

Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	5th November 2020	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3234
TITLE:	Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2020 to September 2020	
WARD:	All	

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 on budget. This is a significant improvement in the position outlined in the Quarter 1 Monitoring Report, which projected a £10.8m deficit requiring funding from reserves to balance the budget. The main reason for the positive movement is the forecast receipt of grant income from the local government income compensation scheme for lost sales, fees and charges.

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. At present these pressures can be mitigated on a temporary basis from a combination of additional government grants and in year recovery plans.

In addition, there is a SEND placement pressure of £3.2m 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 will be reviewed as part of preparations for setting the 2021/22 budget.

The forecast position is based on the assumption that the Council will not go into tier 2 or 3 restriction measures.

b) Capital budget

The current position of the 2020/21 Capital Programme is a forecast of £93.9m against a budget of £113.7m. The variance of £19.8m reflects anticipated rephasing requests into future years, arising from various large Economic Development Projects, Housing Development Loans and the Sydney Gardens Improvement Project, mainly as a result of Covid 19 impacts on project delivery.

c) Council Tax and Business Rates

Taking both collection rates and the LCTSS claimants' impact into account the current forecast is for an in year £2m deficit on the Collection Fund in respect of Council Tax. This is partly offset by the £0.55m surplus carried forward from 2019/20, leaving a net deficit of £1.45m, of which the Council's share is £1.2m.

The current forecast for the Business Rate element of the collection fund is for a deficit of £2m, after allowing for additional s31 grant funding in respect of the extended retail reliefs. The Council's share of the current estimated deficit is £1.9m. The deficit is the result of the impacts of Covid-19 on the business sector leading to an increase in bad debt provision, an increase in reliefs and a reduction in rates payable.

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 government funding to compensate for sales, fees and charges income loses has been factored into the revenue position which removes the need for reserve usage in 2020/21 based on current forecasts.

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 September 2020.

2 RECOMMENDATION

The Cabinet is asked:

- 2.1 To note the 2020/21 revenue budget position (as at the end of September 2020).
- 2.2 To approve the revenue virement 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 3.36 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.

3.3 A summary by Portfolio of the revenue position as at the end of the second 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	16.38	10.79	(5.59)
Adult Services	63.28	63.20	(0.08)
Children's Services	26.52	25.88	(0.63)
Climate Emergency & Neighbourhood Services	16.91	16.83	(0.08)
Transport Services	(0.15)	1.66	1.81
Housing, Planning & Economic Development	3.97	3.79	(0.18)
Community Services	(4.12)	0.64	4.76
Quarter 2 Forecast Outturn Position	122.16	122.16	0.00

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

3.4 The current **year-end** forecast is on budget. The Council had previously earmarked and committed general un-earmarked and financial planning reserves to fund the projected deficit. However, new funding announcements from MHCLG to reimburse local authorities for lost income has helped reduce the call on reserve balances.

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 (£5.59m under budget, £6.31m adverse movement)

The Commercial Estate is currently forecasting a £6.6m adverse budget position, based upon the assumptions that during 20/21 there will be adverse impacts on rental income, risks on achieving pre-covid income on lease renewals, and that all current voids remain and potentially rise. Evidence suggests that delays in payments to date could result in business failures throughout the year, although it is still too early to produce an accurate prediction of what this will equate to.

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 only £0.1m will be achieved in 20/21. The service is also experiencing reduced income from room and building hire.

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. Our estimated profit share from Thermae Spa £0.7m and additional expenditure on Covid recovery measures £0.7m are also areas which have contributed to the adverse forecast movement between quarters.

High cash balances have resulted in further reduced borrowing costs £0.2m and £11.3m Covid-19 grant has been received from central government to date and 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.

Adult Services (*0.08m under budget, no material change*)

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 £0.08m reflects achievement of the budget savings from the Drug and Alcohol Budgets that are part of Public Health.

Children's Services (*£0.63m under budget, £0.62m favourable movement*)

Within Education services there is a pressure surrounding the Home to School transport service. The pressure anticipated with social distancing measures in place post the return to school in September is currently estimated at £0.2m. Payments to nursery providers to maintain provision for key workers during the lockdown period increases the over budget position by a further £0.2m, but is offset by the inclusion of £0.2m Government Grant for loss of income as a result of Covid-19.

The Children's Services forecast outturn includes the release of £0.9m budgeted corporate contingency for Special Educational Needs and Disabilities (SEND) pressures as part of the financial recovery measures. 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. This report includes a virement reported for approval to transfer the contingency budget to Corporate budgets reflecting the revised guidance.

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 by £0.5m, bringing the overall portfolio forecast to the £0.6m under budget position.

Schools DSG (£3.19m over budget, including an overspend of £1.25m carried forward from 2019-20)

The DSG has a forecast overspend of £1.94m 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 £3.4m, however mitigating actions have identified £1.5m 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 is being developed in line with DFE guidance and shared with the DFE and the Schools Forum so that the overspend can be recovered over a three-year period.

Climate Emergency & Neighbourhoods (£0.08m under budget, £0.03m adverse movement)

Pressures in the Waste Service due to increased staffing costs and a loss in trade waste income have been offset by delays in recruitment within the Sustainability cash limit, resulting in a minor favourable budget position across the portfolio.

Transport Services (£1.81m over budget, £6.21m favourable movement)

Parking is one of the key income generating areas of the Council and has been considerably impacted by lockdown and social distancing restrictions. The forecast had improved during July and August following an increase in visitors to the City Centre of Bath. However, income has reduced again in September, the trend is down to 75% of previous income levels, but this is still higher than originally forecast in Quarter 1. A further £3.3m of lost income is being reimbursed from the government's Sales, Fees and Charges scheme. Costs of PPE and new infrastructure for temporary resting places has further contributed to the adverse budget position reported in this portfolio.

Housing, Planning & Economic Development (£0.18m under budget, £0.29m adverse movement)

Planning income has been significantly impacted by the pandemic. It was previously estimated that income levels would return to 100% for the second half of the year, however this has been revised down to 80% as Covid restrictions are expected to keep the market subdued for longer. Income losses are being part compensated through the Sales, Fees and Charges Scheme. Additional costs to accommodate rough sleepers have created further 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, which has resulted in a cumulative forecast under budget position for the portfolio.

Community Services (£4.76m over budget, £10.58m favourable movement)

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 £14m over budget, although £9.9m will be recovered through the Sales, Fees and Charges Scheme. Other services impacted by loss of income have also been compensated through the same scheme, which include are Building Control and Land Charges, Registrars and Events. In addition, the Council has incurred additional costs supporting its Leisure provider during the first half of the year.

LATEST FUNDING ANNOUNCEMENT AND FINANCIAL RECOVERY PLANS

- 3.6 On 12th October 2020 the Prime Minister announced a further £1 billion funding for local government to protect vital services and help fight the virus. The allocation to B&NES is £0.64m, this grant allocation is lower than previous awards due to changes in the government methodology for distributing the grant. The total un-ringfenced grant to B&NES for dealing with the pandemic is £11.94m.
- 3.7 The Council has submitted its first of three claims for Sales, Fees and Charges compensation – 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. The first claim (April-July) was for £7.7m, with £14.8m compensation forecast for the full financial year.
- 3.8 The income compensation scheme has allowed for some flexibility in delivering the full £20.7m financial recovery plans agreed by Cabinet. These will continue to be monitored throughout the year. 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. Existing recovery measures along with new savings proposals are currently being collated to present options for balancing future years' budgets.

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 forecasts which have been updated to reflect the improved revenue position due to the Government grant for income reimbursement replacing the need to draw on Council reserves to mitigate in year Covid 19 pressures :

	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	0.00	4.32
Financial Planning and Smoothing Reserve	6.28	0.66	0.00	5.62
Transformation Investment Reserve	3.13	0.40	0.00	2.73
Restructuring & Severance Reserve	2.18	0.00	0.00	2.18

*The Councils finance forecast assumes that we will not go into tier 2 or 3 restriction measures, if this happens reserves may be required to mitigate an over budget position.

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:

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

3.12 Unapplied capital receipts of £3.623m were carried forward from 2019/20 and £0.63m has been received in 2020/21 so far with a further £4.818m 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 from July indicated a potential need to utilise £5m worth of un-earmarked reserves, which would leave a balance of £8.5m. It is now assumed that this will not be used during 2020/21 following the announcement of the Government Sales, Fees and Charges income compensation scheme that will partially reimburse irrecoverable income loss.
- 3.15 The MTFs reported to Cabinet in October proposed that £5m of this reserve, if unutilised in 2020/21, is transferred into an earmarked Covid risk reserve for 2021/22. This will leave a reserve balance of £8.52m that is within Council benchmark levels for unearmarked reserves as a percentage of net budget.

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 in conjunction with new savings proposals for budget planning purposes over the coming weeks and will contribute to the organisation's Medium Term Financial Strategy.
- 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.

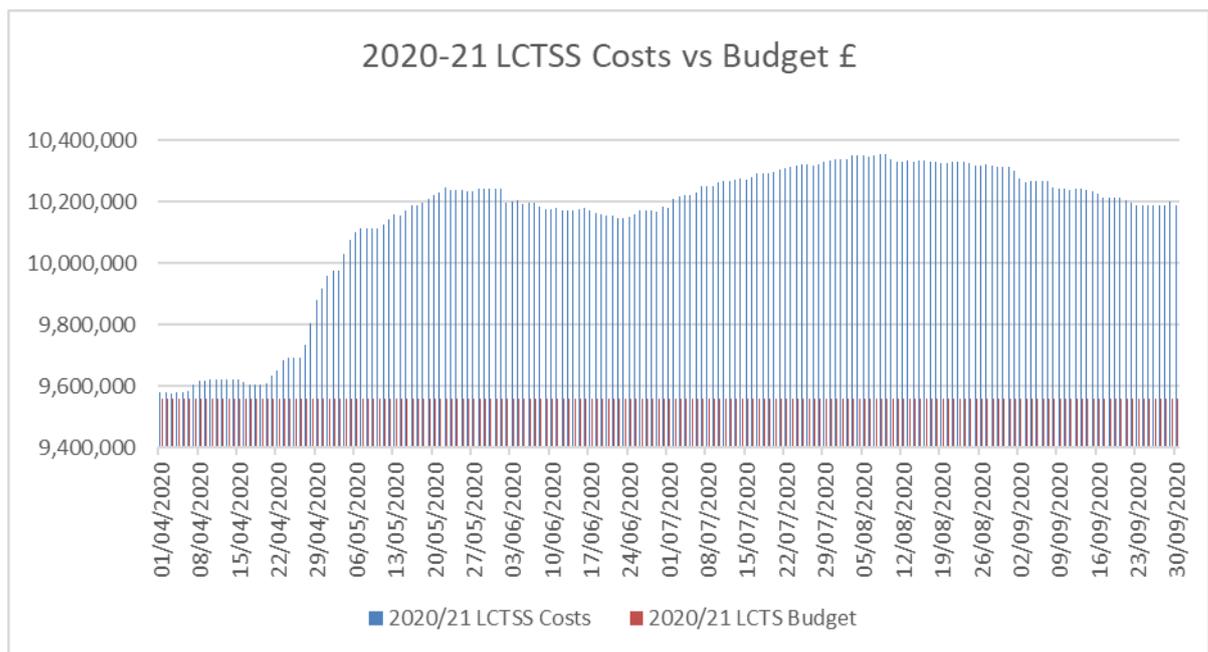
COUNCIL TAX, COUNCIL TAX SUPPORT AND BUSINESS RATES

- 3.19 There has been a steady improvement in the level of Council Tax income collection over the first six months of this financial year. The assessment of income levels, when compared to payment rates for the same periods in 2019/20, have improved from an initial reduction of c8% in April to 5.3% by the end of June, with the position at the end of September showing a reduction of 2.6% by the end of September.
- 3.20 The actual direct impact on the Collection Fund will depend on the proportion of this income that becomes irrecoverable. Based on current projections of year

end arrears it is estimated that the allowance for the bad debt provision will need to increase by a further £1m to cover this.

3.21 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 September, the current cost has risen to £10.19m, an increase of £0.63m. The costs peaked at £10.35m in early August but have since reduced to the same level as reported at the end of June. The number of working age claimants at the end of September was 6,588 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. The following chart show the increased cost of LCTSS in B&NES.

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



3.22 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 will continue to be monitored closely during the year.

3.23 Taking both collection rates and the LCTSS claimants’ impact into account the current forecast is for an in year £2m deficit on the Collection Fund in respect of Council Tax. This is partly offset by the £0.55m surplus carried forward from 2019/20, leaving a net deficit of £1.45m, of which the Council’s share is £1.2m.

3.24 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.

3.25 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

- 3.26 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.
- 3.27 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.
- 3.28 The position, as at the end of September, is that reliefs totalling £907,051 have been applied to 6,518 Council Tax Accounts.
- 3.29 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

- 3.30 The current forecast for the Business Rate element of the collection fund is for a deficit of £2m, after allowing for additional s31 grant funding in respect of the extended retail reliefs which were announced by government after the 2020/21 budgets were set. The table below shows the Council's share of the current estimated deficit is £1.9m. The deficit is the result of the impacts of Covid-19 on the business sector leading to an increase in bad debt provision, an increase in reliefs and a reduction in rates payable.

Business Rates Collection Fund	Total (£m)	B&NES Share (94%) (£m)
Collection Fund - Projected 2020/21 In Year Deficit	42.4	39.8
Additional Extended Retail Relief Impact funded through s31 grant	(40.7)	(38.2)
Deficit after Extended Retail Relief s31 grant funding	1.7	1.6
2019/20 Deficit Carried Forward	0.3	0.3
Total Projected Deficit	2.0	1.9

- 3.31 In the current climate, Business Rates income is likely to continue to be very volatile, making prior year like for like comparisons on income collection and projections difficult. The forecast income impact will continue to be reviewed during the remainder of the financial year, although there is likely to be a lag until the full impacts on income such as through increases in empty property relief and appeals in respect of Covid impacts on businesses start to feed through the system.

3.32 As set out in the Budget Report, any variance 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 was £3.568m, with a further £2.3m budgeted to be transferred to the reserve in 2020/21 to provide additional resilience.

Business Support Grants

3.33 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 administered 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.

The table below shows the final number and value of grants processed.

Type of Grant	Amount of Grant	Grants Processed for Payment	Amount Paid
Small Business Grant	£10,000	2,140	£21,400,000
Retail, Hospitality & Leisure Grant (RV<£15k)	£10,000	348	£3,480,000
Retail, Hospitality & Leisure Grant (RV >£15k but <£51k)	£25,000	636	£15,900,000
Overall Totals	-	3,124	£40,780,000

3.34 The government 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.

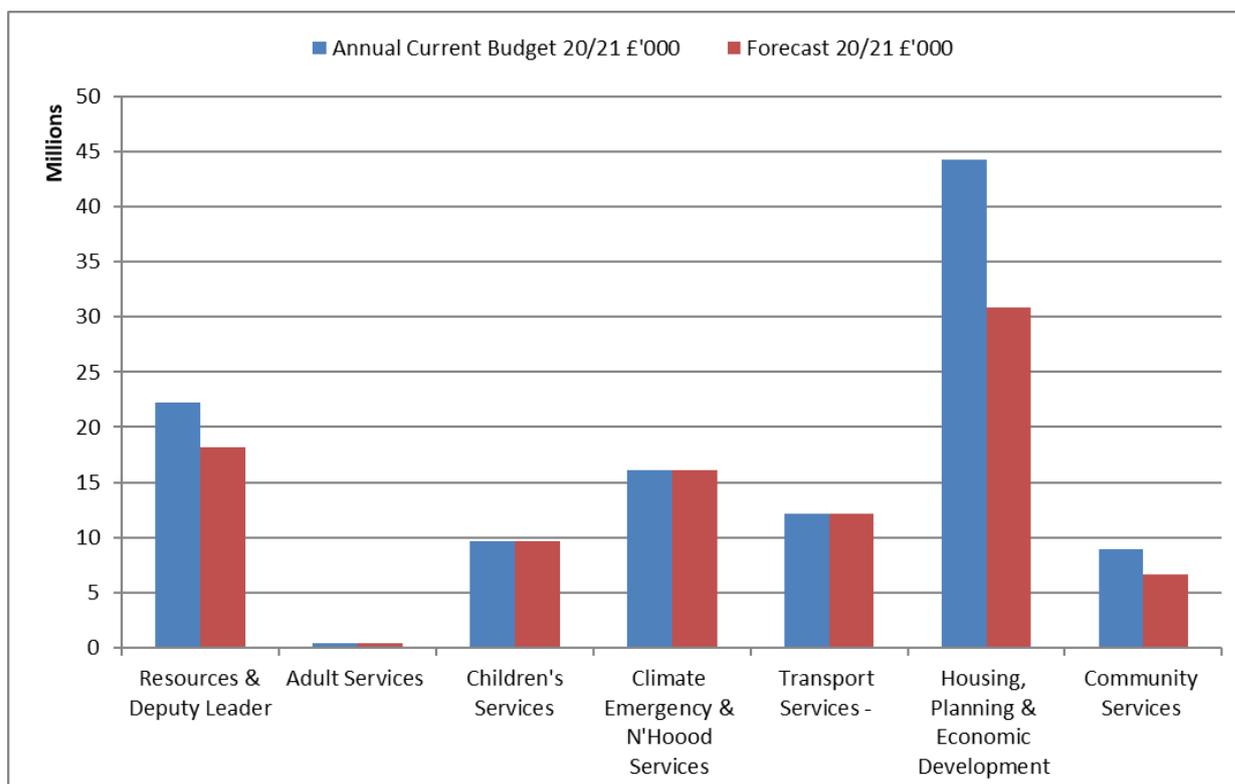
3.35 The government has provided funding equivalent to 5% of the grants fund allocation for the Small Business Grants Fund and Retail, Hospitality and Leisure Grants Fund using data returns submitted on 4th May 2020. This equates to a funding cap for the Council's scheme of £2.143m. The final amount of grants paid under the scheme was £2.120m.

CAPITAL BUDGET

3.36 The current position of the 2020/21 Capital Programme is a forecast of £93.9m against a budget of £113.7m. The variance of £19.8m reflects anticipated carry forward requests into future years, mainly from large Economic Development Projects, Housing development loans and Sydney Gardens Improvements. 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 Q1 monitoring to July Cabinet.

Portfolio Summary Monitor	Annual Current Budget 2020/21	Forecast 2020/21	In-Year Variance 2020/21	Forecast Re-phasing to 2020/21	Other Variance 2020/21
	£'000	£'000	£'000	£'000	£'000
Resources & Deputy Leader	22,210	18,140	4,070	4,070	0
Adult Services	386	386	0	0	0
Children's Services	9,644	9,644	0	0	0
Climate Emergency & Neighbourhood Services	16,141	16,108	33	33	0
Transport Services -	12,183	12,108	75	75	0
Housing, Planning & Economic Development	44,226	30,849	13,377	13,377	0
Community Services	8,922	6,692	2,230	2,230	0
Grand Total	113,712	93,927	19,785	19,785	0

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



Capital Commentary

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

- **Resources and Deputy Leader** - £4m rephasing of loans expected to Aequus in respect of housing developments.
- **Housing, Planning & Economic Development** - £13.377m less than budget due to programme re-phasing expected on the various 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 as well as reprofiling of the Disabled Facilities Grant programme where work was paused due to Covid-19 but is starting to build up again.
- **Community Services** - £2.230m less than budget, mainly due to rephasing on the Sydney Gardens Improvement Project where Covid-19 has caused a six-month delay to capital works being carried out in the current year. However, there is sufficient time in the overall project programme to complete the capital works by the autumn of 2021 and a review is currently underway to ensure that a revised Activity Plan and reallocated budget will be deliverable by the original project end date of 31st March 2022.

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 with an ongoing impact included in the MTFS for future years. The Commercial Estate asset base will continue to be reviewed ahead of 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 risk has been 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 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 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 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, 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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Background papers	<i>E3210 Covid-19 2020/21 Financial Recovery Plan</i>
Please contact the report author if you need to access this report in an alternative format	