

## Bath & North East Somerset Council

MEETING:	<b>Cabinet</b>	
MEETING DATE:	<b>22<sup>nd</sup> July 2020</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 3215</b>
TITLE:	<b>Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2020 to June 2020</b>	
WARD:	<b>All</b>	

### AN OPEN PUBLIC ITEM

**List of attachments to this report:**

**Appendix 1** – Revenue Monitoring Commentary

**Appendix 2** – Key Scheme Capital Monitoring Commentary

**Appendix 3 (i) & 3 (ii)** – Proposed Revenue Virements & Revised Revenue Cash Limits 2020/21

**Appendix 4 (i) & 4 (ii)** – Capital Virements & Capital Programme by Portfolio 2020/21

## EXECUTIVE SUMMARY

### a) Revenue budget

The Revenue budget outturn is currently forecast to be £10.8m over budget. This is a £0.6m improvement in the position outlined in the Covid-19 Financial Recovery Report, which projected a £11.4m deficit requiring funding from reserves to balance the budget. The main reason for the positive movement is an improved outlook on demand within Adults Services.

Significant projected income losses in Heritage Services, Parking and Commercial Rents, as well as other income generating services, combined with new Covid-19 related expenditure pressures has caused a substantial in year financial pressure.

The government have recently announced their Sales, Fees and Charges (SFC) scheme which will aim to compensate councils for income losses resulting from the pandemic. Once detailed guidance is issued forecasts will be updated to reflect income loss compensation and be reported in our Q2 report to Cabinet, we expect the SFC scheme will enable us to reduce our reliance on reserves and give the option to re-visit and adjust the 2020/21 recovery plans.

Furthermore, an additional funding package of £500m was announced by MHCLG to fund cost pressures. B&NES allocation has not yet been announced. This funding will help mitigate the new Covid-19 expenditure pressures.

The Covid-19 2020/21 Financial Recovery plan was agreed by Cabinet in the 2<sup>nd</sup> July, the Q1 forecast is reporting full delivery of these plans.

In addition, there is a SEND placement pressure of £3.1m on the Dedicated Schools Grant (DSG). Mitigation plans are being worked up which includes identifying uncommitted balances within the DSG.

Savings of £4.8m were included in the 2020/21 budget. The delivery of some savings proposals has been put at risk due to diverting resources to responding to the emergency. Those savings at risk have been captured within the forecasts and more work will be done between Quarter 1 and Quarter 2 to shift focus back to delivery of these.

### b) Capital budget

The current position of the 2020/21 Capital Programme is a forecast of £73.0m against a budget of £79.9m. The variance of £6.9m reflects anticipated rephasing requests into future years, mainly from large Economic Development Projects.

### c) Council Tax and Business Rates

The initial assessment on the income from Council Tax due to the impacts of Covid-19 affecting residents' ability to pay and the increase in the number of Local Council Tax Support scheme claimants is £6m. There has been an increase in 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.

### d) Council Reserves

The Covid-19 2020/21 Financial Recovery plan reported £11.43m reserves will be required to balance the 2020/21 budget. The new funding announcement may reduce the requirement to rely on reserves.

## **1 THE ISSUE**

- 1.1 This report presents the financial monitoring information for the Authority as a whole for the financial year 2020/21, using information available as at the end of June 2020.

## **2 RECOMMENDATION**

The Cabinet is asked:

- 2.1 To note the 2020/21 revenue budget position (as at the end of June 2020).
- 2.2 To approve the revenue virements listed for approval in Appendix 3(i) and to note those virements listed for information only.
- 2.3 To note the capital year-end forecast detailed in paragraph 3.39 of this report;
- 2.4 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).

### 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. Financial recovery plans agreed by Cabinet on 2<sup>nd</sup> July will be included in the service forecasts.

3.3 A summary by Portfolio of the revenue position as at the end of the first quarter is shown in the table below:

Portfolio	Revised Budget £'m	Year End Forecast £'m	Variance Over / (Under) £'m
Leader	(0.63)	(0.63)	0.00
Resources and Deputy Leader	16.44	4.53	(11.91)
Community Services	(4.24)	11.10	15.34
Adult Services	63.55	63.46	(0.09)
Children's Services	26.33	26.31	(0.02)
Climate Emergency & Neighbourhood Services	16.99	16.88	(0.11)
Housing, Planning & Economic Development	3.59	3.12	(0.47)
Transport Services	(0.09)	7.94	8.03
<b>Quarter 1 Forecast Outturn Position</b>	<b>121.94</b>	<b>132.71</b>	<b>10.77</b>

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

3.4 The current **year-end** forecast is £10.77m over budget position. The Council has earmarked and committed general un-earmarked and financial planning reserves to fund the projected deficit. However, the requirement to use reserves should reduce as the new funding announcements from MHCLG to reimburse local authorities for lost income will help minimise the impact on reserve balances and give the option to re-visit and adjust the recovery plans. This will be understood in more detail once the detailed guidance has been issued.

#### 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 (on budget)**

The dividend due from the Aequus Group has been confirmed as budgeted, whilst the contractual payment to Visit Bath has been paid in full.

## **Resources (£11.91m under budget)**

Commercial Estate is one of the key income sources for the Council and the income has been put very much at risk as a result of the impacts of the pandemic on the economy. The service is currently forecasting a £3m adverse budget position, based upon the assumptions that during 20/21 there will be no rental growth, all lease events result in an estimated rental value 30% below the passing rent, and that all current voids remain. Evidence suggests that delays in payments to date could result in business failures throughout the year. Whilst it is too early to produce an accurate prediction of what this equate to, a further £3.6m has been modelled and added to the forecast to reflect the significant risk to the Council.

The Corporate Estate has a £0.6m savings target which is at risk of delivery. Work is ongoing to enable these to be delivered – it is currently estimated that £0.3m will be achieved in 20/21. Further service expenditure mitigations have been agreed as part of the financial recovery plans that reduce the forecast to a breakeven position.

Strategy and Performance £1m, Improving How We Work £0.3m and Legal £0.2m also have savings targets themselves that are forecast at risk in 20/21. We are forecasting 50% delivery of the Improving How We Work, and Strategy and Performance savings due to implementation timing issues as a result of Covid-19. Court fees £0.1m and our estimated profit share from Bath Spa £0.7m are also areas in which income losses are being projected.

The over budget positions described above are offset by £6.7m of corporate and finance initiatives agreed as part of the financial recovery plans. Corporate supported borrowing costs and interest payments are forecast to underspend by a combined £3m as a result of a revised Capital Programme. £1m of revenue budget contingency, £1m of unallocated social care reserve, £0.45m of unutilised Mental Capacity Act implementation budget and £0.25m of one-off headroom budget have been released, along with £1m of provisions from the balance sheet as one-off in year mitigations to the overall financial position.

The £10m Covid-19 grant received from central government to date is currently held within this portfolio, creating an overall favourable position. The grant will be allocated to the relevant service areas in which it is supporting in due course, but for now is being managed centrally to allow for more transparent monitoring of the pressures existing across the organisation.

## **Community Services (£15.34m over budget)**

This portfolio has been significantly affected by the Covid-19 pandemic, as many of the services included are income generating for the Council. Heritage Services after planned recovery measures is £14.3m over budget, other services impacted by loss of income are Building Control and Land Charges £0.3m, Registrars £0.2m and Events £0.1m. In addition, the Council is incurring additional costs supporting its Leisure provider during the first quarter of the year.

## **Adult Services (0.09m under budget)**

Future demand on Adult Social Care is expected to return to previously seen levels once we are through this pandemic period, with a risk of additional demand being seen when these levels return, in both package numbers and complexity

following the lockdown period. £0.66m of supplier relief has been provided to the supplier market and we are seeing further demand in this area through ongoing requests for support. Hospital discharges are currently being funded via the Health funding route and in line with government guidelines. It is expected that this expenditure will transfer to Social Care funding, the current pressure for this is £1.8m. The timing of this is subject to further government guidelines yet to be issued to health colleagues.

The current position reflects the reduced number of package placements seen in the first quarter when comparing with the same period in 2019/20. The impact of this reduced activity will help to offset the demand that the return of previously funded health packages will cause, and further requests for supplier relief. The level of future demand is still undetermined but is expected to cause pressure on existing budgets. To balance this, work is continuing on the delivery of the service plans so this demand can be met.

The small underspend of £0.09m reflects achievement of the budget savings from the Drug and Alcohol Budgets that are part of Public Health.

### **Children's Services (*£0.02m under budget*)**

Within Education services there is a pressure surrounding the Home to School transport service. The pressure anticipated in September with social distancing measures in place is currently estimated at £0.7m. Payments to nursery providers to maintain provision for key workers during the lockdown period increases the over budget position by a further £0.2m.

Further guidance has been received from the DFE regarding the social distancing measures required from September. Modelling of our transport capability is ongoing to assess whether additional forecast pressure will materialise. It is hoped that the costs of the provision required will be less than the current projected estimate.

This is offset by the release of £0.9m budgeted corporate contingency for Special Educational Needs and Disabilities (SEND) pressures, all SEND costs will now be funded by the Dedicated Schools Grant (DSG), new DFE guidance has set out that this must be funded from the DSG rather than the General Fund.

Elsewhere in the portfolio, underlying costs associated with Covid-19 total £0.6m. It is assumed that although currently forecast in the service, these will be mitigated at Outturn with allocation from the Government's Covid-19 expenses grant. These costs arise mainly from increased placement costs.

Approved Recovery Plans – of which the majority seek to better support families at an earlier stage of difficulty, thereby reducing the growth in costly specialist interventions and residential placements needed – offset the increased Covid-19 costs, bringing the overall portfolio forecast to a minor under budget position.

### **Schools DSG (*£3.13m over budget, plus an overspend of £1.25m carried forward from 2019-20*)**

The DSG has a forecast overspend of £3.1m in 20/21 made up of significant pressures on SEND. The SEND pressures are estimated based on current pupils identified with Education, Health and Care (EHC) Plans of £4.1m however mitigating actions have identified £0.9m of savings.

Further work on opening the provision of local SEND places at schools in the area will help reduce the pressure and extensive analysis of the specific cost pressures is being conducted to look to reduce the pressure. Additional work is being done to assess the corporate overheads charged to the DSG and this is expected to reduce the pressure on this budget

Any overspend on the DSG is ringfenced to the grant allocation and the Department for Education (DFE) have issued guidance to restrict the supporting of the pressures from council revenue funding.

A recovery plan will need to be developed and shared with the DFE and the Schools Forum so that the overspend can be recovered over a three-year period.

### **Climate Emergency & Neighbourhoods (£0.11m under budget)**

Pressures in the Waste Service due to increased staffing costs and a loss in trade waste income during the first few months of the pandemic. Additional funding announced for active travel across the region has created an opportunity to fund existing budgeted activity from the new grant allocation, which has offset the Waste pressures, resulting in a minor favourable budget position across the portfolio.

### **Housing, Planning & Economic Development (£0.47m under budget)**

Planning income has been significantly impacted by the pandemic, and additional costs to accommodate rough sleepers during this time have created overspends within the portfolio. However, as part of the financial recovery plan measures it was agreed to release £0.6m of un-ringfenced Housing reserve to aid the current financial situation. The budget position has been further mitigated through vacancy management across Development Management and Regeneration, resulting in a favourable forecast budget position that will support areas of pressure elsewhere in the organisation.

### **Transport Services (£8.03m over budget)**

Parking is one of the key income generating areas of the council and has been considerably impacted by lockdown and social distancing restrictions. Whilst income levels may pick up during the year as restrictions are reduced and public transport is avoided, the service is still expected to have a shortfall in budgeted income of around £7m. Costs of PPE and new infrastructure for temporary resting places has further contributed to the adverse budget position reported in this portfolio.

## **LATEST FUNDING ANNOUNCEMENT AND FINANCIAL RECOVERY PLANS**

3.6 On 2nd July 2020 MHCLG announced three new measures at supporting councils spending pressures and lost income arising from the pandemic:

- A further un-ringfenced £500m to respond to expenditure pressures. Allocations for each Council are still to be confirmed.
- Sales, Fees and Charges – where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost.

- Council Tax & Business Rates Collection Fund Deficits – changes to be brought in to allow spreading of collection fund deficits over three years rather than having to account for the full deficit in full in the following year’s budget.
- 3.7 While allocations are yet to be announced for the additional £500m funding, based on previous distribution calculations B&NES could expect c£1.5m of additional funding. This has not been factored into the budget monitoring position in section 3.3.
- 3.8 The £20.7m financial recovery plans agreed by Cabinet will be monitored throughout the year and progress on the delivery of these reported as part of the quarterly budget monitoring process. Amendments to these plans as a result of the additional government support will be considered and agreed by the Council’s Strategic Leadership Team in consultation with the Cabinet.

## REVENUE BALANCES, CONTINGENCY AND RESERVES

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

### Key Reserves

- 3.10 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:

	Balance as at 01/04/2020 £'m	Projected Use / Commitments £'m	Earmarked for Covid-19 2020/21 In year pressure £'m	Estimated Balance 31/03/2021 £'m
Revenue Budget Contingency*	4.90	0.58	2.43	1.89
Financial Planning and Smoothing Reserve*	6.28	0.66	4.00	1.62
Transformation Investment Reserve	3.13	2.13	0.00	1.00
Restructuring & Severance Reserve	2.18	0.00	0.00	2.18

Note \* Use of these reserves are in line with the Covid-19 Financial Recovery Report in July 2020

### Reserves and Flexible Capital Receipts

- 3.11 Flexible Capital Receipts are being utilised for revenue spend that results in ongoing revenue savings. A four-year estimated use of £11.5m was agreed as part of budget setting in February 2020, this has now been updated to reflect the re-profiled requirement and re-phasing into 2020/21 as follows:

	<b>Actual Usage 2017/18 £'m</b>	<b>Actual Usage 2018/19 £'m</b>	<b>Actual Usage 2019/20 £'m</b>	<b>Estimated Usage 2020/21 £'m</b>	<b>Estimated Total Usage £'m</b>
Flexible Capital Receipts	3.12	3.45	1.26	3.67	11.50

3.12 Unapplied capital receipts of £3.623m was carried forward from 2019/20 and £0.63m has been received in 2020/21 so far with a further £5.808m expected by 31st March 2021.

### **General Fund Un-Earmarked Reserve**

3.13 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 in the 2020/21 financial year. At the end of the 2019/20 financial year the reserve was increased by £1.2m and currently has a balance of £13.5m.

3.14 The Covid-19 Financial Recovery Report indicated a potential need to utilise £5m worth of un-earmarked reserves, which would leave a balance of £8.5m. This equates to 7.2% of the Council's 2020/21 £118.25m net revenue budget. Should this be required it would leave a satisfactory level of reserve for financial risk, with the remaining balance being higher than the 4%-6% held by the Council's nearest neighbours' group.

3.15 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.

### **SAVINGS PERFORMANCE**

3.16 The 2020/21 revenue budget approved savings of £4.8m, with £1.4m of these savings to be found through efficiencies, £1.6m from income generating opportunities, and £1.8m from service redesign. Some of these savings will be at risk of being fully delivered given resources have been diverted to focus on the emergency response situation. However, these will be reviewed over the coming weeks and will form part of the organisation's wider recovery measures.

3.17 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.

## **Revenue Budget Virements**

3.18 Any revenue budget virements 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 AND BUSINESS RATES**

3.19 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.

3.20 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 three 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 5.3% by the end of June.

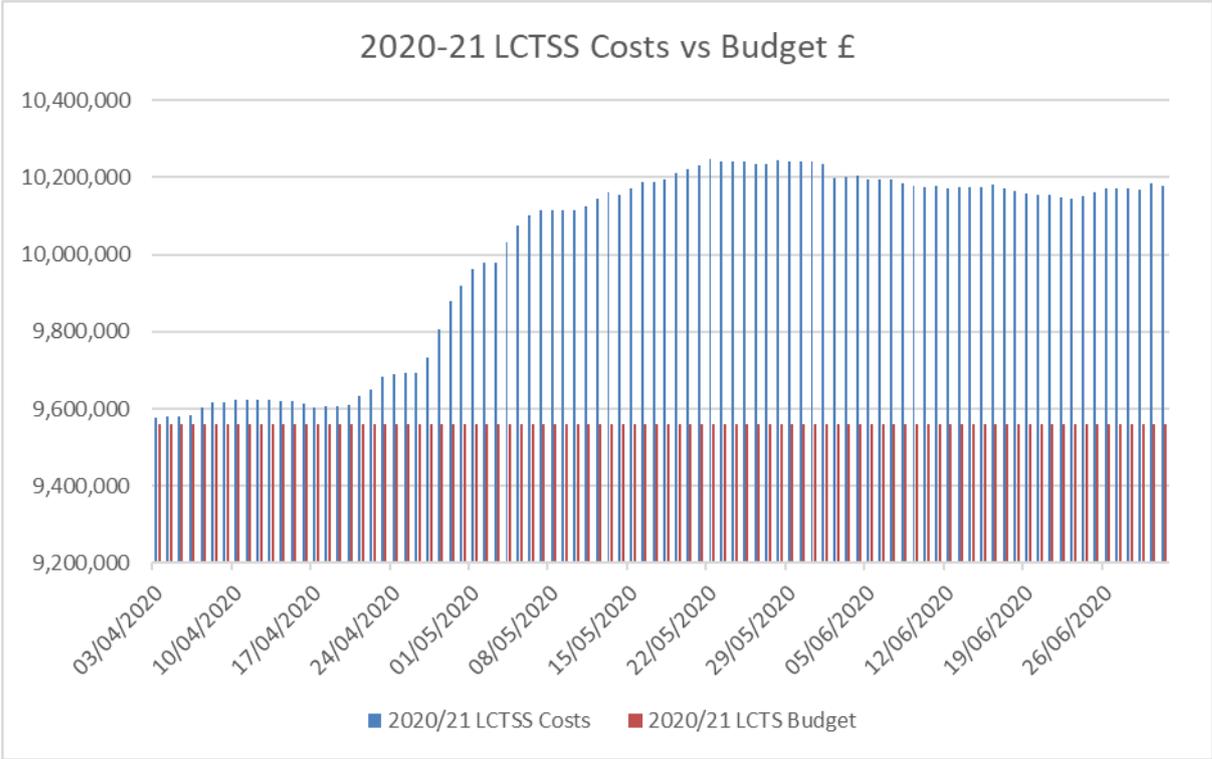
3.21 The actual direct impact on the Collection Fund will depend on the proportion of this income that becomes irrecoverable.

3.22 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 June the current cost has risen to £10.19m, an increase of £0.63m. The number of working age claimants at the end of June was 6,683 compared to the budget assumption of 5,939; an increase of 11%. 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%.

3.23 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. Further increases in claimants may feed through as the government makes future changes to its furlough support scheme. The actual out turn for Q1 was slightly lower than was reported at the end of May as some claimants had ceased to be entitled to Local Council Tax Support, for example where they had returned to work.

3.24 The following chart show the increased cost of LCTSS in B&NES.

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



3.25 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.

3.26 The government has recently announced that as part of its Covid-19 support package to local government any deficit arising on the Collection Fund in 2020/21 for both Council Tax and Business Rates will be able to be recovered over the following 3 financial years instead of the normal requirement to recover this in the following financial year.

**Council Tax Hardship Fund**

3.27 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.

3.28 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.

3.29 The position, as at the end of June, is that reliefs totalling £827,327 have been applied to 5,894 Council Tax Accounts.

3.30 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.

## **Business Rates**

3.31 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.

3.32 Business Rates income can be very volatile and with the increase in the retail business rate relief which as at the end of June totalled £42.8m for 2020/21, prior year like for like comparisons on income collection are difficult. The forecast income impact will be reviewed during the second quarter, 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.

3.33 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, with a further £2.3m budgeted to be transferred to the reserve in 2020/21 to provide additional resilience.

## **Business Support Grants**

3.34 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 the a cash grant of either £10,000 or £25,000 dependent on the rateable value of the property.

3.35 The number of grants processed is 3,021 which is the total of all those currently estimated to be eligible. 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	2,089	2,089	100%	£20,890,000
Retail, Hospitality & Leisure Grant (RV<£15k)	£10,000	323	323	100%	£3,230,000
Retail, Hospitality & Leisure Grant (RV >£15k but <£51k)	£25,000	609	609	100%	£15,225,000
<b>Overall Totals</b>	-	<b>3,021</b>	<b>3,021</b>	<b>100%</b>	<b>£39,345,000</b>

3.36 The government has also 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.

3.37 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.

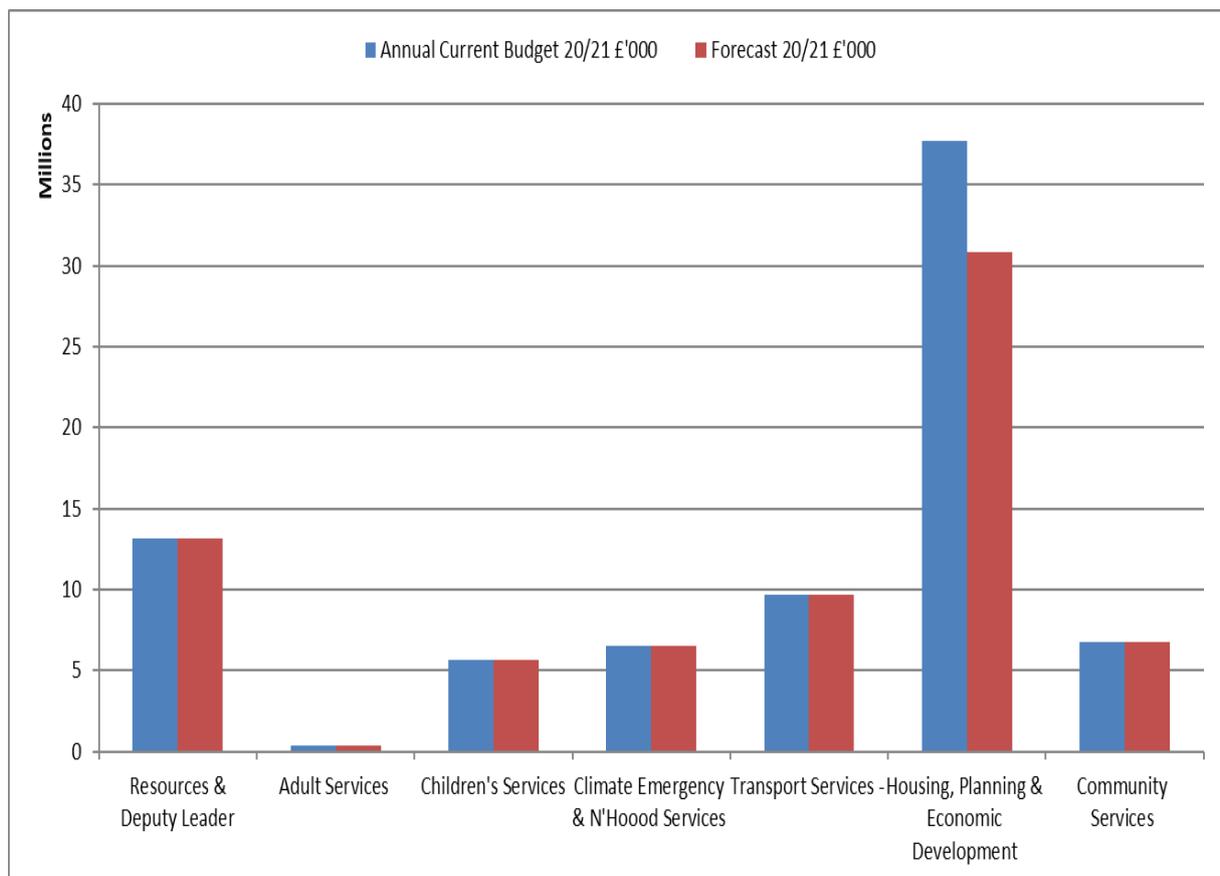
3.38 The first two-week application window for businesses to apply for support closed on the 10th June. The total number of grant payments made in relation to this application window was 243 totalling £0.725m. A further two-week application window was opened on 29th June closing on 13th July.

## CAPITAL BUDGET

3.39 The current position of the 2020/21 Capital Programme is a forecast of £73.0m against a budget of £79.9m. The variance of £6.9m reflects anticipated carry forward requests into future years, mainly from large Economic Development Projects. The full breakdown of the Capital Programme by Portfolio can be found in Appendix 4(ii) with key scheme commentary in Appendix 2. Appendix 4(ii) sets out budget changes actioned since the February Budget setting, including the rephasing required by the Covid-19 2020/21 Financial Recovery Plan to reduce in-year borrowing following the review of the capital programme and also illustrates the rephasing from 2019/20 reported for approval in the Revenue & Capital Outturn 2019/20 report which is also on this meeting's agenda.

Portfolio Summary Monitor	Annual Current Budget 2019/20	Forecast 2019/20	In-Year Variance 2019/20	Forecast Re-phasing to 2020/21	Other Variance 2019/20
	£'000	£'000	£'000	£'000	£'000
Resources & Deputy Leader	13,171	13,128	43	43	0
Adult Services	388	388	0	0	0
Children's Services	5,690	5,690	0	0	0
Climate Emergency & Neighbourhood Services	6,540	6,540	0	0	0
Transport Services -	9,643	9,643	0	0	0
Housing, Planning & Economic Development	37,682	30,829	6,853	6,853	0
Community Services	6,787	6,787	0	0	0
<b>Grand Total</b>	<b>79,901</b>	<b>73,005</b>	<b>6,896</b>	<b>6,896</b>	<b>0</b>

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



## Capital Commentary

3.40 The key in year variances on the programme by portfolio include:

- **Resources and Deputy Leader** - £43K from revised cashflow projection on Agresso Developments.
- **Housing, Planning & Economic Development** - £6.853m less than budget due to programme re-phasing expected on the developments at Bath Quays North, Bath Quays South and Bath Western Riverside as outlined in Appendix 2. The tender for Radstock Health Living centre also identified rephasing requirements.

## RISKS

The key risks to the budget were outlined in the Councils 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, including risks 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 Councils 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 for setting the 2021/22 budget.
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. We anticipate income will not fully recover in 2021/22, this will be risk will be reflected in the emerging Medium Term Financial Strategy with planning revisions to the Councils income budgets.
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	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.  We continue to monitor arrears, CVAs, and liquidations with a specific reserve held to manage in-

			year volatility.
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 <sup>st</sup> January 2020 to the 31 <sup>st</sup> December 2020 there will be a period of uncertainty whilst a Trade Deal is negotiated. Impacts on the Councils 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 monitors how the Council is performing against the financial targets set in February 2020 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 financial year 2020/21, 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.

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<b>Background papers</b>	<i>E3210 Covid-19 2020/21 Financial Recovery Plan</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	