

Bath & North East Somerset Council		
MEETING:	Resources Policy Development and Scrutiny Committee	
MEETING DATE:	3rd February 2020	EXECUTIVE FORWARD PLAN REFERENCE:
		N/A
TITLE:	Budget and Council Tax 2020/21 and Financial Outlook	
WARD:	All	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report</p> <p>Annex 1: Budget Priorities</p> <p>Annex 2: 2020/21 to 2021/22 Budget Savings & Income Generation Proposals</p> <p>Annex 3: One-Off Allocations</p> <p>Annex 4: Budget Pressures</p> <p>Annex 5: Equalities Impact Assessment Report</p> <p>Annex 6: New Capital Projects</p>		

1. THE ISSUE

This report presents proposals for additional funding for both revenue and capital budgets to deliver the new Corporate Strategy. It also presents plans for savings and income generation as well as recommendations for Council Tax and Adult Social Care Precept for 2020/21.

2. RECOMMENDATIONS

2.1 The Panel is asked to report comments to Cabinet on -

- a) The 2020/21 budget including the savings and income generation plans outlined in Annex 2, priorities Annex 1, one-off allocations Annex 3, pressures Annex 4 and new capital projects Annex 6, in conjunction with the Equalities Impact Assessment Report in Annex 5.

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

The resource implications are contained within the body of the report.

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSALS

4.1 A local authority has a statutory duty to set an annual budget and Council Tax.

4.2 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 5.

5. THE REPORT

Overview of the Medium-Term Financial Strategy and budget

5.1 The Medium-Term Financial Strategy (MTFS) was approved in September 2019 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.

5.2 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 ongoing expenditure commitments. The following updated MTFP shows a projected budget gap for 2021/22 and beyond. The figures include all estimates for pay awards, pension costs, Council Tax, business rates, Government grant, and inflation:

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Budget Requirement (Previous Year)	113.10	118.25	118.11	120.37	122.83
One-Off items from previous year	-0.71				
Pay inflation @2.75% 2020/21 and then 2%	2.22	1.59	1.53	1.49	1.52
Pension Contributions	-1.34	0.16	0.01	0.61	0.61
Demographic Growth & Increase in Service Volumes	2.29	2.34	1.98	1.98	1.98
Contractual Inflation	1.88	1.93	1.97	1.92	1.98
Budget Pressures / Rebasing	4.55				
Priorities	2.25	-0.29	0.31		
Contingency Budget	1.00	0.50			
Increase(-)/ Reduction in	-0.55	3.38	0.91	1.39	

New Homes Bonus Grant					
New Homes Bonus - Replacement Grant Estimate		-0.81	-0.35	-0.38	
Capital Financing	1.75	1.61	1.00	1.00	1.00
Increased Business Rates income (incl s31 grants)	-0.21				
SEND Govt funding (replacement of General Fund Council funding)	-1.44	-0.86			
Social Care settlement grant	-2.68				
One-off costs	0.64	-0.54	-0.10		
Draft Budget Before Savings	122.74	127.25	125.35	128.39	129.92
Savings Proposals					
Once-off Business Rates Grant	-0.36				
Savings Plans	4.85	2.41	0.40		
Estimated Savings Required		6.73	4.57	5.56	3.86
Budget Requirement	118.25	118.11	120.37	122.83	126.06
Funding of Budget Requirement					
Council Tax	88.83	91.67	94.61	97.63	100.75
Adult Social Care Precept 2% in 2020/21	8.61	8.70	8.78	8.87	8.96
Collection Fund Surplus (Council Tax)	0.71				
Business Rate Retention incl Revenue Support Grant and Estimates of Fairer Funding Equalisation	23.21	17.65	16.98	16.32	16.35
Collection Fund Surplus (NDR)	1.52				
Business Rates Reserve	-2.31				
Transfer to Un-earmarked Balances Reserve	-1.20				
Transfer to Transformation Reserve	-1.11	0.09			
Funding of Budget Requirement	118.25	118.11	120.37	122.83	126.06

(Note the table outlines an increase in Council Tax of 1.99% over the plan whereas the Adult Social Care Precept of 1.99% has only been applied for 2020/21)

5.3 The forecast includes the following cost pressures and assumptions-

Pay – Pay inflation has been allocated at 2.75% for 2020/21 and will be subject to the national agreement. 2% has been allocated for the remainder of the plan. The Council’s Pay Policy Statement will be attached to the budget report;

Pension Costs – Have been revised in line with the recent revaluation for the next three years followed by a 1% increase per annum from 2023/24;

Service Demand Pressures – the strategy assumes that demand especially within Adults and Children’s Social Care remains in line with estimates as at December 2019;

Interest Rates – Estimated average interest of 1.1% 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 2020/21, 2.1% in 2021/22 and 2.1% 2022/23. 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 borrowing costs for new schemes each year of the plan;

Borrowing – the strategy continues to factor in longer term borrowing costs into the MTFs while continuing to optimise the use of cash balances subject to market conditions and the overriding need to meet cash outflows;

Purpose of the Corporate Strategy

5.4 The budget focusses on delivery of the new Corporate Strategy and is set within the following framework:

ONE: We have **one** overriding purpose – to improve people’s lives.

This might sound simple but it brings together everything we do, from cleaning the streets to caring for our older people. It is the foundation for our strategy and we will ensure that it drives our commitments, spending and service delivery.

TWO: We have **two** core policies – **tackling the climate and nature emergency and giving people a bigger say**. These will shape **everything** we do.

THREE: To translate our purpose into commitments, we have identified **three** principles. We want to **prepare for the future, deliver for local residents and focus on prevention**.

5.5 The Medium-Term Financial Strategy has been developed along with the Corporate Strategy to ensure that the budget aligns to our key principles and commitments.

Supporting Our Principles and Commitments

5.6 Our two Core Policies are as follows:

- Giving people a bigger say
- Addressing the climate and nature emergency

5.7 Three principles drive the commitments in our strategy. These are shown as follows with links to the budgets and capital programme for 2020/21.

A. Preparing for the Future

Our key commitments
Enable a step change in local renewable energy schemes including solar and wind power
Promote a high-skill economy
Maximise opportunities from new technologies to improve and deliver efficient, modern services
Support the transition to a green, local economy
Enable a major shift to walking, micro mobility (cycling), car-sharing, buses, and rail
Encourage a large and rapid improvement in the energy efficiency of our area's buildings through carbon neutral development and energy efficiency retrofitting of the majority of existing building stock
Increase natural environment carbon stores - for example, through planting more trees - and improve our bio-diversity, habitat and land management

Portfolio Budgets Supporting this Principle-

Portfolio	Director/CEO	Portfolio Holder	2020/21 £'m
Resources	Donna Parham Maria Lucas David Trethewey John Wilkinson Amanda George	Cllr Richard Samuel	11.39
Leader	Will Godfrey	Cllr Dine Romero	(0.68)
Total			10.71

Proposed Investment for 2020/21 - £24.0m Capital, £2.5m Revenue, £0.5m Revenue One-Off as outlined in the attached appendices. Proposed savings as attached in Annex 2.

B. Delivering for Local Residents

Our key commitments
Deliver more carbon neutral, social and affordable housing and ensure that our Houses of Multiple Occupancy (HMO) policies put communities first
Ensure the council is an exemplar for low carbon, including the delivery of carbon neutral and energy efficient homes through our housing company
Facilitate significant improvement to the transport infrastructure and encourage behaviour change to forms of transport other than the private vehicle
Introduce ' low traffic neighbourhoods ' working with schools and local communities
Have an effective approach to fly-tipping and litter enforcement as well as to city centre cleansing and trade waste
Use new initiatives such as Citizen's Juries to involve residents in decision making
Tailor our approach to community engagement in Bath to reflect the needs of the City's residents
Build on our Parish Charter with a new Community Engagement Charter which outlines our commitments and framework for engaging with local residents across the whole of the Bath and North East Somerset area

Portfolio Budgets Supporting this Principle-

Portfolio	Director	Portfolio Holder	2020/21 £'m
Transport	Mandy Bishop	Cllr Joanna Wright/ Cllr Neil Butters	0.72
Climate Emergency and Neighbourhood	Mandy Bishop David Trethewey Lisa Bartlett	Cllr Sarah Ward/Cllr David Wood	16.54
Housing, Planning, and Economic Development	Lisa Bartlett John Wilkinson	Cllr Tim Ball	3.47
Community	John Wilkinson Mandy Bishop Lisa Bartlett	Cllr Paul Crossley	(4.41)
Total			16.31

Proposed Investment for 2020/21 - £11.8m Capital, £1.0m Revenue, £0.2m Revenue One-Off as outlined in the attached appendices. Proposed savings as attached in Annex 2.

C. Focussing on Prevention

Our key commitments
Deliver statutory health and care services for children and adults as effectively as possible
Prioritise preventative approaches so that we can tackle issues at the earliest stage and ensure a better quality of life for our local residents
Promote good health and reduce health inequalities
Enhance local provision for children and young people with Special Educational Needs and Disabilities (SEND) to reduce the need for more distant and costly specialist placements
Help our residents to reduce waste, increase recycling and support local litter picking schemes
Ensure we have mental health services that deliver the best outcomes for our residents
Support our residents to live well and independently, so we reduce over-reliance on residential and nursing care
Support communities who want to address issues of concern by listening to residents and build on local strengths and resources

Portfolio Budgets Supporting this Principle-

Portfolio	Director	Portfolio Holder	2020/21 £'m
Adult Services	Lesley Hutchinson James Childs-Evans Bruce Lawrence	Cllr Rob Appleyard	63.53
Childrens Services	Mary Kearney-Knowles Chris Wilford	Cllr Kevin Guy	27.65
Total			91.18

Proposed Investment for 2020/21 - £2.8m Capital, and £3.2m Revenue as outlined in the attached appendices. Proposed savings as attached in Annex 2.

In addition to this a £3.6m will be invested in 2020/21 in corporate capital projects mainly to maintain and ensure the safety of Council owned buildings.

Notes

- (1. Note revenue investment includes pressures and priorities only – the figures do not include demographics or inflation)
- (2. Note only the capital budget for 2020/21 has been outlined in this report – the details for future years and financing is outlined in Annex 6).
- (3. Cash limits are currently provisional – final figures will be reported as part of the Cabinet report).

Equalities Impact Assessment of the Budget Savings and Income Generation

5.8 The Equalities Impact Assessment of savings and income generation is attached at Annex 5. The report outlines how the impacts of the Council's budget proposals are being considered from an equality perspective. The law also requires that equality issues are considered by public bodies as part of decision making, especially where services are reduced or redesigned.

5.9 The report outlines further considerations to be made before or as the savings are delivered as well as monitoring impacts post implementation.

Links Between the 2019/20 Budget Monitoring and In-Year Pressures

5.10 Budget Monitoring for April to December 2019 shows the following predicted outturn for the end of the 2019/20 financial year:

Portfolio	Revised Budget £'m	Year End Forecast £'m	Variance Over / (Under) £'m
Leader	(0.36)	(0.04)	(0.32)
Resources	7.18	6.63	(0.55)
Adult Services	62.45	62.45	0.00
Children's Services	28.99	30.88	1.90
Climate Emergency & Neighbourhood Services	15.92	15.92	0.00
Transport Services	(0.15)	(0.28)	(0.12)
Housing, Planning & Economic Development	3.23	3.02	(0.21)
Community Services	(3.69)	(4.42)	(0.73)
Smoothing reserve to be allocated		(0.61)	(0.61)
Total	113.56	113.56	0.00

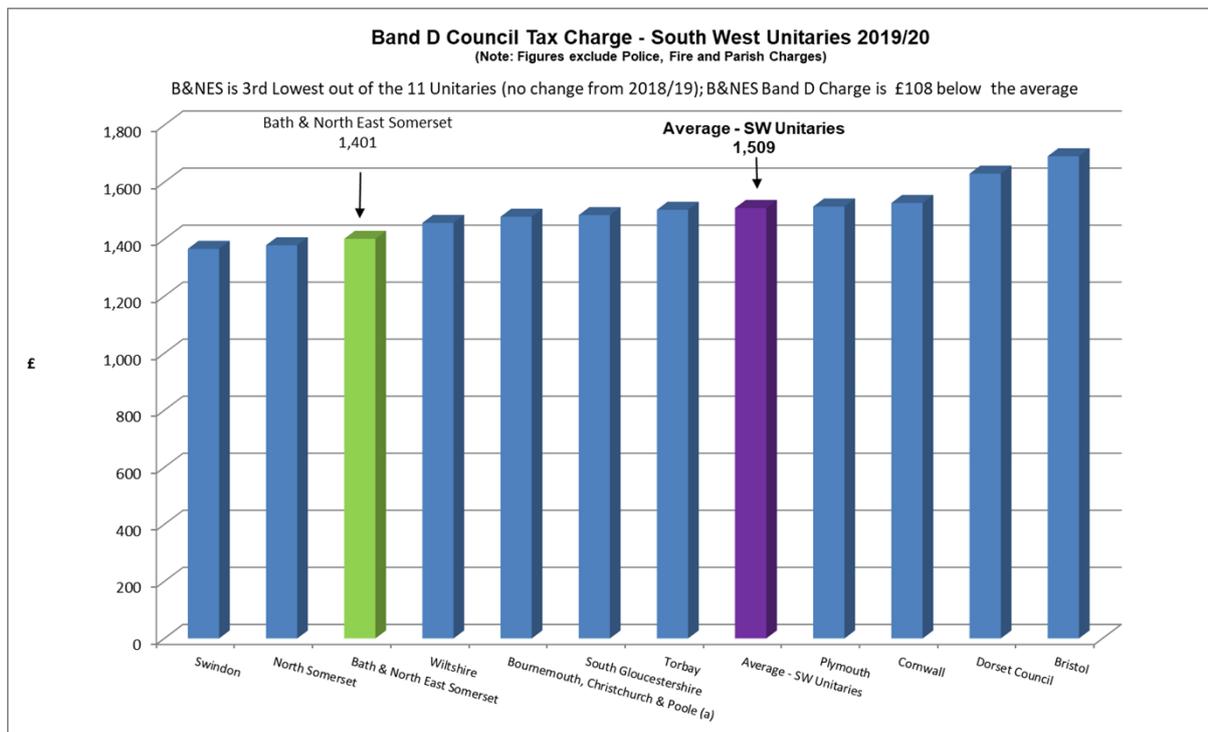
5.11 The overall predicted outturn for the year is that the Council will remain within the budget set with less use of the Financial Planning and Smoothing Reserve than planned. However, there are pressures within the budgets that require addressing for

2020/21 as they are reoccurring. The main issues that have been addressed as part of budget setting is rebasing Childrens Services by £2.0m because of increasing demand and rebasing Commercial Estate by £1.0m to better reflect current rentals and to take out the target for new acquisitions (these will be added to the budget only when an acquisition is approved). Pressures are outlined in Annex 4.

Council Tax Increases

5.12 A Council Tax increase of 1.99% is being recommended as part of the budget as well as an increase to the Adult Social Care precept of 1.99% for 2019/20 to continue to protect front-line services. The Adult Social Care precept will be specifically targeted to increases in expenditure within the ASC service. This equates to an increase of £55.76 per annum (£1.07 per week) overall on a Band D property.

5.13 The diagram below shows that B&NES had the third lowest Council Tax of the South West Unitary Authorities in 2019/20-



5.14 The Government Settlement outlined that “Core Spending Power” for Bath and North East Somerset was to increase by 7% but this is in the expectation that the Council will raise 4% (up to the level that would trigger a referendum) of this through Council Tax increases.

Addressing Future Deficits

5.15 The budget gap for 2021/22 is estimated to be £9.1m and there are currently savings plans totalling £2.4m to address this gap. Plans will be formulated early in the new financial year to address the remaining gap of £6.73m.

6. RISK MANAGEMENT

A risk and robustness assessment has been made relating to the issue. Risks will be reported as part of the budget setting report. Reserves have been set at levels to manage financial risks in 2020/21. The Director of Finance has concluded that levels of reserves are adequate and reasonable to meet the Council's risks.

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 considers the financial constraints and risks facing the Council.

8. OTHER OPTIONS CONSIDERED

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

9. CONSULTATION

Planned public consultation took place in November and December 2019.

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Background papers	<i>Budget and Council Tax 2020/21 and Financial Outlook</i>
Please contact the report author if you need to access this report in an alternative format	