget due to Bath Library re-modelling works currently being on hold.
- **Resources and Deputy Leader** - £14.5m less than budget. The under budget mainly reflects re-profiling of loan drawdowns predicted by Aequus (the Council's property development company). The current projected total of loan drawdowns in respect of the Riverside View and Sladebrook Road developments for 2019/20 is £5.45m with further loan drawdowns of £2.4m anticipated in respect of property transfers. The remaining balance of the approved loan facility is forecast to be carried forward into 2020/21.
- **Transport Services** - £0.2m more than budget. There is an overspend arising from the York Street Beam Remediation Phase 1 of £0.2m. This was mainly incurred in 18/19 and has been carried into this financial year for recovery. The liability for this sum will be transferring to Corporate Estate Maintenance to reflect the ownership of the vaults and resolution of options for funding.
- **Housing, Planning & Economic Development** - £17.3m less than budget. This is predominately due to programme re-phasing to reflect contract awards to Legal & General on Bath Quays North and BAM on Bath Quays South, which have re-profiled cash-flow expenditure. Delivery programmes have been re-based to reflect revised reflecting timing of milestones including Planning Permission and contract award causing slippage from original 19/20 budgets.

## **Modern Libraries Programme Review**

- 3.16 In October 2017 following initial recommendation of proposed options presented to Cabinet in July 2017 and subsequent customer consultation, Cabinet approved the Podium as the chosen site for the central Bath integrated Library & One Stop Shop as part of the Modern Libraries Programme. The current provisional capital scheme allocated a budget of £3.0m.
- 3.17 In November 2018 the scheme was paused pending a review due to challenging budget pressures. This review has now completed and has concluded that the remodelling changes to Bath Library should not go ahead as the further savings required finance the investment and associated borrowing costs are not possible without delivery of further integrated services over and above the £0.45m of savings already delivered from the Modern Libraries programme. The one stop shop and its partners will remain in Manvers Street albeit in a smaller footprint as the Police will be extending their presence with council information and advice service moving to a more digital mediated and signposting service.
- 3.18 The remaining revenue savings target of £0.35m can no longer be delivered will be removed as part of the 2020/21 Budget proposals.
- 3.19 The halting of the Podium Scheme will require £0.362m of existing spend on the scheme to be reverted to revenue in 2019/20 as it no longer meets the accounting definition of capital expenditure leading to asset enhancement. It is proposed that these costs will be funded by a drawdown from the Council's Capital Financing Reserve.
- 3.20 The Council remains committed to a library at the Podium in Bath as part of the wider Modern Libraries programme to secure the sustainability of the library service in Bath & North East Somerset and recognises that the Library in the Podium would benefit from an internal refresh, however, the same level of capital investment is no longer required. A new capital investment proposal for these works will be considered as part of the capital programme approval process by Council in February 2020.

## **BUDGET RISKS**

- 3.21 The key risks to the budget were outlined in the Council's 2019/20 Budget Report, in compliance with the Council's decision making risk management guidance. These have been reviewed with current risks identified in the table below:

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management Update</b>
Further demands on service continue to escalate beyond current estimates	Possible	High	This is certainly a risk within Children's Services requiring ongoing monitoring of spend and controls. Ensure reserves are sufficient to manage in-year pressures where service mitigations cannot be implemented or are delayed.
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	Shorter term rates are predicted to remain at current low levels 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	Possible	Medium	A reserve is available for borrowing to manage market risk and long term borrowing costs have been factored into the longer-term MTFS. The Government has recently increased PWLB rates by 1%, the Council will continue to consider alternative borrowing sources and options alongside the PWLB.
Volatility and uncertainty around business rates	Likely	High	Current monitoring shows that business rates income is expected to be £1.21m higher than budget. However, the retail sector may impact on income and we are closely monitoring any arrears, CVAs, and liquidations with a specific reserve held to manage in-year volatility.
The Business Rates 100% pilot ceases	Unlikely 2019/20 or 2020/21	High	It has been confirmed that Combined Authorities will retain 100% of business rates in 2019/20 and 2020/21. It is anticipated the pilot will now cease in 2021/22 and an estimated £3.6m pressure will be added to the MTFS.
Anticipated savings not delivered	Possible	High	Ensure delivery plans are monitored and continue to assess on a regular basis. Where the monitoring has identified savings are at risk of slipping the project governance will need to escalate and resolve issues through Directors Group. Ensure Budget Contingency Reserve sufficient to meet in-year issues.
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Possible	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. Where external factors cannot be mitigated the Council's future years budget will need to incorporate income pressures.
Brexit risks	Likely	Medium	With the likelihood of a no deal Brexit on the 31 <sup>st</sup> October there could be financial risks that will impact on the Council. A Council steering group has been set up to ensure the Council has

			taken all reasonable steps, in line with relevant guidance and messaging coming from Government and its agencies, to prepare for the exit from the EU on 31 October.
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. Current performance has exceeded business plan targets; performance will be closely monitored for the rest of the financial year.
Capital receipts in the areas identified are insufficient to meet target	Possible	Medium	Currently £1.1m receipts have been received with a further £4.4m expected.

#### **4 STATUTORY CONSIDERATIONS**

4.1 The annual medium term financial planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities. This report monitors how the Council is performing against the financial targets set in February 2019 through the Budget setting process.

#### **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 The financial implications are contained within the body of the report.

#### **6 RISK MANAGEMENT**

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6.2 The substance of this report is part of the Council's risk management process. The key risks in the Council's budget are assessed annually by each Strategic Director, with these risks re-assessed on a monthly basis as part of the budget monitoring process.

#### **7 CLIMATE CHANGE**

7.1 With the exception of any virements for approval listed in Appendix 3(i), this is an information only report about the Council's financial performance against budgets set for April 2019 to September 2019, and therefore does not include any decisions that have a direct impact on Climate Change.

#### **8 OTHER OPTIONS CONSIDERED**

8.1 None

#### **9 CONSULTATION**

9.1 Consultation has been carried out with the Cabinet Member for Resources, Strategic Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

9.2 Consultation was carried out at meetings and via e-mail.

<b>Contact person</b>	<i>Donna Parham - 01225 477468</i> <a href="mailto:Donna.Parham@bathnes.gov.uk"><u>Donna.Parham@bathnes.gov.uk</u></a>
<b>Background papers</b>	<i>None</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	