

Bath & North East Somerset Council				
MEETING:	Cabinet			
MEETING DATE:	2nd July 2020	EXECUTIVE FORWARD PLAN REFERENCE: E 3210		
TITLE:	Covid-19 2020/21 Financial Recovery plan			
WARD:	All			
AN OPEN PUBLIC ITEM				
<p>List of attachments to this report:</p> <p>Appendix 1 – Revenue recovery plans</p> <p>Appendix 2 – Capital Review schemes to be reparsed & reviewed</p> <p>Appendix 3 – Capital Review schemes with presentational amendments</p> <p>Appendix 4 – Equality Impact Assessment</p>				

EXECUTIVE SUMMARY

a) Revenue budget

As a result of Covid-19 the 2020/21 revenue budget has an unprecedented challenge from loss of commercial income resulting in a forecast deficit before mitigations and government grant of **£42.13m**. The full implementation of the financial recovery plans (**£20.7m**) and use of unrestricted Covid-19 grant (**£10m**) will result in a projected deficit of **£11.43m** which will need to be funded from the use of reserves set out in this report.

b) Capital budget

The Capital Programme has been reviewed to revise scheme delivery timetable's considering Covid-19, alongside identifying schemes that can be rephased to create a one-off revenue saving through reduced borrowing costs. The review has been led by the Capital Strategy Group and identified **c£3m** of in year revenue savings, whilst ensuring high profile and priority schemes are continued. Government have announced a £2bn five-year package for cycling and walking projects with £0.25bn to ease pressures on public transport in the recovery from Covid-19. The allocations to B&NES will be co-ordinated through the West of England Combined Authority (WECA).

c) Council Tax and Business Rates

The initial assessment on the income from Council Tax due to the impacts of Covid-19 affecting resident's ability to pay and the increase in the number of Local Council Tax Support scheme claimants is **£6m**. There has been an increase in Universal Credit and Local Council Tax Support Scheme applications that present an ongoing financial risk to Council Tax payments. The initial assessment on the income from Business Rates due to the impacts of Covid-19 affecting businesses ability to pay is **£1.5m**. This represents a reduction of c5% on collectible income after allowing for the 100% business rate relief which has been granted for Retail, Leisure & Hospitality businesses during 2020/21. Under the collection fund accounting requirements, a 2020/21 under recovery of income will be recognised as a budget shortfall in the 2021/22 revenue budget.

The Council has awarded **2,929** business grants under the government support scheme totalling **£38.14m** payments to local businesses, **97%** of the government grant has been allocated.

d) Council Reserves

The plans set out in this paper require use of the Councils Corporate reserves held for financial planning and risk. The forecast **£11.43m** deficit after revenue mitigations and government Covid-19 revenue grants will require **£2.43m** use of Revenue Budget Contingency and **£4m** of the Financial Planning reserve. The remainder will require **£5m** drawdown of the general un-earmarked reserves leaving the Council's balance at **7.2%**, this is a satisfactory balance that is over 2% higher than the average general un-earmarked reserves held in B&NES nearest neighbours Unitary Authority group.

e) MHCLG Financial Support

To date **£13.21m** of revenue grant has been awarded to B&NES to support the local response to Covid-19, for the financial recovery plans the **£10m** revenue grant has been included as being fully utilised as funding the reported pressures across Council, it is assumed that the other **£3.21m** Covid-19 grants will be utilised for specific purposes and not have a material benefit to the reported pressures.

In the event of a further package of unrestricted grant to be announced by MHCLG this will help reduce the Councils reliance on reserves to fund its year end deficit and may help mitigate slippage in the delivery of the proposed recovery plans.

1 THE ISSUE

- 1.1** The Council's 2020/21 budget has an unprecedented financial challenge due to the Covid-19 impacts on Council services and the revenue budget. This is a fast moving and dynamic situation which requires immediate action to manage the 2020/21 financial pressures arising from income reductions which are set out in the report. This has resulted in a high degree of uncertainty on the longer-term financial impact that Covid-19 will have on Council finances. It is important to acknowledge that the impact has been caused by events outside the Council's control. This report sets out the first step which is addressing the in-year budget impact and financial recovery measures.
- 1.2** This report sets out the financial impacts of Covid-19 on the Council's revenue budgets. The Council is anticipating a £42.13m pressure on its revenue budget and £7.5m on the Collection Fund before government grant and the proposed financial recovery measures. The report sets out the gross impact of Covid-19 restrictions and social distancing measures and the planned mitigations to present a fully funded net budget position.

2 RECOMMENDATION

The Cabinet is asked:

- 2.1** To note the Covid-19 financial impact on the Council's revenue budget.
- 2.2** To note the planned commitments and utilisation of the £10m Covid-19 grant.
- 2.3** To note and approve the Director recovery plans, which are in line with the delegation given within the Council's Budget Management Scheme.
- 2.4** To support and approve the 2020/21 revenue budget financial recovery plans.
- 2.5** To note the changes in the capital programme as result of the capital review and approve the rephasing of the programme budgets as set out in appendix 2.
- 2.6** To note the commitment of £11.43m Council reserves to be earmarked and utilised as the deficit funding source in the event of an over budget position after revenue mitigations and government grant.

3 THE REPORT

- 3.1** Due to the material financial impact Covid-19 has had on the Council's revenue budget the Cabinet is required to provide assurance that the Council has robust financial recovery plans in place. This will ensure that the forecast over budget position can be managed within the delegations given within the Council's budget management scheme.

The Budget Management Scheme approved in September 2018 by Full Council sets out:

With effective budget planning and management, overspending should not occur. If, however, one occurs it must normally be recovered.

- 1) Directors are responsible for budget management.
- 2) The Director is responsible for making proposals for the recovery of any overspend to the Corporate Director and Chief Executive (or Director of Finance) in the first instance. Further reporting requirements will then be determined, depending on the size and nature of the problem.
- 3) Overspends will normally be expected to be recovered within the following year. However, a period of up to 3 years may be allowed for the recovery of overspends, depending on the level of overspend and the subsequent impact of recovery on service delivery.
- 4) All formal recovery plans will be submitted by the relevant Director as part of budget monitoring to the Cabinet for approval.
- 5) Strategic Leadership Team and Cabinet, in consultation with the Chief Financial Officer, will consider the overall corporate outturn position and may consider writing off overspends.

This report sets out the financial measures required to manage the Council's financial recovery through recognising the impact of Covid-19 on the revenue budget. This includes a range of service-based Director mitigations within Cabinet Portfolios alongside Corporate mitigations to deliver a fully funded 2020/21 revenue outturn. Early decisive action and delivery at pace will enable the Council to implement the in-year recovery measures that will help mitigate the loss of income minimise further exposure to financial risk.

Robust financial management is the foundation for any organisation, this requires taking a long-term approach which is particularly important when considering how we manage our reserves. We hold reserves principally as a means of managing short term risk or to make provision for longer term commitments to deliver priority outcomes. Reserves should not be seen as a spare resource available to balance annual budgets. This is a key principle underlying ongoing financial management. This aim was fully achieved in 2019/20 with a under budget position and net transfer to reserves of £2.5m.

The extraordinary nature of the current environment should be recognised as an appropriate reason to use of reserves in a planned way for 2020/21 as set out in this paper. Ideally the need to use reserves will be reduced in the event of further allocation of unrestricted Covid-19 government grant.

REVENUE BUDGET

- 3.2** The Council's revenue budget has been adversely impacted from the Covid-19 restrictions which has resulted in a significant loss of income due to the government lockdown and social distancing measures. The adverse impact on the Council's revenue budget has arisen from the urgent actions required to comply with the government lockdown which included the closure of the Roman Baths. To give context the income from our Heritage and Parking Services for April and May was £0.259m compared to £5.866m for the same period last year, a reduction of £5.607m; this equates to a loss of £91,918 a day which is required to fund Council Services. This alongside expenditure pressures which include supplier relief such as supporting the social care market and new unplanned expenditure, for example the sourcing of Personal Protective Equipment (PPE) has resulted in a forecast over budget position, the Directors are required to seek compensating savings to try and bring budgets back to balance.
- 3.3** A summary by Portfolio of the revenue position as at 31st May 2020 is shown in the table below:

Portfolio	Revised Budget £'m	Year End Forecast £'m	Expected Variance Over / (Under) £'m
Leader	(0.63)	(0.63)	0
Resources	12.20	19.81	7.61
Adult Services	63.53	68.69	5.16
Children's Services	27.65	29.16	1.51
Climate Emergency & Neighbourhood Services	16.54	17.14	0.60
Transport Services	(0.09)	8.50	8.59
Housing, Planning & Economic Development	3.47	4.04	0.57
Community Services	(4.42)	13.67	18.09
Total	118.25	160.38	42.13

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

- 3.4** The current **year-end** forecast is an over budget position of £42.13m which has arisen through the significant impact of the Covid-19 restrictions on the Council income budgets. This position is before revenue mitigations which are set out in section 3.6 of the report.

3.5 Portfolio Commentary

Key variances are reported by Portfolio below showing the gross budget impact before government grant and service-based mitigations, this information has been established through a detailed assessment of the Council's income budgets and arising cost pressures from Covid-19:

Leader (on budget)

Due to the good performance of the Council's housing company, Aequus the 2020/21 dividend payment to the Council is forecast to be fully paid giving an on-budget position.

Resources (£7.61m over budget)

The Resources portfolio has been materially impacted from the Covid-19 restrictions, specifically the Council's Commercial Estate income budget which has a forecast deficit of £6.13m.

This deficit is projected to the end of the year and built on the assumption that there will be new voids in the Commercial Estate due to the impact on business viability following the Covid-19 restrictions and changes in consumer behaviour. To try and help mitigate these risks the Council has offered periods of deferred rent and administered the Government grant scheme to help business with additional funding to meet fixed payments. However, rent free periods are not being proposed as this is an essential income source that funds Council services to its residents with payment required in this financial year.

The remaining £1m is due to slippage in Council saving plans such as reviewing its office accommodation and the cross-Council service efficiency savings. These will now be progressed through the Covid-19 recovery work that will look at how the Council's Corporate accommodation is utilised by its workforce responding to the changes required from Covid-19.

Adult Services (£5.16m over budget)

Due to the Covid-19 impact on the health and care sector there will be additional financial pressure on the adult social care budgets as a result of supporting the care market in responding to the changes in care delivery from social distancing.

The £5.16m over budget position is broken down across the following areas:

Additional demand above budget levels of £1.8m, this is the full year impact of new social care placements following early discharge from hospital.

Through supporting the care market, we are anticipating a further pressure of £1.9m through additional provider costs in supporting existing packages of

care. In addition to this we are estimating £0.57m relating to workforce pressures across the adult social care.

In addition, we are anticipating the annual cost for PPE for the care sector to be £0.86m to enable safe delivery of care.

Children's Services (£1.51m over budget)

There is a £0.5m forecast pressure arising from children's social care. Principally due to anticipated additional expenditure being incurred on care packages that have occurred during the Covid-19 restrictions.

There is a £0.7m pressure relating to home to school transport (HST) service; primarily due to evaluation of effect of social distancing guidelines in support of school reopening. In addition, there is £0.2m arising from payments to early years providers to ensure provision was available for key workers and £0.07m potential loss of income for music service.

Climate Emergency & Neighbourhoods (£0.6m over budget)

The £0.6m over budget position is due to additional demand and agency staffing costs for waste services during the Covid-19 restrictions.

Transport Services (£8.59m over budget)

Parking services has been adversely impacted from the Covid-19 restrictions with a period of non-charging during the lockdown and ongoing reduced demand. This is due to the material usage drop from the impacts on the visitor economy alongside fewer regular users as people are working from home or not able to work which has led to a forecast £7.2m income deficit.

Within the Transport portfolio there is also a £1m over budget position that will be charged to the Covid-19 Grant for additional costs that Council has incurred through Emergency Planning mobilising services to deal with the pandemic. This includes funding the establishment of Community Support Hubs, sourcing PPE and providing temporary accommodation for the homeless.

There is also an anticipated pressure of £0.35m on the Public and Passenger Transport Budgets from supplier relief to ensure the continuation of services.

Housing, Planning & Economic Development (£0.57m over budget)

The have been additional costs of £0.26m in Housing services as a result of providing emergency accommodation for rough sleepers as a result of the lockdown. This is temporary accommodation and the service is now exploring options for a more affordable longer-term solution.

It is forecast that there will be a £0.31m pressure during 2020/21 on the planning income budget due to an anticipated reduction in planning applications. This may improve with the recent easing of the Covid-19 restrictions allowing the construction work to resume.

Community Services (£18.09m over budget)

Income budgets across the Community Services portfolio ranging from Building Control fees to registrar's income from weddings have been

adversely impacted from Covid-19. The service materially impacted is Heritage leading to £18.09m income deficit across the portfolio.

The significant income loss in Heritage Services is due to the closure of the Roman Baths, Fashion Museum and Victoria Art Gallery which under normal circumstances would generate an annual profit of £9.7m. There is now a forecast deficit in turnover ranging between £14.5m to £18.7m with the mid-point used in the forecast. Reopening of the service will need to take into account social distancing measures and anticipated reductions in demand from international visitors.

3.6 2020/21 Financial Recovery

Due to the early assessment of annual income loss in 2020/21, which in March was forecast to have an annual impact of over £30m early work started on the Council's in year financial recovery plans. This was prioritised to ensure responsible Directors could identify mitigations to be agreed with their portfolio holders.

With a Government Covid-19 Grant allocation of £10m and in year revenue pressures of over £40m it was apparent the grant would contribute to the new cost pressures but not mitigate the loss of income. As a result, the following scenarios were developed to identify recovery measures:

Red scenario = Maximum Govt support: 25% of projected additional pressures (£12.5m Grant) reducing the projected in year deficit to £30m
Amber scenario = Maximum Govt support: 50% of projected additional pressures (£25m Grant) reducing the projected in year deficit to £17.8m
Green scenario = Maximum Govt support: 75% of projected additional pressures (£37.5m Grant) reducing the projected in year deficit to £5.3m

**Note: the scenarios are based on a £43m revenue deficit (c£10m expenditure & c£33m income loss) and Council tax and Business Rates collection deficit of c£7m*

At the time of developing the above scenarios the confirmed government revenue grant allocation to B&NES was £10m from the national funding of £3.2bn to local government for dealing with Covid-19 related pressures.

Whilst it is anticipated that there may be further government funding to help manage the 2020/21 position this cannot be relied on. The Council's budget management scheme requires financial recovery plans for full mitigation of the over budget position. Our current working assumption is the adoption of the red scenario and this has guided the creation of the recovery plan. We will revisit this assumption if circumstances change.

Financial Recovery Plans

The financial recovery measures are detailed in Appendix 1, these total £20.7m with further recovery measures to balance the 2020/21 budget are set out in the table below:

Portfolio	Gross Pressure Over / (Under) £'m	Recovery measures £'m	Variance Over / (Under) £'m
Leader	0.00	0.00	0.00
Resources	7.61	(11.64)	(4.03)
Adult Services	5.16	(3.54)	1.62
Children's Services	1.51	(0.75)	0.76
Climate Emergency & Neighbourhood Services	0.60	(0.51)	0.09
Transport Services	8.59	(0.35)	8.24
Housing, Planning & Economic Development	0.57	(0.91)	(0.34)
Community Services	18.09	(3.00)	15.09
Sub Total	42.13	(20.70)	21.43
Government grant		(10.00)	(10.00)
Use of reserves		(11.43)	(11.43)
Total	42.13	(42.13)	0.00

This shows the impact on the revenue budget from the proposed financial recovery plans with summary narrative below. There has been an equalities impact assessment of these plans set out in Appendix 4.

Resources - £11.78m of recovery measures

Within the resources portfolio there are £11.78m of in year one-off recovery measures that will help offset the loss of income in commercial estate and provide wider corporate mitigations to the Council overspend.

The planned Corporate mitigations of £10.44m have been summarised under the following headings:

- £2.6m release of revenue contingency budgets
- £2m Balance sheet review and use of ring-fenced reserve to fund service expenditure
- £3m Reprofiling the Capital Programme to reduce borrowing costs
- £2.84m Salary Budget Savings through vacancies and reduced hours

In addition, across the service budgets within the Resources portfolio there has been £1.34m of underspends identified through differing expenditure and identifying more affordable ways of delivering services. Examples include reprofiling non-essential maintenance spend and not making new commitments against discretionary budgets to create an underspend.

Adult Services - £3.54m of recovery measures

Within the Adult Social Care portfolio further savings of £3.54m have been identified that build on the existing initiatives set out on the 2020/21 budget approval.

These include:

Reviewing existing care packages to identify efficiencies of £1.31m, evidence has shown that through carrying out regular reviews to ensure only eligible need is met through care provision will generate savings and encourage independence rather than create over reliance on packages of care.

It is anticipated that there will be external service additional underspends of £1.04m from underspends in the cost of care packages where services were not required and/or could not be provided during the Covid-19 restrictions.

A further £0.87m has been identified through rephasing new commissions against the Improved Better Care Fund (iBCF) grant funding to 2021 and utilising this to fund the growth in the 2020/21 Adult Social Care budget creating a revenue saving.

Across the Adult Services budget there is a further £0.32m of miscellaneous underspends and vacancy management through which involve reprofiling non-essential commissions and service expenditure.

Children's Services - £0.75m of recovery measures

Children's Services have identified £0.43m of service review and efficiency savings that include savings that can be realised from high cost residential placements through putting more support into preventative services and strengthening the fostering offer. This aligns with the service improvement savings that were agreed in the 2020/21 Budget Proposal.

In addition, there are £0.32m of planned underspends through miscellaneous underspends and vacancy management, with £0.27m of this arising from the Children's Social Care Salary budgets.

Climate Emergency & Neighbourhoods - £0.51m of recovery measures

Across the portfolio there has been £0.36m identified from general service efficiencies which include reprofiling resource from areas such as Street Cleaning to high demand areas such as Waste. This has helped mitigate additional costs and identified underspends from rescheduling expenditure.

Through the additional government funding to aid recovery across the region there is the opportunity to fund planned activity that was budgeted from grant allocations which will create a £0.25m revenue underspend.

Transport Services - £0.35m of recovery measures

Across the Transport Services £0.35m of mitigations have been put forward, these include finding alternative funding sources and reprioritising budgeted resource to take forward new initiatives creating a saving within 2020/21 budget growth items. Underspends have also been identified from carrying out service reviews where business as usual costs have slipped in the first quarter as a result of the Covid-19 restrictions.

Housing, Planning & Economic Development - £0.94m of recovery measures

There have been £0.94m of mitigations identified, the majority of this relates to utilising £0.66m of accumulated housing grant held in reserves. The grant is not ring fenced and will be released into revenue, creating a revenue budget underspend.

The balance of the mitigations in the main is from holding vacancies across team budgets.

Community Services - £3m of recovery measures

The main recovery measure within Community Services is £2.5m from Heritage Services, this is made up of a range of mitigations that will be implemented throughout the year to take into account the material loss of income and need for lower operating costs to run the service whilst demand has fallen. The Heritage Services recovery is predicated on a revised strategy to re-open its services in a controlled and safe way.

The £0.5m balance is made up from holding vacancies across team budgets, miscellaneous underspends and service reviews as detailed in Appendix 1.

MHCLG Revenue Grants

The table below sets out the MHCLG Council revenue grants that have been announced in response to the pandemic to allow Councils to manage and fund local demands.

Covid 19 Government Support & Grants via Councils	England Total £m	B&NES Total £m
Covid 19 - Local Government Support Grant - Tranche 1	1,600	4.644
Covid 19 - Local Government Support Grant - Tranche 2	1,600	5.358
Sub Total Covid 19 - Local Government Support Grant	3,200	10.002
Other Covid 19 Grants and Support:		
Adult Social Care Infection Control Fund	600	2.189
Test & Trace Service	300	0.849
Reopening High Streets Safely Fund	50	0.173
Covid 19 Bus Services Support Grant	22	tbc
Food and Essential supplies fund	63	tbc
Sub Total - Other Covid19 Grants & Support	1,035	3.211

For the financial recovery plans the £10m revenue grant has been included as being fully utilised as funding the reported pressures across Council, it is assumed that the other Covid-19 grants will be utilised for specific purposes and not have a material benefit to the reported pressures.

The budget monitoring showing the detailed use of the Covid-19 grants will be incorporated into the Council's quarterly monitoring to Cabinet.

MHCLG additional support

This report sets out the financial recovery measures that will be required to balance the 2020/21 revenue outturn based on the government funding allocations that have been confirmed to date. We are expecting a further package of support to be announced by MHCLG that may help reduce the Council's reliance on reserves to fund its year end deficit. However, at this stage it is prudent to set out a full recovery plan to give assurance that the actions set out in this paper will enable the Council to fund its 2020/21 revenue outturn.

3.7 Revenue Balances, Contingency and Reserves

The financial recovery plan includes planned and approved use of earmarked reserves as set out in the table below.

Key Reserves

The following table shows the balances of the key earmarked and un-earmarked revenue reserves held for financial planning and corporate risk at the beginning of the year, planned use, and expected balance at the year-end based on current forecast.

The Budget Report set out the purpose for the two earmarked reserves as follows:

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.

Financial Planning & Smoothing Reserve - The Financial Planning Reserve will be used to fund the costs of organisational change.

The specific arrangements for the governance and release of reserves are delegated to the Council's Chief Financial Officer in consultation with the Cabinet Member for Resources and the Chief Executive. Due to the risk on the Council's revenue budget £11.43m of reserves have been earmarked for Covid-19 related budget pressures.

The reserve balances have taken account of the 2019/20 revenue outturn which had favourable movements to the 2020/21 opening balances.

	Unallocated Balance as at 1/4/20 £'m	Earmarking for Covid-19 2020/21 In year pressure £'m	Current Estimated Unallocated Balance 31/3/20 £'m
Revenue Budget Contingency	4.32	2.43	1.89
Financial Planning and Smoothing Reserve	5.62	4.00	1.62
Unearmarked Reserves	13.52	5.00	8.52
Total	23.46	11.43	12.03

Note: In the event of further government revenue grant to support the 2020/21 impacts of Covid-19 the proposed use of reserves will reduce. This will enable the Council to hold a suitable level of financial planning reserve to fund additional one-off costs to manage the longer-term financial recovery.

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 £12.3m and £13.5m to meet those risks. When setting the reserve level for 2020/21 the Commercial Income risks and economic risks were taken into account, at that time the magnitude of the Covid-19 income risk could not be understood or quantified, however un-earmarked reserves were increased in the 2020/21 budget by £1.2m.

The utilisation of £5m un-earmarked reserves will leave a balance of £8.52m which is 7.2% of the Councils 2020/21 £118.25m net revenue budget. This leaves a satisfactory level of reserve for financial risk with the remaining balance, when benchmarked against Councils nearest neighbours' group, is higher than the 4%-6% held by our neighbours. Due to the exposure to commercial income it is prudent to hold a higher than benchmark average general fund un-earmarked reserve.

Prior years assessments against the budget have set a minimum level of un-earmarked reserves at £7.5m. The ongoing reserve requirement for the Council will be assessed in detail for the 2021/22 Medium Term Financial Strategy.

3.8 2021/22 Medium Term Financial planning

The in-year recovery measures set out in the paper will provide a comprehensive set of mitigations against the 2020/21 revenue budget. As we start to understand the longer-term impacts and recovery actions over the coming months the Councils Medium Term Financial Strategy will be re-written taking into account any recurrent impacts on the Councils budget.

What has become apparent in 2020/21 is the Council's reliance on the Visitor Economy and reliance on Commercial Income as a funding source for core Council Services. The financial strategy will take into account the likelihood and associated financial risk that Commercial income will not return to its 2019/20 levels in 2021/22 and require strategic reviews of the following areas:

- Diversification of Parking Charges to meet Climate Change objectives whilst sustaining an essential income source to the Council.
- Reviewing and revising the Council's Commercial Estate Strategy to ensure best use of assets to meet changing needs for retail, businesses and residential.
- Re-thinking the tourism offer through Heritage Services to appeal to and encourage local visitors alongside international visitors.
- Explore opportunities within the workforce, including how people best utilise our workspace to create a new and safe working environment that reduces the need for travel and encourages the best use of technology creating efficiencies across our services.
- Consider the design of the organisation to make it simpler and more financially sustainable with a reduced reliance on commercial income.

3.9 Council Tax & Council Tax Support

The initial forecast for potential impact on the income from Council Tax due to the impacts of Covid-19 affecting resident's ability to pay and the increase in the number of Local Council Tax Support Scheme (LCTSS) claimants is £6 million.

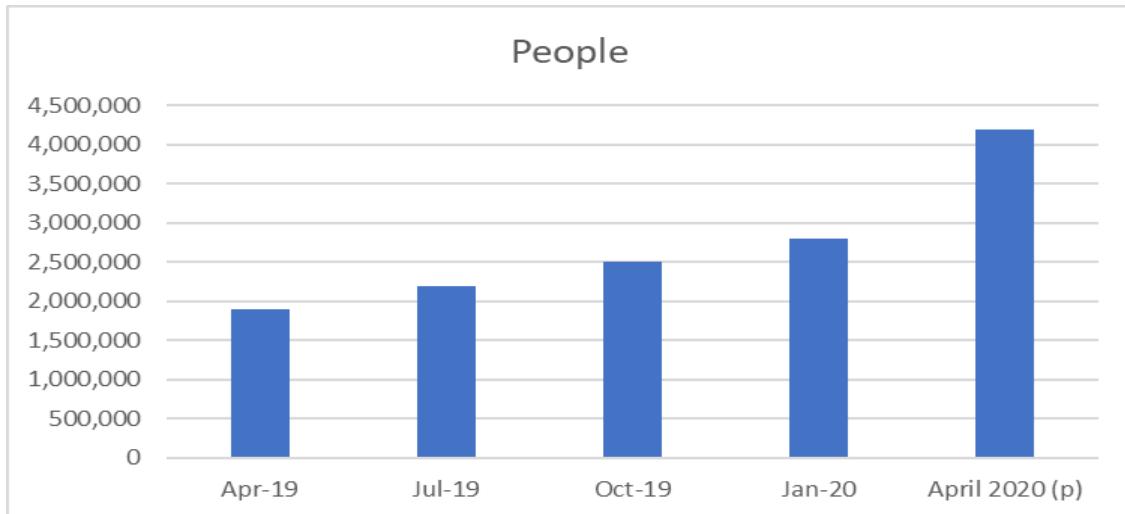
The forecast is based on reductions of around 10% in Council Tax income per month for the first quarter of 2020/21 and then for a gradual monthly improvement until returning to near normal levels by January 2021. Initial assessments of the income levels during the first two months of this financial year, when compared to payment rates for the same periods in 2019/20, shows a reduction of c8% in April, improving to c6% by the end of May.

The Council has seen a large increase in the number of people claiming Local Council Tax Support since April. The 2020/21 tax base included an adjustment of £9.56m for the estimated costs of the LCTSS. At the end of May the current cost has risen to £10.24m, an increase of £0.68m. The number of working age claimants at the end of May was 6,721 compared to the budget assumption of 5,939 an increase of 13%. The increase follows the national trend of increases in people claiming Universal Credit where a record number of claims led to 1.2 million new starts to Universal Credit in the period 13 March 2020 to 9 April 2020, which represents an increase of 40%.

The actual outturn position on LCTSS will depend on a number of variables, including the number of new claimants and the period claimants remain eligible for support whilst seeking employment and this continue to be monitored closely during the year.

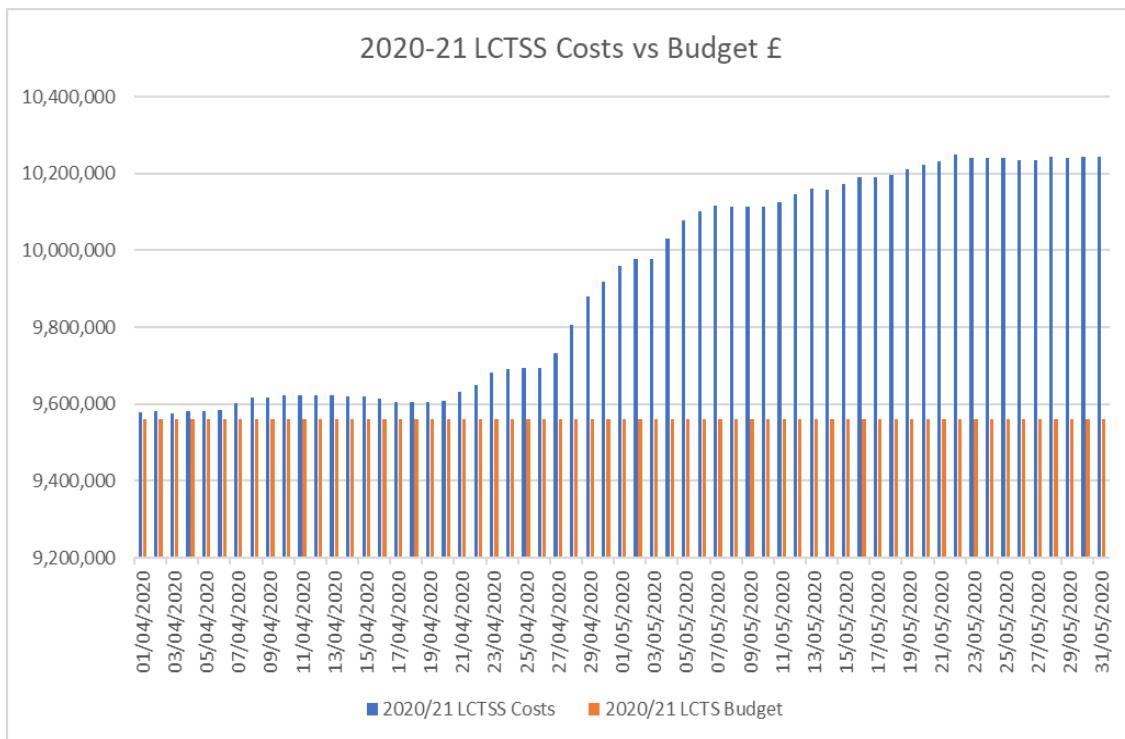
The following two charts show the national increase in Universal Credit Claimants and the increasing cost of LCTSS in B&NES.

People on Universal Credit (at 9th April 2020)



Source: DWP Universal Credit Statistics

B&NES LCTSS Costs vs Budget (April 2020 to May 2020)



Under Local Government accounting arrangements for Council Tax, the impacts of the Council Tax collection fund projected outturn position will need to be built into the financial planning assumptions for recovery as part of the 2021/22 budget.

3.10 Council Tax Hardship Fund

Following the outbreak of Covid-19 and the advice of the UK Government on self-isolation and the temporary closure of Businesses and places of work, the Government made available a £500m Hardship fund for Local Authorities, with the expectation that it will primarily be used to provide council tax relief under

section 13A (1) (c) of the Local Government Finance Act 1992. The Council received £1,288,040 to fund the costs of these reliefs.

The government guidance gives minimum requirements expected of each local authority, which is to apply a further reduction of the lower amount of the claimant's residual council tax liability or £150.00 to all recipients of working age local council tax support (LCTS) during the financial year 2020-21.

The position, as at the end of May, is that reliefs totaling £764,000 have been applied to 5,514 Council Tax Accounts.

It is highly likely that there will be further increases in the number of people who claim and are entitled to council tax support during the remainder of 2020/21, so a high degree of flexibility is currently required as to how and when any potential residual funding is used.

3.11 Business Rates

The initial forecast for the potential adverse impact on the income from Business Rates due to the impacts of Covid-19 affecting businesses ability to pay is £1.5m. This represents a reduction of c5% on collectible income of £31.5m which allows for the 100% business rate relief holiday which has been granted for Retail, Leisure & Hospitality businesses during 2020/21. The 100% relief is funded by government through a s31 compensation grant.

Business Rates income can be very volatile and with the increase in the retail business rate relief which now totals an estimated £44.5m for 2020/21, prior year like for like comparisons on income collection are difficult. The forecast income impact will be reviewed at the end of the first quarter based on trends for the first 3 months, although there is likely to be a lag until impacts on income such as through increases in empty property relief start to feed through the system.

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 2021/22 budget. The balance on the Business Rate Reserve as at 31/3/2020 is £3.568m.

3.12 Business Support Grants

The Government announced support for small businesses, and businesses in the retail, hospitality and leisure sectors in the form of two grant funding schemes in 2020/21, these were to be administrated by each local authority:

- a) Small Business Grant Fund - all businesses in England in receipt of Small Business Rates Relief will be eligible for a payment of £10,000.
- b) Retail, Hospitality and Leisure Grant Fund - all businesses in England that would have been in receipt of the Expanded Retail Discount (which covers retail, hospitality and leisure) with a rateable value of less than £51,000 will be eligible for a cash grant of either £10,000 or £25,000 dependent on the rateable value of the property.

The Council has approximately 3,062 eligible businesses in the Bath and North East Somerset area and has redeployed staff from non-critical service areas to assist with processing applications for business support grants.

The number of grants processed as at 21st June 2020 was 2,929 with 80 either being processed or waiting for a claim to be submitted, this indicates around 97% of eligible cases have been processed. The following table shows numbers and value of grants processed.

Type of Grant	Amount of Grant	Eligible Cases (estimate)	Grants Processed for Payment	Percentage of Grants Processed	Amount Paid
Small Business Grant	£10,000	2,050	2,027	98.9%	£20,270,000
Retail, Hospitality & Leisure Grant (RV<£15k)	£10,000	313	312	99.7%	£3,120,000
Retail, Hospitality & Leisure Grant (RV >£15k but <£51k)	£25,000	646	590	91.3%	£14,750,000
Overall Totals	-	3,009	2,929	97.3%	£38,140,000

The government has recently announced an additional discretionary fund aimed at providing support for some small and micro businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund.

The government will provide funding equivalent to 5% of the grants fund allocation for the Small Business Grants Fund and Retail, Hospitality and Leisure Grants Fund using data returns submitted on 4th May 2020. This equates to a funding cap for the council's scheme of £2.143m.

Taking into account the government guidance, the following businesses are prioritised for grants from the discretionary fund:

- a) Charities and community organisations – with a property that has a rateable value of up to and including £15,000, in receipt of mandatory charitable business rate relief, that otherwise would have been eligible for Small Business Rate Relief or Rural Rate Relief and therefore not eligible for funding under the existing grant schemes.
- b) Businesses in Shared / Flexible workspaces – that have exclusive use of a unit but do not have their own business rate assessment. Examples include units in offices, industrial parks, science parks and incubators.
- c) Market / Street Traders – with a fixed pitch and a street trading licence or lease agreement if in a covered market.
- d) Bed & Breakfasts and guest houses – where the business owner lives on site, holds a valid food safety registration with the council and is paying council tax rather than business rates.

The two week application window for businesses to apply for support from the discretionary fund opened on the 27th May 2020 with a closing date of 10th June. The Council received 308 applications with the fund undersubscribed so a further application window is planned to open at the end of June to give those businesses that haven't applied another chance to access the grant funding.

3.13 West of England Combined Authority (WECA) Response to Covid-19

B&NES has been working closely with WECA to understand the regional impact of Covid-19 specifically on business and transport which is set out below:

The Covid-19 pandemic has created an unprecedented challenge for the businesses, residents and public services across the West of England. WECA, the LEP and key partners have been working to support businesses and residents through this crisis period and seeking to ensure the support and infrastructure is in place to prepare for recovery.

Business Recovery

The West of England Mayor, along with the other combined authority mayors, has established a Regional Economic Recovery Taskforce. This is a partnership between the West of England Combined Authority, the Local Enterprise Partnership, business, universities and the region's councils. WECA have identified, and allocated, **£5m** of Investment Funding for the taskforce and will continue to re-prioritise the overall investment programme to identify further funding where required.

Transport

In the short term following the lockdown, WECA has worked to ensure that public transport is in place to support essential workers travelling to their place of work. This has included maintaining regular contact with bus companies to ensure services are provided and providing travel updates on both the WECA and Travelwest websites to assist people who still need to travel.

WECA has been allocated **£741k** funding from the Government's Emergency Active Travel Fund which is being applied to a programme of measures across the region to promote walking and cycling and to enable passengers to access and egress bus and rail services as safely as possible within social distancing guidelines. Funding is expected to be received from DfT by the end of June 2020, and it is likely that later in the summer further funding will be made available, potentially up to **£3.7m**. Transport Officers from WECA and our Constituent Authorities have started to work up relevant proposals with momentum underpinned through a **£3m cash** injection from the WECA investment fund in advance of receipt of government funding.

Many of the temporary measures being developed have the potential to become permanent, and be extended, to become rational integrated parts of the public realm that could significantly increase Active Travel within the region and capture some of the behaviour engendered by the Covid-19 Emergency. The Investment Fund report to June 2020 WECA committee proposes the creation of a **£10m** capital funding pot to invest in walking and cycling infrastructure building on the

Emergency Measures as well as delivering additional high value active travel measures in the region.

In addition, over the next few months it is anticipated that DfT would announce potential funding and associated guidelines for / access to the previously announced £1.75bn national funding for cycling and walking measures.

WECA support for UA cashflow

To help West of England Unitary Councils with challenging cashflow forecasts over the coming months, WECA is proposing, (to the June committee), to introduce a scheme offering low interest, flexible short-term loans across the region. Matching cash balances held by the Combined Authority with periods of cash shortages within our UAs is another excellent example of proactive and productive partnership working.

3.14 Capital Review

The Corporate mitigations set out a £3m revenue saving through reviewing the delivery timetable of the Capital programme.

The objectives of the review are to aid the Council's financial recovery by minimising new Council borrowing that will need funding from the revenue budget and to also come up with a revised budget profile that takes into account the Covid-19 impact on delivery. In addition, the review has focussed on ensuring grant funded schemes that can continue within budget are supported.

Appendix 2 lists the Capital Schemes with proposed changes that will result in a revenue saving from rephasing. Appendix 3 lists the proposed schemes with other actions that included aligning the schemes with other programme items for more effective management of the programme. The following needs to be noted when reviewing these documents:

1. Proposed interest saving is from reducing the amount of Council Capital borrowing in 2020/21 – this is a one-off saving from timing changes as schemes will still require the approved budget in future years.
2. The theme column is to consider grouping common areas of the programme into strategic delivery themes
3. The recommended actions will result in:
 - Integrate – align and combine related schemes
 - Pause – reconsider scheme due to viability issues
 - Rephase – realign budget to delivery profile taking account of Covid-19
 - Revise – revisit scheme delivery options
 - Review – re-think scheme

The £3m saving is broken down in the table below

Action	Identified saving £'m
Revisions to the Capital Programme	1.3
MRP Review	0.5
Treasury Management -e.g. borrow short term	0.5
Further Slippage Savings	0.7
TOTAL	3.0

The adjustments to the approved and provisional Capital programme by portfolio are detailed below:

Cabinet Portfolio: Approved Capital Schemes	Budget 2020/2021 £'m	Rephase £'m	Budget 2020/2021 £'m Restated
Resources & Deputy Leader	22.538	-10.042	12.496
Adult Services	0.388	0	0.388
Children's Services	5.69	0	5.69
Climate Emergency & Neighbourhood Services	6.595	-0.063	6.532
Transport Services	10.548	-0.936	9.612
Housing, Planning & Economic Development	64.477	-26.885	37.592
Community Services	6.662	0	6.662
Corporate Capital Contingency	0.9	-0.225	0.675
Total	117.798	-38.151	79.647

Cabinet Portfolio: Provisional Capital Schemes	Budget 2020/2021 £'m	Rephase £'m	Budget 2020/2021 £'m Restated
Resources & Deputy Leader	34.349	-1.748	32.601
Children's Services	18.427	-0.03	18.397
Climate Emergency & Neighbourhood Services	35.224	-16.781	18.443
Transport Services	11.089	-5.141	5.948
Housing, Planning & Economic Development	20.421	-7.61	12.811
Community Services	2.596	-0.063	2.533
Total	122.106	-31.373	90.733
Grand Total	239.904	-69.524	170.38

The review of the programme has considered priority schemes delivering transport and infrastructure improvements with the aim to minimise disruption to scheme delivery. The schemes where there has been material rephasing to the Capital scheme budget of over £0.5m for the purpose of delivering revenue savings are listed below:

Corporate Estate Planned Maintenance (£2.1m rephased to 2021/22)

Rephasing of £2.1m to 2021/22 leaving £1m in the programme for 2020/21 investment. This aligns with a review of the Corporate Estate.

Property Improvement – Orange Grove Structural Works (£0.75m rephased to 2021/22)

Current scheme held in provisional programme with no commitments, scheme will undergo a review considering revised options in light of Covid-19.

Neighbourhood Services - Asset & Vehicle Replacement Programme (£0.94m rephased to 2021/22)

Replacement of vehicles is to be made on a priority-based criteria, where compliance with the clean air zone is required.

Passenger Transport Vehicle Replacement Programme (£0.89m rephased to 2021/22)

As above

Highways Road Salt Storage (£0.68m rephased to 2021/22)

Scheme to be aligned with the Waste Redesign and relocation planned in future years.

Affordable Housing (£2.1m rephased to 2021/22)

Scheme amendments to consider Covid-19 impact on delivery timetable.

3.15 Risks

The key risks to the budget were outlined in the Council's 2020/21 Budget Report, in compliance with the Council's decision-making risk management guidance. These have been reviewed with the additional risks added below that specifically relate to the Covid-19 Pandemic:

Risk	Likelihood	Impact	Risk Management Update
Further government restrictions in the event of a second wave virus spread.	Possible	High	This is certainly a material risk, whilst not one the Council has direct control over, every step is being put in place to follow government guidance following the recommendations of our Director of Public Health.
Long term impacts on the Council's Commercial Estate over and above anticipated levels.	Possible	High	Current modelling has been prudent anticipating a material impact in 2020/21 if this continues into future years a full assessment will be required of the Commercial Estate

			asset base.
The income from Heritage Services may not recover in the short term.	Possible	High	Continue to monitor income levels and impact on business plan once the service is re-opened. Pre Covid-19 performance has exceeded business plan targets; performance will be closely monitored for the rest of the financial year.
Impact on Reserves	Possible	High	Without additional government grant there is the risk that Council reserve levels are not enough to manage future years risk. To manage this the full delivery of recovery plans will help minimise use of reserves.
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 current forecast from our treasury management advisors is that borrowing rates will remain at current low levels in the medium term until economic growth prospects improve. The Council will continue to consider shorter term borrowing options alongside the PWLB.
Volatility and uncertainty around business rates	Likely	High	<p>The impacts of Covid-19 will increase the volatility and uncertainty around business rate income. In 2020/21 this risk will be partly offset by the 100% business rate relief the government has announced for all Retail, Leisure and Hospitality businesses.</p> <p>We continue to monitor arrears, CVAs, and liquidations with a specific reserve held to manage in-year volatility.</p>
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
Brexit risks	Likely	Medium	During the Brexit transition period from the 31 st January 2020 to the 31 st December 2020 there will be a period of uncertainty whilst a Trade Deal is negotiated. Impacts on the Council's supply chain will need close monitoring.

Funding pressures through WECA, CCG and other partners	Possible	Medium	Ensure good communication links with partner organisations.
Capital receipts in the areas identified are insufficient to meet target	Possible	Medium	There is a risk that a depressed market will impact on current values, in the short to medium term the Council should not rely on capital receipts as a key funding source.

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 sets out the in-year recovery measures that are required to enable the Council to continue performing against the financial envelope agreed in February 2020 through the Budget setting process.
- 4.2 Under part 4D (1) Rule 5 this report will be exempt from call in and prior to the Cabinet decision be scrutinised by the Corporate Policy Development and Scrutiny Panel. Under the procedural rule the effect of the call-in alone would be to cause the Council to miss, or fail to comply with or fulfil, a deadline or duty. In this instance under the Policy and Budget Framework as set out in the Constitution the Cabinet and its Directors must put measures in place to manage the in-year over budget position.

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 Director, with these risks re-assessed on a monthly basis as part of the budget monitoring process.

7 CLIMATE CHANGE

- 7.1 The objectives of the administration have been considered throughout the design of the financial recovery plan to retain and enhance all key elements of climate and ecological emergency activity and policy planning. This will allow the Council to influence not only its own activities in recovery, but also the economic recovery of the wider district. This will ensure that sensitivity to the climate and ecological crises is retained at the heart of decision-making, in order to radically reduce carbon emissions. Over the course of the next decade as per the climate emergency action plan.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

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

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

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Background papers	COVID19 - Update report and position statement – 29 th May 2020 Cabinet https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=122&MId=5754
Please contact the report author if you need to access this report in an alternative format	