

Bath & North East Somerset Council	
MEETING:	Corporate Policy Development & Scrutiny Panel
MEETING DATE:	1st February 2021
TITLE:	Draft Budget and Council Tax 2021/22 and Financial Outlook
WARD:	All
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report</p> <p>Annex 1: 2021/22 to 2023/24 Budget Savings Proposals - TO FOLLOW</p> <p>Annex 2: Budget Growth & Additional Pressures</p> <p>Annex 3: Emerging Capital Schemes 2021/22</p> <p>Annex 4: Equalities Impact Assessment of 2021/22 to 2023/24 Savings Proposals</p>	

1. THE ISSUE

This report presents the revenue and capital budgets together with proposals for Council Tax and Adult Social Care Precept for 2021/22.

2. RECOMMENDATIONS

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

a) The 2021/22 budget including the savings plans outlined in Annex 1, budget growth and pressures Annex 2 and new corporately funded capital projects Annex 3, in conjunction with the Equalities Impact Assessment Report in Annex 4.

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

The resource implications are contained within the body of the report

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSALS

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

Members must have regard to the impact on specific groups in their decision making. The Equalities Team has reviewed savings plans to ensure that any impact the saving will have on diversity and equality has been assessed and to ensure that any issues are highlighted to members before a decision is made. The analysis is attached at Annex 4.

5. THE REPORT

5.1 The 2020/21 Budget Summary

The Medium-Term Financial Strategy (MTFS) was approved in October 2020 and outlined how the budget would be delivered over the medium to long-term. This incorporates the short to medium term impact of the Covid pandemic on Council finances. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments. The updated Plan shows a balanced budget for 2021/22 and a projected budget gap for 2021/22 and beyond. The figures include all estimates for pay awards, pension costs, Council Tax, business rates, Government grant, and inflation. The revenue budget contingency has been increased by £0.65m and one off Covid risk reserve of £5m has been added as a budget for 2020/21.

The budget has been developed considering how to manage the financial impact of the Covid pandemic whilst delivering the Corporate Strategy to meet our key principles and commitments. To deliver a balanced budget in 2021/22 there is a savings requirement of £8.48m alongside one-off use of reserves of £11.31m, this highlights the impact the Covid pandemic has had on the Councils budgets which has created a budget pressure of c£20m.

The budget includes a recommendation that general Council Tax is increased by 1.99% in 2021/22 (an increase of £28.99 per Band D). The proposed Band D Council Tax for Bath and North East Somerset Council next year including the Adult Social Care Precept increase of 3.00% is £1,529.57 (£1,456.88 in 2020/21) an overall increase of 4.99% and £72.69 per Band D (£1.40 per week).

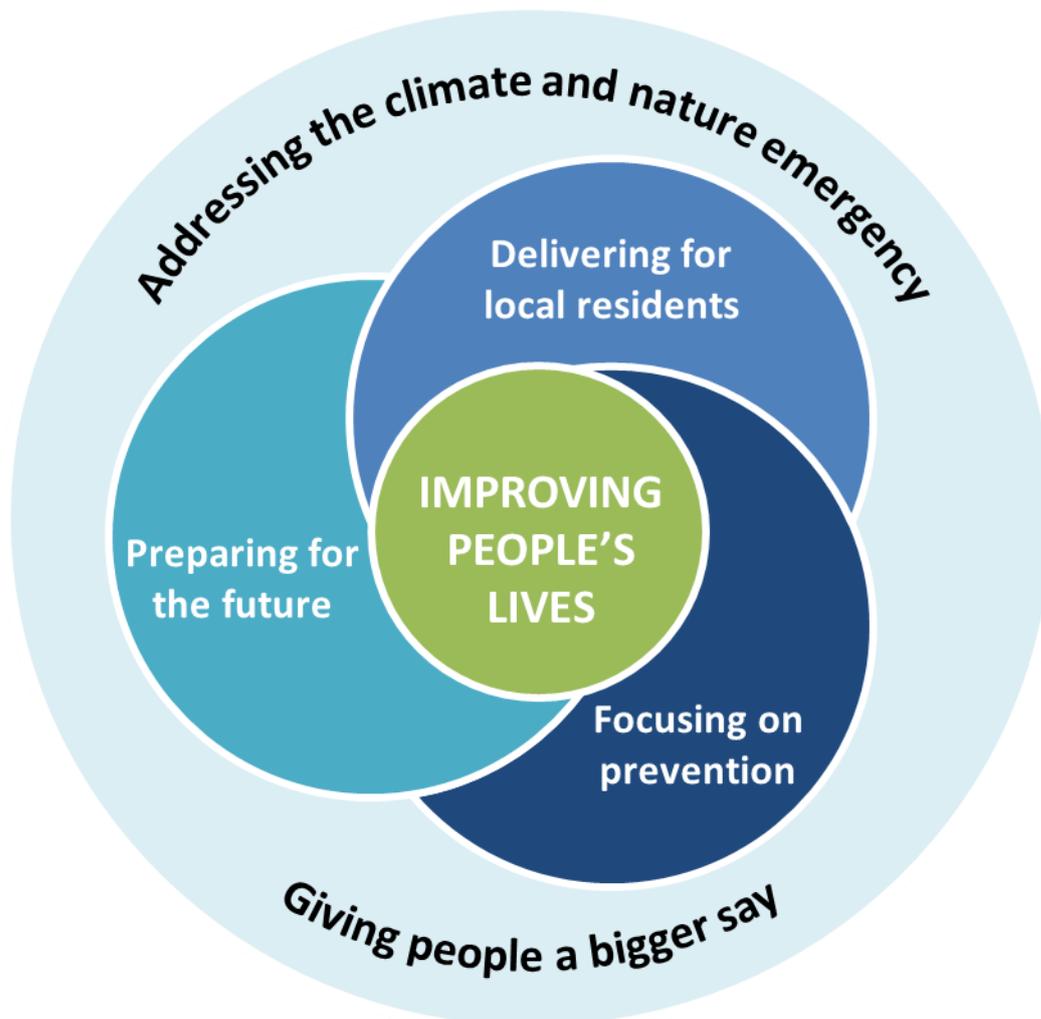
The proposed net revenue budget for Bath and North East Somerset for 2021/22 is £130.07m.

5.1.1 Corporate Strategy and the Councils' Priorities

The budget focusses on delivery of the Corporate Strategy which is set within the following framework:

- ONE: We have **one** overriding purpose – to improve people’s lives.
- This might sound simple but it brings together everything we do, from cleaning the streets to caring for our older people. It is the foundation for our strategy and we will ensure that it drives our commitments, spending and service delivery.
- TWO: We have **two** core policies – **tackling the climate and ecological emergency** and **giving people a bigger say**. These will shape **everything** we do.
- THREE: To translate our purpose into commitments, we have identified **three** principles. We want to **prepare for the future, deliver for local residents and focus on prevention**.

This is all set out clearly in the diagram below:



This is the “golden thread” which drives what we do ensuring that setting budgets and managing our people - our most valuable resource - are guided by the council’s priorities. It also means that our commitments are realistic and achievable.

Areas of strategic priority and focus over the next two years will include:

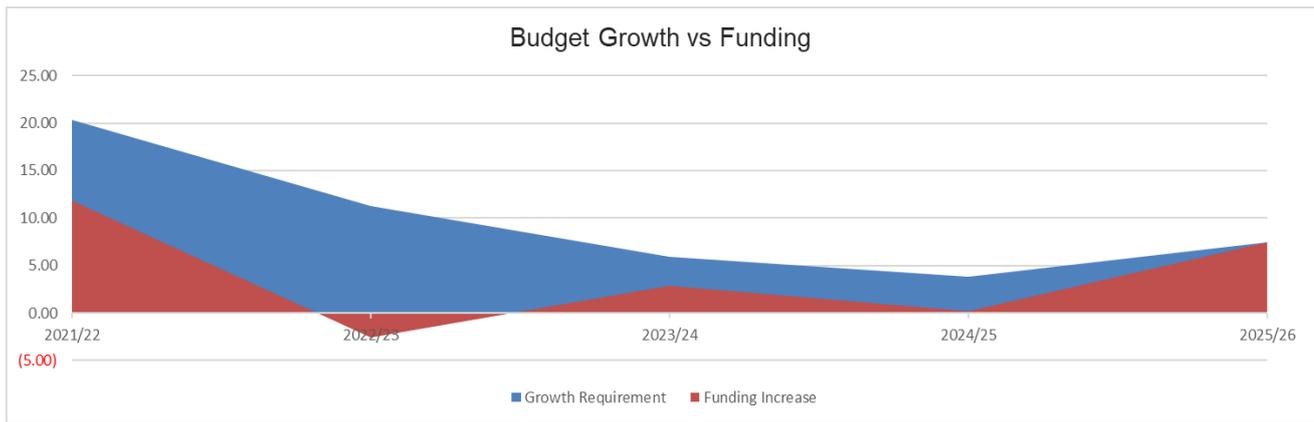
- Ongoing investment to deliver more effective transport schemes across the council area, with a particular focus on creating low traffic neighbourhoods and more opportunity to prioritise walking and cycling and the introduction of financial incentives to reduce inward commuting through the extension of resident parking zones.
- Continued investment to support the most vulnerable people in our communities.
- Continued commitment to secure action to address the climate and ecological emergency.
- Focus on supporting the local economy to recover from the impact of the pandemic with a particular priority to work with partners to rebalance the economy to reduce the dependence on retail, hospitality and tourism.
- Support the “Preparing for the Future” programme to modernise the council with a focus on improved asset management and flexible working.

5.2 The Revenue Budget 2021/22

5.2.1 The Budget and Medium-Term Financial Outlook

The budget summary is set out below showing the demand and funding changes over the next five years:

Budget Planning	Future years assumptions					Total
	2021/22	2022/23	2023/24	2024/25	2025/26	
Growth Requirement	20.30	11.26	5.90	3.84	7.44	48.74
Funding Increase	11.82	(2.58)	2.89	0.20	7.44	19.77
Annual Funding gap	8.48	13.84	3.02	3.63	0.00	28.97
Savings Proposals	8.48	1.31				9.79
Remaining Funding Gap	0.00	12.53	3.02	3.63	0.00	19.18



This illustrates the significant budget rebasing that is required in 2021/22 and 2022/23 to manage the impact of the Covid pandemic on the Councils commercial income budgets.

The tables below show how the budget has changed in 2021/22 taking account of the current financial challenge, this sets out the available revenue funding and 2021/22 budget pressures and savings at a portfolio level.

Funding of Budget Requirement	£'m
Council Tax	101.96
Business rates retention	20.87
Reserve transfers (To) / From	7.24
Funding of Budget Requirement Total	130.07

Portfolio	2021/22 Opening budget £'m	Budget growth / rebasing £'m	Proposed savings £'m	Budget requirement £'m
Leader	(0.63)	0.00	(0.29)	(0.92)
Resources and Deputy Leader*	12.20	6.22	(3.29)	15.13
Adult Services	63.53	2.88	(3.43)	62.98
Children's Services	27.65	2.43	(0.27)	29.81
Climate Emergency & Neighbourhood Services	16.54	0.19	(0.19)	16.53
Transport Services	(0.09)	4.23	(0.45)	3.70
Housing, Planning & Economic Development	3.47	0.03	(0.31)	3.18
Community Services	(4.42)	4.33	(0.26)	(0.35)
Total	118.25	20.30	(8.48)	130.07

*Resources and Deputy Leader contains technical budget adjustments of (£1.84m) from settlement grant funding with £22.14m Growth and Budget Pressures across Portfolios.

This table for illustration purposes and is subject to change following the final allocation of budget to Council cashlimits.

The budget detail, assumptions, and the future forecast is shown in the table below:

Budget Planning	Future years assumptions £m				
	2021/22	2022/23	2023/24	2024/25	2025/26
Budget Requirement (Previous Year)	118.25	130.07	127.49	130.38	130.58
Budget Adjustments	0.11	0.31	0.00	0.00	0.00
Pay & Pension	1.05	1.52	2.07	2.09	2.12
Demographic Growth	3.85	1.78	1.79	1.79	1.79
Contract Inflation	2.01	2.02	2.09	2.16	2.21
New Homes Bonus Pressure	2.62	0.68	0.96	0.00	0.00
Capital Financing	2.01	1.00	1.00	1.00	1.00
Settlement grant funding	(6.59)	5.55	0.00	0.00	0.00
Budget pressure / rebasing	15.25	(1.61)	(2.01)	(3.20)	0.31
Draft Budget Before Savings	138.55	141.33	133.40	134.22	138.02
Agreed Savings Plans	0.00	(1.31)	(0.09)	0.00	0.00
Estimated Savings Required	(8.48)	(12.53)	(2.93)	(3.63)	(0.00)
Budget Requirement	130.07	127.49	130.38	130.58	138.02
Funding of Budget Requirement					
Council Tax	101.96	105.57	110.91	117.05	122.94
Business rates retention	20.87	18.50	19.05	20.53	21.08
Business rates retail relief deficit (20/21) - s31 grant funded	(39.15)	0.00	0.00	0.00	0.00
Reserve transfer from Business Rates retail relief reserve	39.15	0.00	0.00	0.00	0.00
Reserve transfers (To) / From	7.24	3.43	0.43	(7.00)	(6.00)
Funding of Budget Requirement Total	130.07	127.49	130.38	130.58	138.02

The forecast includes the following cost pressures and assumptions:

- **Pay Inflation** – Estimated at 0% for staff salaries over £24k in 2021/22 subject to the National Joint Council pay award agreement, and 2% per annum for future years. Pay contingency held at 1% of pay bill subject to finalisation of national Local Government pay award negotiation.
- **Council tax** – Assumed at 1.99% excluding Social Care precept in 2021/22.
- **Social Care precept** – Assumed at 3% for 2021/22
- **Council tax collection fund 2020/21 deficit** – Forecast at £1.2m recovered over the next 3 years.
- **Pension Costs** – Have been revised in line with the recent revaluation for the next two years followed by a 1% increase per annum from 2023/24;

- **Demographic Growth & Increase in Service Volumes** – Additional demand from new placement and market pressures in Adult & Children Social Care;
- **Interest Rates** - Continued very low rates of interest of around 0.05% per annum for short term treasury management cash investments. The Council will maintain a minimum cash policy;
- **Inflation** – CPI projections held at existing planning levels of 2%, this will be refreshed for the detailed budget proposal based on ONS data.
- **Budget Pressures / Rebasing** – 2021/22 budget rebasing of income budgets taking account of Covid pressures, with improvement in future years.
- **Capital Spending** – an allowance has been made to fund a minimal number of new schemes given current financial constraints;
- **Borrowing** – longer term borrowing costs have been factored into the MTFs however the authority will continue to optimise the use of cash balances subject to market conditions and the overriding need to meet cash outflows;
- **Budget risk / priorities** – Increase of £0.5m to the existing £1m corporate contingency budget to manage budget risk and meet new priorities that require additional funding.

5.2.2 The Government Settlement

The Provisional Settlement was received on the 17th December 2020 but has not yet been finalised. The provisional figures have been incorporated into the budget proposal this report and will be included in more detail in the final report. The final settlement details will be reflected within the report to Council if they are published before the report deadline.

5.2.3 Savings and Income Generation

Savings plans total £9.79m over the next two years with plans to deliver £8.48m in 2021/22 and a balanced budget, with a further £1.31m planned for 2021/22 leaving a gap of £12.53m. This will be reviewed early in the 2021/22 financial year to ensure that the savings can be delivered.

The proposals for savings are outlined in Annex 1.

5.2.4 Budget Growth & Additional Pressures

Budget growth and additional pressures across portfolios of £22.14m have been added to ensure that the budget remains robust and to add additional budgets to areas that require rebasing. This does not mean that savings cannot be found from these areas in future once savings opportunities are identified, but this ensures that spend and budget are aligned especially in high demand areas. Growth and pressures are outlined in Annex 2.

A significant sum £15.24m has been applied to the 2021/22 budget to take account of the pressures that the Covid pandemic on Council services, specifically its income budgets which have been rebased in line with recovery business plan projections. This pressure is broken down below:

- Commercial Estate £5m
- Parking £4m
- Heritage Services £4.24m
- Other pressures £2m

The other pressures are a rebasing of prior years' efficiency savings that have been thoroughly reviewed and assessed as not deliverable in 2020/21 or 2021/22. These are primarily cross Council efficiency programmes requiring staffing savings, the deliverability of these savings have been impacted by the Covid pandemic and the new demands on the organisation.

5.2.5 2020/21 Current Budget position

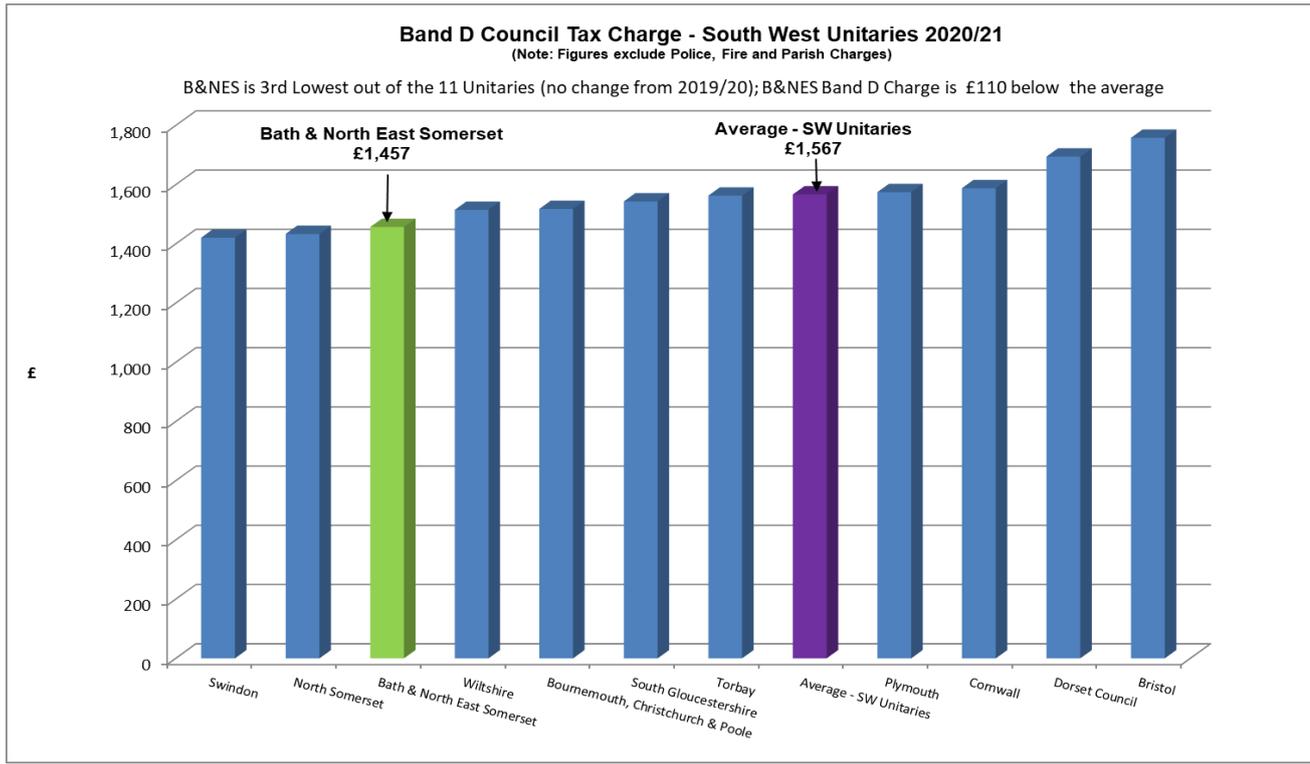
Due to the Councils financial recovery plans and government Covid grant the Council is forecasting an on-budget position. However, the impact of income commercial income loss is significant with up to £18m being supported from the government Sales Fees and Charges compensation scheme. The additional pressures above rebase income budgets in recognition of this ongoing risk.

5.3 Council Tax

5.3.1 Band D Equivalent Council Tax

The MTFS included an assumption that general Council Tax (excluding the Adult Social Care Precept) would increase by 3% per annum over the period of the plan. The Provisional Settlement has stated a referendum cap of 2%. The proposal within this report is to increase general Council Tax by 1.99% in 2021/22. This will increase a Band D by £28.99 for 2021/22 to £1,357.15. The overall proposed Band D Council Tax for Bath and North East Somerset Council next year including the Adult Social Care Precept increase of 3.00% is £1,529.57 (£1,456.88 in 2020/21) an increase of 4.99% and £72.69 per Band D (£1.40 per week). The tax base for 2021/22 is 66,711.85, a decrease of 168.05 (-0.25%) from 2020/21, the decrease reflects an increase in the number of Local Council Tax Support Scheme claimants.

The diagram below shows that B&NES had the third lowest Council Tax of the South West Unitary Authorities in 2020/21-



As billing authority, B&NES calculates a basic level of tax based on its own spending plans, to which is added the precepts from, Adult Social Care, Avon Fire Authority, Avon and Somerset Police Authority, and any town/parish Council. The actual total of Council Tax for Bath and North East Somerset residents will be calculated once all precepting authorities have notified B&NES of their proposals to be approved at Full Council on 23rd February 2021.

5.3.2 Welfare and Hardship Support

In recognition of the hardship challenges our most vulnerable residents may be facing from the economic impact of Covid and Council tax increases the budget includes a one-off uplift of £0.4m to be managed through the Welfare Support service. Whilst the full detail of this fund will need to be developed, the general principle if that support would be for hardship in paying council tax bills and meeting general living costs.

This is in addition to rebasing the 2021/22 Local Council Tax Support Scheme to take into account forecast demand levels.

5.5 Community Contribution fund

Following the Full Council meeting on the 12th November that agreed a trail period of one year for the Community Contribution fund.

In summary, the objective of the fund is:

To reduce inequalities in the area by investing in local projects that improve people's lives, focusing on those who are most disadvantaged. Inequalities relates to all protected characteristics as well as those people who are disadvantaged by financial circumstances, locality, health and wellbeing.

The fund will not be used to supplement Council tax and/or supplement Council services, every penny donated will be used to fund local projects. Local residents will be able to make a voluntary financial contribution, businesses and visitors can also contribute to the fund.

Any charity, voluntary or community organisation that supports residents of Bath and North East Somerset will be able to apply for funds. Following officer assessment of applications recommendations will be presented to a panel of 10 elected members who will decide on the use of the funds.

5.71 Capital Programme 2020/21

The new and emerging Capital schemes can be found in Annex 3, these include new schemes funded from Corporate Supported borrowing funded from a £0.3m revenue budget for capital financing in the 2021/22 budget. The schemes are presented by Corporate Strategy Theme and Portfolio, items marked (*) will be subject to businesses cases demonstrating income / efficiencies to fund the cost of capital.

All capital items have been considered and supported by the Capital Strategy Group in consultation with Portfolio holders.

7 CLIMATE CHANGE

Addressing Climate Change is one of the two core policies within the new Corporate Strategy. The budget has recognised this priority through providing ongoing revenue funding for the Climate Emergency team and also introduced new capital items to explore and implement renewable energy schemes.

8 OTHER OPTIONS CONSIDERED

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

9 CONSULTATION

Planned public consultation took place through webinars in December 2020.

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Background papers	2021/22 Medium Term Financial Strategy https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=122&MId=5501

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