

Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	11 <sup>th</sup> February 2021	EXECUTIVE FORWARD PLAN REFERENCE:
		E3256
TITLE:	Budget and Council Tax 2021/22 and Financial Outlook	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report		
Annex 1: Revenue Budget 2021/22 – individual service cash limits		
Annex 2: 2021/22 to 2023/24 Budget Savings proposals & 2021/22 to 2025/26 Growth and Pressures.		
Annex 3: Equalities Impact Assessment of 2021/22 to 2023/24 Savings Proposals		
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Annex 5: Draft Capital Programme 2021/22 to 2025/26		
Annex 5 (i): New and Emerging Capital Schemes		
Annex 5 (ii): Highways Maintenance Programme		
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Annex 6: Capital & Investment Strategy		
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## 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 Cabinet recommends Council approves-

- a) The General Fund net revenue budget for 2021/22 of **£130.07m** and the individual service cash limits for 2021/22 as outlined in Annex 1.
- b) The savings plans outlined in Annex 2(i), growth and pressures 2(ii), in conjunction with the Equalities Impact Assessment Report in Annex 3.

- c) An increase in Council Tax of 1.99% in 2021/22 (an increase of £28.99 per Band D property or 56p per week).
- d) An increase of 3% to Council Tax for the Adult Social Care Precept is approved in recognition of the current demands and financial pressures on this service. This is equivalent to an increase of £43.70 on a Band D property (84p per week).
- e) The movement in reserves outlined in section 5.6 and the adequacy of Un-earmarked Reserves at £12.59m within a risk assessed range requirement of £11.6m - £12.8m.
- f) The Efficiency Strategy attached at Annex 4.
- g) The Capital Programme for 2021/22 of £69.506m including new and emerging capital bids outlined in Annex 5(i), planned sources of funding in 5.8.2, and notes the programme for 2021/22 to 2024/25 and that any wholly funded projects coming forward during the year will be added to the Capital Programme in line with the Budget Management Scheme.
- h) The delegation of implementation, subject to consultation where appropriate, of the capital programmes set out in Annex 5(ii) to Annex 5(iii) to the relevant Director in Consultation with the appropriate Portfolio Holder.
- i) The Community Infrastructure Levy (CIL) allocations and amendments outlined in Annex 5(iv).
- j) The Capital & Investment Strategy attached at Annex 6.
- k) The MRP Policy attached at Annex 7.
- l) The Capital Prudential Indicators outlined in 5.8.8.
- m) The Annual Pay Policy Statement at Annex 8.
- n) The Community Contribution Fund proposal outlined in Annex 10.
- o) The Council Tax Support Scheme for 2021/22 shown in the following link: <https://beta.bathnes.gov.uk/sites/default/files/2021-01/Council%20Tax%20reduction%20scheme%20April%201%202021%20-%20March%2031%202022.pdf> and referred to in 5.3.4.

- 2.2 That the Council include in its Council Tax setting, the precepts set and approved by other bodies including the local precepts of Town Councils, Parish Councils, and Charter Trustees of the City of Bath, and those of the Fire and Police Authorities.
- 2.3 That Cabinet note the S151 Officer's report on the robustness of the proposed budget and the adequacy of the Council's reserves outlined in 5.7.
- 2.4 Authorise the Council's S151 Officer, in consultation with the Portfolio Holder for Resources, to make any necessary changes to the draft budget proposal for submission to Council.

### **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. The advice of the Council's Monitoring Officer regarding the budget setting process is attached at Annex 9.

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 3.

### **5. THE REPORT**

#### **5.1 The 2021/22 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 current projected budget gap for 2022/23 and beyond although this is expected to reduce once the impacts of returning income and further efficiencies are factored in to budget planning. 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 2021/22.

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. After taking account of ongoing service cost pressures and the specific impact of the Covid pandemic, the starting point for the 2021/22 budget is a funding gap of c£20m. The proposed budget meets this funding gap in two ways:

- 1) A savings package of £8.48m.
- 2) one-off use of reserves of £11.31m (£8.5m revenue and £2.81m business rates), full repayment of the revenue reserves has been built into the five year budget planning period.

The impact of Covid on the Council has created a material imbalance in how the Council funds its services, Council tax and Business rates alone do not fully fund the Council's services – they are also funded by external income. Income budgets have been rebased and reduced by £13.24m from a £33.17m net income budget in 2020/21, this income funds all Council services including Adults and Children's Social Care and Waste collection. This is highlighted in more detail in section 5.2.5 of the report, the impact of this on the Adult Social Care budget alone is £6.82m of base budget pressure in 2021/22.

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.

The proposal for fully approved capital spend in 21/22 totals £69.506m.

#### 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 2020/21 Current Budget Position

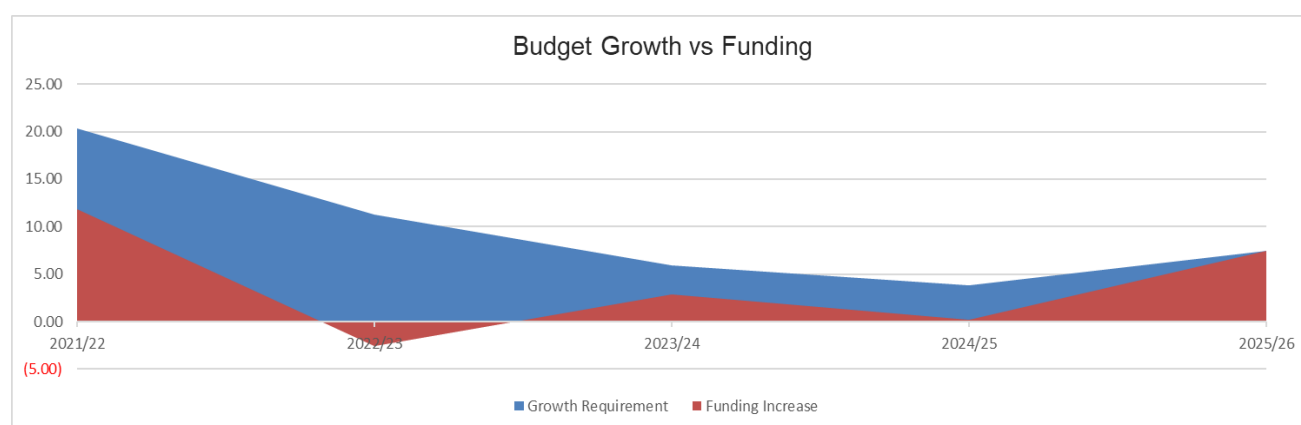
Due to the Council's financial recovery plans and government Covid grant the Council is forecasting an on-budget position. However, the impact of income commercial income loss is significant with up to £18m being supported from the government Sales Fees and Charges income compensation scheme. In addition, demand pressures have risen with increased cost pressures in Children's Services, we have seen good progress in the Adult Social Care service improvement plan that has helped mitigate the rising costs. The additional pressures and efficiencies above are recognised in the 2021/22 budget with the rebase of income budgets in recognition of this ongoing risk.

### 5.2.2 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 £m					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
<b>Annual Funding gap</b>	<b>8.48</b>	<b>13.84</b>	<b>3.02</b>	<b>3.63</b>	<b>0.00</b>	<b>28.97</b>
Savings Proposals	8.48	1.30				9.78
<b>Remaining Funding Gap</b>	<b>0.00</b>	<b>12.54</b>	<b>3.02</b>	<b>3.63</b>	<b>0.00</b>	<b>19.19</b>

Note: Growth requirement is after adjustments to corporate budgets for 2021/22 settlement grant funding.



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. This is set out in more detail in section 5.2.5 of the report.

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
<b>Budget Requirement (Previous Year)</b>	<b>118.25</b>	<b>130.07</b>	<b>127.49</b>	<b>130.38</b>	<b>130.58</b>
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
<b>Draft Budget Before Savings</b>	<b>138.55</b>	<b>141.33</b>	<b>133.40</b>	<b>134.22</b>	<b>138.02</b>
Proposed Savings Plans	(8.48)	(1.30)	(0.09)	0.00	0.00
Estimated Savings Required	0.00	(12.53)	(2.93)	(3.63)	(0.00)
<b>Budget Requirement</b>	<b>130.07</b>	<b>127.50</b>	<b>130.38</b>	<b>130.58</b>	<b>138.02</b>
<b>Funding of Budget Requirement</b>					
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 From	11.31	3.43	0.43	0.00	0.00
Reserve transfers (To)	(4.07)	0.00	0.00	(7.00)	(6.00)
<b>Funding of Budget Requirement Total</b>	<b>130.07</b>	<b>127.49</b>	<b>130.38</b>	<b>130.58</b>	<b>138.02</b>

Note: transfer to reserves is the £4.07m 2021/22 government covid grant to contribute to the £5m Covid contingency budget. Future years is the repayment of the reserve use in 2021/22 and 2022/23.

The forecast includes the following cost pressures and assumptions:

- **Pay Inflation** – Estimated at 0% for staff salaries over £24k in 2021/22 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 treasury management cash investments. The Council will maintain a minimum cash policy;
- **Inflation** – CPI projections held at existing planning levels of up to 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 £0.65m to the existing £1m corporate contingency budget to manage budget risk and meet new priorities that require additional funding.
- **Reserves** – Planned one-off use of reserves of £11.31m (£8.5m revenue reserves and £2.81m business rates reserve). Establishment of a £5m Covid risk reserve.

Annex 1 shows the Revenue Budget Summary for 2021/22, which totals £130.07m. Once approved by Council, these represent the financial plans that the Cabinet will manage under their delegated authority and monitor in accordance with the Budget Management Scheme.

### 5.2.3 The Government Settlement

The Provisional Settlement was received on the 17th December 2020 but has not yet been finalised by the government. The figures outlined in this report reflect the provisional figures. The final settlement details will be reflected within the report to Council if they are published before the report deadline.

- **Revenue Support Grant (RSG)**

As a result of the further delay in the Fairer Funding Review and Business Rate Retention the Council will continue to receive the RSG in 2021/22 of £0.498m (2020/21 £0.496m) for one further year before being removed in 2022/23 (The remaining RSG allocated to B&NES has been rolled into the 100% Business Rate Pilot).

- **New Homes Bonus**

The Provisional Settlement has outlined continuation of the changes made to the funding arrangements for New Homes Bonus in 2020/21, pending consultation on a replacement scheme. This results in a payment of £0.759m for new housing growth over the past year, taking the total New Homes Bonus Grant to £3.064m for 2021/22, a reduction of £2.624m from 2020/21. The settlement announced that the grant element for 2021/22 would only be paid for one year without the further 3 years of legacy payments which are made for growth rewarded in 2019/20 and prior years. The table below shows the likely annual remaining funding. The settlement



announced that the national housing growth baseline adjustment would remain at 0.4% for 2021/22.

	<b>Total New Homes Bonus Grant</b>			
<i>Payment relating to:</i>	<b>2020/21 £'m</b>	<b>2021/22 £'m</b>	<b>2022/23 £'m</b>	<b>2023/24 £'m</b>
2021/22		0.759		
2020/21	2.039			
2019/20	1.392	1.392	1.392	
2018/19	0.913	0.913		
2017/18	1.344			
<b>Total</b>	<b>5.688</b>	<b>3.064</b>	<b>1.392</b>	<b>0.000</b>

The MTFP also reflects an estimate of the Council's share of the nationally top-sliced funding for NHB being redistributed based on the old relative needs grant formula from 2022/23 onwards.

- **Social Care Grant**

The December 2020 provisional settlement has confirmed a further £300m Social Care grant funding (£0.33m) which will be combined with the continuation of the existing Social Care Support grant (£3.93m). This funding is assumed as recurrent in the base budget.

- **Better Care Fund**

The Better Care Fund is intended to incentivise the integration of health and social care, requiring Clinical Commissioning Groups (CCG) and Local Authorities to pool budgets and agree an integrated spending plan. Greater integration is seen as a potential way to use resources more efficiently and achieve better outcomes for people, in particular by reducing avoidable hospital admissions and facilitating early discharge from hospital.

The Council & B&NES CCG Better Care fund for 2021/22 is anticipated to be £68.8m with the Council contribution of £28.3m and CCG contribution of £40.5m. In addition to the mandated financial amounts for pooling this includes Council and CCG budgets for the Joint Community Services contract with Virgin Care and associated sub-contracts. The CCG contribution will increase by 5.3% in line with the previous year.

The Council budget assumes that the funding transfer from the estimated £12.7m NHS mandated minimum contribution will remain consistent with prior years; with £9.13m of this funding transferred in 2020/21 for Council commissioned schemes under the S75 pooled budget arrangements.

The December 2020 settlement has confirmed that the existing improved Better Care Fund social grant incorporating the Winter pressures Grant will continue with the same distribution as 2020/21. For B&NES this will mean a continuation of £4.76m protecting the Better Care Fund schemes that have committed this funding on an annual basis.

- **Non-Domestic Rates**

It has been confirmed that the 100% Business Rate Retention Pilot will continue into 2021/22. The Medium Term Financial plan currently assumes that the estimated benefit of approximately £3.8m will be removed in 2022/23 as part of the review of Local Government Financing and Fairer Funding Review and that the Council will be included in the 75% Business Rate Retention Scheme.

As part of the proposed budget, reasonable assumptions have been made for likely levels of future Business Rate income, together with specific provisions for appeals, increase in reliefs and growth and deletions. 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. This approach will include any changes that arise from the final settlement announcement relating to Business Rates, the announcement was still awaited at the time this report was finalised.

The government has currently not announced any extension to the current emergency pandemic relief on business rates for retail properties, so the business rate income included in the budget assumes these properties revert to paying their normal business rate charges from 1<sup>st</sup> April 2021. If the government chooses to make any changes in respect of retail properties this is likely to be announced as part of the Chancellor's Budget Statement scheduled for 3<sup>rd</sup> March 2021. However, any such decision is expected to be revenue neutral for the council.

#### **2020/21 Business Rate Collection Fund Deficit**

The current forecast for the Business Rate element of the collection fund is for a deficit of £3.3m, 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 £3.1m. 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 appeals provision, and a reduction in rates payable.

<b>Business Rates Collection Fund</b>	<b>Total (£m)</b>	<b>B&amp;NES Share (94%) (£m)</b>
Collection Fund - Projected 2020/21 In Year Deficit	44.6	41.9
Additional Extended Retail Relief Impact funded through s31 grant	-41.6	-39.1
<b>Deficit after Extended Retail Relief s31 grant funding</b>	<b>3.0</b>	<b>2.8</b>
2019/20 Deficit Carried Forward	0.3	0.3
<b>Total Projected Deficit</b>	<b>3.3</b>	<b>3.1</b>

The Council's share of the deficit that relates to the extended retail relief, which was introduced by government after the 2020/21 budget was set, is currently forecast to

be £39.1m. The s31 compensation grant in respect of this change is to be received in 2020/21 and will be transferred to the Business Rates Reserve so it is available in 2021/22 to offset recovery of this element of the deficit.

The residual collection deficit of £3.1m will be spread for recovery over the next three financial years commencing 2021/22 in line with the government Covid-19 support package allowance.

The Government has also announced a tax compensation scheme as part of its Covid-19 funding package whereby 75% of irrecoverable losses incurred in 2020/21 will be compensated by government. The amount of this funding will not be confirmed until the final outturn position on Business Rates is known. It is anticipated that the tax compensation funding will need to be reflected in the 2020/21 accounts and it is proposed that this funding will be transferred to the Business Rate Reserve so it is available to fund any further Business Rate pressures if they materialise in 2021/22 and future years.

- **Schools Funding**

Schools are funded by the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education (DFE). The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools. It does not cover the statutory responsibilities the Council has towards parents. These responsibilities are funded through the Councils main revenue funding and included as part of the proposed budget.

As schools convert to academies the DfE take back the element of DSG payable to the local authority in order to make payments direct to the academies. It is estimated that 91% of B&NES schools will have converted to academies by April 2021 and a number of other schools will develop plans to convert in the coming years.

With the introduction of the National Funding Formula for schools the DSG for schools (The Schools Block) was ring-fenced for schools from 2018/19 leaving it unclear as to which body was responsible for the demographic pressures being observed in the other Blocks, in particular the SEND / High Needs element of the DSG. The Government has confirmed in legislation that local authorities cannot support High Needs costs through their General Funds unless they obtain Secretary of State approval. In addition, it states that the local authority must carry forward the whole of the overspend to the schools budget in future years. The underlying overspend on the DSG including the High Needs Block was £1.2m in 2018-19 and that balance was carried forward to 2019-20. The estimated forecast in 2020-21 (including the carry forward from 2019-20) is £3.3m.

The Government have been allocating additional ongoing funding for High Needs through the DSG 2020/21 and B&NES has been allocated a further £2.7m. However, this is unlikely to be sufficient to meet current demand. A further national SEND review has now been tasked with looking at how to arrive at a fair and sustainable system of high needs support for the future.

Schools through the Schools Forum agreed to support the High Needs pressures to the full extent of their delegated powers with a contribution of 0.5% of the schools budget amounting to £0.58m.

#### **5.2.4 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 2022/23 leaving a gap of £12.53m. This will be reviewed early in the 2021/22 financial year to enable early budget planning to develop robust and deliverable proposals for the 2022/23 budget.

The proposals for savings are outlined in Annex 2(i) and will be reviewed by the Corporate Scrutiny Panel on the 1st February and feedback will be given to Cabinet as part of considering this report.

#### **5.2.5 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 budget funding 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 (ii).

A significant sum £15.24m has been applied to the 2021/22 budget to take account of the pressures that the Covid pandemic has had 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.

This represents an unprecedented level of budget rebasing and highlights that there has been a reliance on external commercial income to fund the Councils base budget. To manage this over the short and medium term there will need to be a re-balance found between appropriate Council tax increases alongside ensuring sustainable commercial income.

Whilst the majority of 2021/22 budget adjustments are for budget pressures, the budget has provided for the continuation of the Ward Councillor empowerment fund

providing £1k per Councillor for 2021/22 funded from the revenue budget contingency.

The table below illustrates the reduction in general funding across the Councils 2020/21 net budget from £13.24m recurrent commercial income loss, showing on a pro-rata basis which services this was previously supporting:

Portfolio	2020/21 Base Budget £'m	Funding impact £'m
Leader	(0.63)	
Resources and Deputy Leader	12.20	(1.31)
Adult Services	63.53	(6.82)
Children's Services	27.65	(2.97)
Climate Emergency & Neighbourhood Services	16.54	(1.77)
Transport Services	(0.09)	
Housing, Planning & Economic Development	3.47	(0.37)
Community Services	(4.42)	
<b>Total</b>	<b>118.25</b>	<b>(13.24)</b>

The table above shows that this represents a material impact on the funding of Council Services.

#### 5.2.6 Clean Air Zone

On 16<sup>th</sup> January 2020, the Cabinet agreed the proposals for a Clean Air Zone (CAZ) in Bath, giving delegation to the relevant director, monitoring officer and S151 officer, in consultation with the Cabinet Member for Climate Change and the Deputy Leader, the decision to agree and to enter into any relevant legal agreement to secure, the national operational agreement(s) for the operation of the Clean Air Zone. The current proposal has set out:

- Bath's Clean Air Zone commences on 15<sup>th</sup> March 2021 for commercial vehicles exceeding specified emission levels.
- Operating costs will be met from income generated and Government grant having a nil net impact on the budget proposal.
- Surplus income after meeting the operational costs of the CAZ generated in any one year will be ringfenced to cover later years in the scheme, where the costs of administering the scheme may exceed income generated due to greater compliance.

- The Council's 2021/22 revenue budget will be adjusted accordingly to take account the operational cost and income generated in managing the scheme.

Further information can be found on the Council's website:

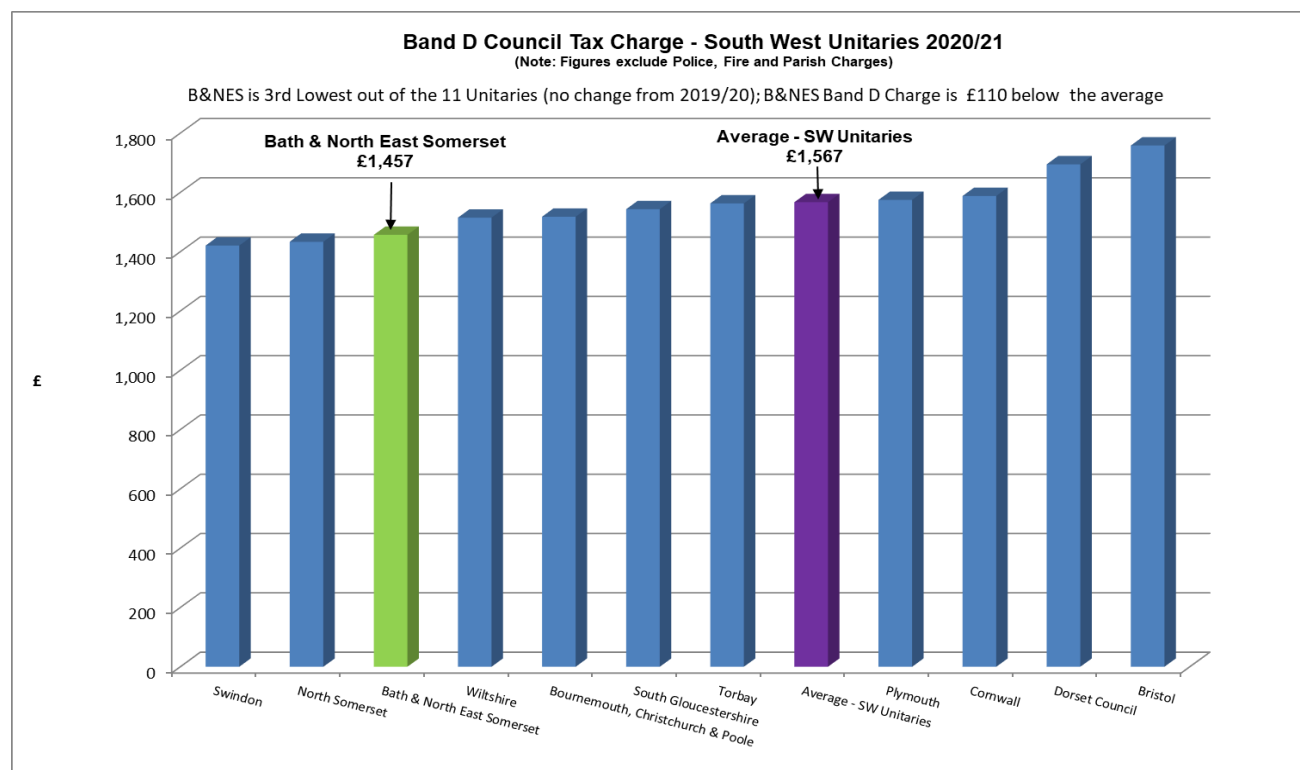
<https://beta.bathnes.gov.uk/bath-clean-air-zone>

## 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 Adult Social Care Precept**

The Government in recognising the continued pressures facing Adult Social Care (ASC) authorities, has allowed for a further 3% increase in 2021/22. The Council's plans include this for 2021/22 (this would increase the Adult Social Care Precept to £11.50m an increase of £2.89m from 2020/21). The Medium-Term Financial Plan assumes that this only applies to 2021/22 as the Provisional Settlement does not outline any further funding above the 3% allowance through this source.

The Growth Requirement for Adult Social Care before savings is £2.88m which will be part funded from the Adult Social Care Precept increase.

### **5.3.3 Estimates for Future Years Band D Council Tax**

The current Medium Term Financial Plan has factored in an annual increase of 3.99% per annum over the period of the plan. This is across both general Council Tax and the Adult Social Care precept; projections will be adjusted accordingly in line with any future referendum limits set by the Government.

### **5.3.4 Council Tax Support**

The base Council Tax Support Scheme was approved in November 2019 and has been updated to reflect annual changes to statutory legislation and benefit rates from April 2021 – see link as follows: <https://beta.bathnes.gov.uk/sites/default/files/2021-01/Council%20Tax%20reduction%20scheme%20April%2021%202021%20-%20March%2031%202022.pdf>.

The 2021/22 tax base allows for an increase of 5% on the number of working age recipients as at the end of November 2020. The budget estimate is £11.0m compared to £9.6m in 2020/21.

### **5.3.5 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 is 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.

## 5.4 West of England Combined Authority (WECA)

The West of England Combined Authority (WECA) was formed in 2017 by Bath and North East Somerset, Bristol and South Gloucestershire councils. Initial financial benefits were part of a devolution deal initially bringing £900m of new investment funding and significant powers into the region. Since its formation, in total, £1.2bn of new funding has been secured for our region, because we have a Combined Authority.

Operating WECA incurs no additional costs to our constituent councils, as we are entirely funded through government grants and a small element of regional business rates retention growth (which would not have been available without forming the Combined Authority).

WECA has secured the following additional investment for our region:

- £103m for major transport schemes
- £3.7m emergency active travel funding (cycling and walking)
- £32m for MetroWest (secured by WECA and North Somerset Council)
- £24m for a Future Transport Zone
- £13.7m to accelerate infrastructure development work
- £5m to trial superfast 5G networks
- £4m for the Future Bright skills programme
- £75m from our business rates retention\*
- £3m to progress housing development and attract additional funding
- £5.7m to improve roads
- Around £15m per annum to invest in adult education
- £4m to help SMEs plan and support their current and future workforce
- £2.2m to help people with learning disabilities gain job opportunities
- £2.8m for a new Energy Hub and Low Carbon Fund
- £1.35m to support the region's creative sector
- £3m to run the Combined Authority

*\* 100% of business rates growth are kept in the region – 5% to WECA*

The West of England is an economic leader and will be key to the UK's recovery from the impact of Covid-19. WECA is supporting our region's residents and businesses through Covid-19, and is taking action to help people and businesses affected. WECA is working with its constituent councils, other regional partners and government, to ensure people and businesses across the region are getting the support they need.

WECA and the West of England Local Enterprise Partnership have worked with the business community across all sectors, as well as voluntary and community groups, to develop an ambitious West of England Recovery Plan, which builds on our region's Local Industrial Strategy, and aims to:

- Rebuild business
- Get residents back to work
- Strengthen inclusion



- Support a green recovery
- Renew places

The West England Combined Authority Committee has committed £9.4m additional funding for regional recovery – this is in addition to the £100m investment already committed to businesses and skills over the next four years. This includes business support, skills and employment initiatives.

Overall, our four-year programme will invest:

- £115m in transport improvements and infrastructure;
- £114m in housing development and infrastructure;
- £99m in business and skills
- £22m to be allocated for new opportunities, challenges and other costs.

The Budget for WECA will be set on 29 January 2021 by the WECA Committee – at the time of writing the budget assumptions set out below are based upon the WECA Budget proposals and are subject to the outcome of the above meeting. The following elements of the WECA Budget and medium-term financial plan have therefore been incorporated within the Council Budget proposal:

- An annual revenue transport levy to reflect the cost of the core regional Integrated Transport services of:
  - Concessionary Travel
  - Real Time Information for bus services
  - Community Transport
  - Bus Service Information
  - Supported Bus Services (whilst remaining a joint function with the constituent councils)
  - TravelWest and
  - Metrobus operations

The levy charge for 2021/22 is £5.094m. Unitary Authority levies are pooled by the WECA Transport Integration Team and managed on a regional basis. Projected surpluses or deficits are managed on a regional basis and a transport smoothing reserve has been created to help manage financial risk.

Due to the current Covid situation, in line with government guidance, WECA has maintained payments to bus operators in line with budgeted profile level which has helped to stabilise the provider base through extended periods of significantly reduced patronage. This arrangement will roll forward into 2021/22.

- Within the 100% Business Rates Retention pilot, WECA will continue to passport £17.5m of capital funding to the West of England Unitary Authorities to provide Highways Maintenance and Transport Improvement Grants as per previous years. The total allocation for the Council in 2021/22 is £4.829m including £0.632m for the highest level of incentive grants which is automatically provided for Mayoral Combined Authority areas.

- The published WECA investment programme will continue to support a number of projects and initiatives for our Unitary Authority throughout 2021/22 including:
  - Bath Transport Delivery
  - Bath to Bristol Strategic Corridor
  - Land Acquisition Fund
  - Development Infrastructure Fund
  - Covid Recovery Plan
- These are funded from the additional investment funds received by WECA as part of the devolution arrangements and reflected accordingly with the councils' revenue and capital budget proposals. Further bids for infrastructure funding may be made in line with the WECA Strategy and Local Growth Assurance Framework and may come forward for inclusion in the capital programme in line with future delivery arrangements.
- Alongside specific projects, WECA will continue to develop, and progress, key longer term strategic initiatives including mass transit options, strategic rail investment and spatial planning to enable clean and green sustainable growth.

WECA is currently not permitted to levy a precept to fund any of its activity and therefore no precept will be requested.

Full details of the WECA Budget proposals are available at [www.westofengland-ca.gov.uk](http://www.westofengland-ca.gov.uk)

## 5.5 Community Contribution fund

Following the Full Council meeting on the 12<sup>th</sup> November 2020 that agreed a trial period of one year for the Community Contribution fund Annex 10 of the report sets out the proposal to implement and manage the 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.

## 5.6 Revenue Balances, Contingency & Reserves

Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An estimate of the key reserves has been made for 2021/22 and future years maintaining capital receipts flexibility mainly to fund restructuring and severance costs.

	<b>Estimated Balance 1/4/21 £'m</b>	<b>Estimated Balance 31/3/22 £'m</b>	<b>Estimated Balance 31/3/23 £'m</b>	<b>Estimated Balance 31/3/24 £'m</b>
Revenue Budget Contingency	4.1	0.8	0.8	0.8
Financial Planning and Smoothing Reserve	5.6	1.6	1.6	1.6
Transformation Investment Reserve	2.1	0.9	-	-
Restructuring & Severance Reserve	2.2	2.2	2.2	2.2

### 5.6.1 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. Budget monitoring for the period April to December 2020 has outlined that there is no expected requirement to utilise this by year end as the budget is expected to be on target. The Budget proposes that £3.3m is transferred from this reserve to smooth the budget rebasing and savings requirement in 2021/22, with this amount replenished in 2024/25 and 2025/26. This would leave a provision of £0.8m in the reserve until the planned replenishment.

To manage unplanned risk in the 2021/22 budget and also reduce the reliance on use of reserves for in year activity, the budget has increased the revenue contingency in the recurring Council base budget from £1m to £1.65m.

### 5.6.2 Financial Planning and Smoothing Reserve £5.6m

The Financial Planning Reserve will be used to smooth the delivery of organisational change. The 2021/22 Budget requires a transfer from this reserve of £4m to smooth the savings requirement, with this amount replenished in 2024/25. This would leave an allocation of £1.6m available in the reserve until the planned replenishment.

### 5.6.3 Transformation Investment Reserve £2.1m

The reserve facilitates delivery of future savings by providing additional short-term capacity and specialist advice. The 2021/22 Budget requires a transfer from this reserve of £1.2m to smooth the savings requirement, with this amount replenished in 2025/26. This will leave an allocation of £0.9m available in the reserve until the planned replenishment.

### 5.6.4 Restructuring and Severance Reserve £2.2m

The reserve was set up to fund severance costs and will only be utilised in future for spend that is not linked to a specific budget savings plan or where there are insufficient capital receipts to fund severance costs. The requirement for this reserve will be reviewed once the required flexible capital receipts target is reached.

### 5.6.5 Invest to Save Reserve £1.5m

The Invest to Save Reserve was separated from Un-earmarked Reserves as part of budget setting for 2018/19. The reserve of £1.5m is utilised for new projects that make savings and repay the sum borrowed over an agreed period of time. An example use of the reserve is the smoothing of Council and contractor costs in respect of the Leisure Centre improvements under the Leisure Contract. It is currently fully committed with repayments currently expected to commence in 2022/23.

### 5.6.6 Reserves and Flexible Capital Receipts

Flexible capital Receipts can be used for revenue spend that results in ongoing revenue savings. Estimated usage for 2020/21 is expected to be up to £0.5m with the remaining £3.17m estimated for 2021/22 as outlined in the Efficiency Strategy attached at Annex 4. Currently £3.4m of capital receipts through estate assets, land holdings etc have been received by the end of December 2020 with a further £5.3m (£1.8m in 2020/21 and £3.5m in 2021/22) identified to meet requirements for flexible capital receipts and to finance the capital programme in those years.

	<b>Actual Usage 2017/18</b>	<b>Actual Usage 2018/19</b>	<b>Actual Usage 2019/20</b>	<b>Estimated Usage 2020/21</b>	<b>Estimated Usage 2021/22</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Flexible Capital Receipts	3.1	3.5	1.3	0.5	3.17

### 5.6.7 General Fund Un-Earmarked Reserve

The General Fund Un-earmarked reserve is retained to meet the Council's key financial risks. Budget Monitoring for the period April to December 2020 estimated that Un-earmarked reserves would total £13.52m by 31<sup>st</sup> March 2021.

It is proposed the £0.93 of this balance is committed to be held for Covid specific budget pressures in 2021/22 alongside the £4.07m of 2021/22 Government Covid grant providing a ringfenced fund for Covid pressures of £5m.

The budget risk assessment has set a range of between £11.6m and £12.8m to meet those risks. After allocating £0.93 for Covid risks the available balance is £12.59m which is within the budget risk assessment range.

There is a further commitment of £3m in 2022/23 to support the revenue budget, this will leave a 2022/23 reserve balance of £9.59m that is within Council benchmark levels for unearmarked reserves as a percentage of net budget. (benchmarked against South West Unitary Authorities).

As set out in the Council's Financial Regulations 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.

## **5.7 Robustness of and Risks within the Proposed Budget for 2021/22 Statutory Chief Finance Officer (CFO) Report and Advice on the Robustness of the Budget and Adequacy of Reserves and Balances**

### **5.7.1 Introduction**

The Local Government Act 2003 states that when a local authority is preparing its budget, "the Chief Finance Officer of the authority must report to it on the following matters:

- (a) the robustness of the estimates made for the purposes of the calculations; and
- (b) the adequacy of the proposed financial reserves."

And goes on to state that the authority "shall have regard to the report when making decisions about the calculations in connection with which it is made."

This report has been prepared by the Director of Finance (S151 Officer) to fulfil his duty and give the required advice relating to the 2021/22 financial year including a consideration of the budget proposals and the financial risks facing the Council within this budget. Also, it identifies the Council's approach to budget risk management and assesses the particular risks associated with the 2021/22 budget to inform the advice.

### **5.7.2 CIPFA's Financial Resilience Index**

CIPFA will be publishing its 2019/20 Financial Resilience Indicators for each authority in February and will be incorporated into the report if released before the publishing deadline of this paper. These measure different aspects of financial indicators such as levels of reserves across each tier of local authority.

The majority of indicators show (in 2018/19) B&NES to be medium to low risk within the CIPFA family group of Unitary Authorities.

The areas highlighted as higher risk include reserve sustainability, changes in reserves, and the ratio of costs of Social Care compared to the net budget. In terms of a response to these risks:

Reserve sustainability and changes in reserves – This was recognised in the 2020/21 budget with a planned £4.6m transfer to reserves, in addition the 2019/20 outturn made a net transfer to reserves of £4m. This has enabled the Council to hold resilient reserve levels, whilst the exposure to income loss is high due to Covid the Council is holding a higher level of un-earmarked general reserve over 10% of net budget when benchmarked against other unitary Councils who hold reserve levels at c4-6%.

The high Social Care ratio in part reflects the fact that B&NES has a relatively low net budget reflecting the net income stream from Heritage and the Commercial Estate. The Council has embarked on an ambitious savings programme of service transformation in adult services, much of this integrated with local health service provision. The programme, being delivered in partnership with Virgin Care, will focus on:

- Managing the Councils budget to meet demand needs without overspending through robust needs assessment and care planning.
- Strengthen brokerage and contract monitoring to ensure payments to providers are made in a consistent and fair manner.
- Learn from our neighbours in improving services delivery whilst delivering savings.

Within Children's Services whilst we recognise the need to provide appropriate care and placements to meet the needs of children and young people we will continue to review the models of care, opportunities to bring in external investment and good practice, and to scrutinise individual needs and placement costs in order to mitigate these financial pressures as far as possible.

### **5.7.3 Executive Summary of the Director of Finance (CFO) on the budget position**

For 2021/22 the savings requirement after planned use of reserves is £8.48m after the inclusion of council tax increases. The assessment of the plans to close the gap do not require additional funds from the Financial Planning Reserve to smooth the delivery of savings in 2021/22 as they are expected to be delivered by the 1<sup>st</sup> April. This savings requirement is after £8.5m one off use of reserves to enable the transition from the Covid impact on the Council income budgets that has required £13.24m of income budget rebasing. This will enable a balanced budget with the one off use of reserve being fully replenished within the 2021/22 – 2025/26 budget period.

In addition to putting forward a balanced budget for 2021/22, the Government 2021/22 Covid grant of £4.07m alongside £0.93m of un-earmarked general reserve is being held in a £5m Covid contingency reserve of for unplanned Covid related budget pressures in 2021/22.

#### **5.7.4 Consequences of Failing to Deliver a Budget**

If the Council is unable to produce a budget or a plan for reducing the budget requirement for future years or finds it cannot deliver the budget in year, the CFO (under s151 of the Local Government Act) would be required to produce a Section 114 report. (Note the conclusion under 5.7.5 of this report).

Section 114 of the Local Government Finance Act 1988 requires a report to all the authority's members to be made by the CFO, in consultation with the Council's Monitoring Officer and Head of Paid Service, if "the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure" (i.e. there is likely to be an unbalanced budget). In this event the Council must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take to bring the budget into balance. The publication of such a report starts an immediate 'prohibition period'. This means that everyone who has delegated authority to spend the Council money immediately has those powers suspended during the prohibition period, and only the CFO can authorise new commitments.

#### **5.7.5 Report of the Director of Finance (CFO) in Respect of Statutory Duties**

The Budget Report sets out the Council's financial position and budget. This is the formal report and is part of a continuum of professional advice and is the culmination of a budget process in which substantial detailed work has already been carried out with Directors, Senior Managers and their teams and Members. This section provides a summary of the conclusions which are considered in more detail within this report and its appendices.

In respect of the robustness of estimates, estimates have been prepared by Directors and their staff supported by appropriate finance staff reviewing pressures, priorities, savings, demographics, inflation and contractual obligations, and income generation. Each Director has completed a Robustness Statement outlining savings and delivery risk that have been incorporated into a corporate wide assessment. A £1.65m Revenue Budget Contingency has been allocated to mitigate unforeseen risks, and the risk of savings not being realised in 2021/22. This contingency includes a general provision as well as allowances against various specific savings and is intended to increase confidence in the deliverability of the overall budget.

In addition, and to account for Covid related budget pressures in 2021/22, a £5m Covid risk reserve has been provided, this is funded from the £4.07m government Covid grant and allocation of £0.93m of the Councils general reserve

The total known pressures of £15.24m have been included to ensure there should be sufficient funds to meet service demand and delivery costs as currently forecast. These have been reviewed on a regular basis by the Corporate Management Team and the Directors as part of the regular budget monitoring process in 2020/21.

Given the impact Covid has had on the Council's budgets, it has been critical to review the direct pressures (£15.24m) as well as demographic demand and inflation (a total of £6.91m) to prepare a robust budget for 2021/22. Monitoring of the budget

especially around demand pressures in Adult and Children's Services alongside ongoing loss of income will be critical to identifying any emerging issues as quickly as possible.

A shortfall of £12.53m has been identified for 2022/23 and plans will need to be finalised as soon as possible to fund this gap.

In the context of the overall budget the financial position continues to be challenging, but the **CFO concludes that the estimates are robust**, in that they have been robustly constructed.

With regard to the adequacy of balances, the 2021/22 planned level of General Fund Un-earmarked reserve at £12.59m (is within the required range of £11.6m to £12.8m).

With a further commitment of £3m in 2022/23 this will leave a reserve balance of £9.59m that is within Council benchmark levels for unearmarked reserves as a percentage of net budget. (benchmarked against South West Unitary Authorities)

**The conclusion of the CFO is that the estimates for 2021/22 are robust and the budget is lawful, levels of balances have improved and are adequate and reasonable in meeting the Council's risks.**

## **5.8 Capital Strategy, Programme and Capital Receipts 2021/22 to 2025/26**

### **5.8.1 Capital & Investment Strategy**

Production of a Capital and Investment Strategy was a new Government requirement for 2019/20 and is the overarching document which sets the policy framework for the development, management and monitoring of capital investment as well as lending to other organisations and commercial investments. The strategy focuses on core principles that underpin the council's capital programme, investment plans, financing and the risks that will impact on the delivery of the programme and commercial estate; and the governance framework required for decision making and delivery. The Capital and Investment Strategy is attached at Annex 6.

### **5.8.2 Overall Capital Programme & Financing including New Capital Schemes**

The Prudential Code for Capital Finance in Local Authorities was updated in December 2017. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

It requires authorities to assess capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long-term financial implications and potential risks to the authority.



The Council follows this approach through:

- Continuing to review all existing schemes and simplify, reduce, pause or stop as necessary;
- Minimising new schemes except those that meet corporate priorities;
- Agreeing an affordable limit for new schemes requiring corporate borrowing;
- Ensuring adequate investment in assets supporting key service provision (including meeting health and safety requirements or replace obsolete or inefficient assets/equipment); and
- Delivering or working with partners to deliver high priority government funded programmes and WoE programmes where they meet corporate priorities.

The Capital Programme will retain the clear separation of schemes for **Full Approval** and those which are for **Provisional Approval**.

Items gaining **Full Approval** are clear to proceed to full scheme implementation and delivery, subject to appropriate project management and governance.

Items for **Provisional Approval** will require either a further Officer decision or in some cases a formal Executive decision for Full Approval. The budget estimates for schemes shown for Provisional Approval are therefore included on an indicative basis, and as an aid to planning.

The Capital Programme will retain narrative only reference to pipeline projects and grant funding in early stage progression. These items will require further decision to incorporate into the programme at a later date, in line with the delegations outlined in the February Budget report.

The capital programme is aligned with the Community Infrastructure Levy allocations agreed for the coming financial year.

**A summary of the proposed capital programme and it's financing for 2021/2022 – 2025/2026 is shown below**

#### Capital Schemes for Approval

<b>Cabinet Portfolio: Capital Schemes</b>	<b>Budget 2021/2022 £'m</b>	<b>Budget 2022/2023 £'m</b>	<b>Budget 2023/2024 £'m</b>	<b>Budget 2024/2025 £'m</b>	<b>Budget 2025/2026 £'m</b>	<b>Total £'m</b>
Resources & Deputy Leader	18.813	0.110	0.670	0.000	0.000	<b>19.593</b>
Adult Services	0.050	0.000	0.000	0.000	0.000	<b>0.050</b>
Children's Services	4.770	0.000	0.000	0.000	0.000	<b>4.770</b>
Climate Emergency & Neighbourhood Services	0.919	0.000	0.000	0.000	0.000	<b>0.919</b>
Transport	9.755	0.000	0.000	0.000	0.000	<b>9.755</b>

Services						
Housing, Planning & Economic Development	31.693	22.356	10.560	1.271	0.000	<b>65.880</b>
Community Services	3.098	0.210	0.130	0.000	0.000	<b>3.438</b>
Corporate Capital Contingency	0.408	0.000	0.000	0.000	0.000	<b>0.408</b>
<b>Total</b>	<b>69.506</b>	<b>22.676</b>	<b>11.360</b>	<b>1.271</b>	<b>0.000</b>	<b>104.813</b>

Capital Schemes for Provisional Approval (Subject to)

<b>Cabinet Portfolio: Capital Schemes</b>	<b>Budget 2021/2022 £'m</b>	<b>Budget 2022/2023 £'m</b>	<b>Budget 2023/2024 £'m</b>	<b>Budget 2024/2025 £'m</b>	<b>Budget 2025/2026 £'m</b>	<b>Total £'m</b>
Resources & Deputy Leader	39.211	5.010	3.500	3.500	3.500	<b>54.721</b>
Children's Services	15.913	0.000	0.000	0.000	0.000	<b>15.913</b>
Climate Emergency & Neighbourhood Services	22.998	1.767	1.365	2.607	0.000	<b>28.737</b>
Transport Services	11.587	9.729	6.874	8.009	6.959	<b>43.158</b>
Housing, Planning & Economic Development	31.815	5.230	3.420	0.615	0.000	<b>41.080</b>
Community Services	4.821	2.001	0.704	0.678	0.021	<b>8.225</b>
<b>Total</b>	<b>126.346</b>	<b>23.737</b>	<b>15.863</b>	<b>15.409</b>	<b>10.480</b>	<b>191.834</b>

<b>Grand Total</b>	<b>195.851</b>	<b>46.413</b>	<b>27.223</b>	<b>16.680</b>	<b>10.480</b>	<b>296.647</b>
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Funded By

<b>Financing</b>	<b>Budget 2021/2022 £'m</b>	<b>Budget 2022/2023 £'m</b>	<b>Budget 2023/2024 £'m</b>	<b>Budget 2024/2025 £'m</b>	<b>Budget 2025/2026 £'m</b>	<b>Total £'m</b>
Grant	70.774	10.796	8.976	7.258	4.829	<b>102.633</b>
Capital Receipts/RTB	4.150	1.865	5.700	0.000	0.000	<b>11.715</b>
Revenue	0.202	0.000	0.000	0.000	0.000	<b>0.202</b>
Borrowing	110.694	30.347	11.621	9.308	5.651	<b>167.620</b>
3rd Party (inc S106 & CIL)	10.031	3.405	0.926	0.114	0.000	<b>14.476</b>
<b>Total</b>	<b>195.851</b>	<b>46.413</b>	<b>27.223</b>	<b>16.680</b>	<b>10.480</b>	<b>296.647</b>

Note1: The figures in the tables above include re-phasing from prior years.

Note 2: Some of the figures in the above table are affected by rounding.

Attached at Annex 5(ii) is the Highways Maintenance Programme, and at 5(iii) the Transport Improvement Programme, for approval. Once approved implementation is delegated subject to internal authorisation of Project Initiation Documents.

### **5.8.3 Efficiency Strategy**

Central Government outlined in December 2015 that local authorities will be able under certain circumstances to utilise capital receipts for revenue expenditure for certain purposes. This was updated in March 2016 which outlined a simpler approach to allow authorities to utilise receipts if the spend resulted in an ongoing saving. The guidance is clear however that expenditure should be once-off and the flexibility cannot be utilised for ongoing expenditure. The flexibility was due to end in March 2019, but the Government has extended this in the settlement for a further three years to March 2022.

The Efficiency Strategy remains a key lever in funding the one-off costs to deliver savings plans. An updated Strategy is attached at Annex 4 to earmark up to £3.2m in capital receipts to fund proposed savings plans in 2021/22. The Strategy must be approved by Full Council.

### **5.8.4 Review of the Capital Programme**

A review of the Capital Programme was carried out as part of the Councils 2020/21 Finance Recovery Plan. The objective of the review was 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.

This resulted in enabling one-off 2020/21 savings of up to £3m in the revenue costs of capital and reprofiling of schemes totalling £69.52m to the 2021/22 budget.

### **5.8.5 Capital Risk Contingency**

There are three levels of risk provision in relation to the capital programme.

- Individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;
- The capital programme includes a funded corporate risk contingency of £2.3m;
- The corporate risk assessment on which the general reserves target is based includes an element in the context of the capital programme based on the risks of the current programme.

As with all capital projects, relevant risks are being considered as part of the overall risk-assessed general reserves and the Corporate Risk Register.

### 5.8.7 Minimum Revenue Provision (MRP) Policy

The Council is required to make revenue provision to repay capital spend that is financed by borrowing (either supported or unsupported). This is called the Minimum Revenue Provision (MRP). The Department of Communities & Local Government has issued regulations that require full Council to approve an MRP Policy in advance each year, or if revisions are proposed during the year they should be put to the Council at that time. The policy is attached at Annex 7.

### 5.8.8 Prudential Indicators

The key objectives of the Prudential Code are to ensure that capital investment plans of local authorities are affordable, prudent, and sustainable. The Capital Prudential Indicators are shown below:

Prudential Indicator	2019/20 Actual	2020/21 Forecast Outturn	2021/22	2022/23	2023/24
<b>Estimate of Capital Expenditure (£'000s)</b>					
Actual/estimates of capital expenditure	63,091	94,115	195,851	46,413	27,223
<b>Net Increase in Council Tax (band D per annum) Figures in £'s (not £'000's)</b>					
The implied estimate of incremental impact of the new capital investment decisions on the Council Tax			£10.01	£7.88	£6.22
Cumulative totals:			£10.01	£17.89	£24.11
<b>Capital Financing as % of Net Revenue Stream</b>					
Actual/estimates of the ratio of financing costs to net revenue stream			13.20%	16.42%	17.51%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			4.88%	5.99%	6.48%
<b>Borrowing Limits (£m)</b>					
Operational boundary – borrowing			£408m	£426m	£427m
Operational boundary – other long-term liabilities			£4m	£4m	£4m
<b>Operational boundary – total</b>			<b>£412m</b>	<b>£430m</b>	<b>£431m</b>
Authorised limit – borrowing			£438m	£456m	£456m
Authorised limit – other long-term liabilities			£4m	£4m	£4m
<b>Authorised limit – total</b>			<b>£442m</b>	<b>£460m</b>	<b>£460m</b>
<b>Capital Financing Requirement (£'000s) (as at 31 March)</b>					
Actual/estimate of capital financing requirement	323,672	338,656	437,967	455,975	455,536

## Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that external debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

After reviewing the capital programme and borrowing proposals, the Section 151 officer reports that the Council will continue to meet the demands of this indicator.

### Borrowing limits

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt (or planned borrowing level) is based on the same estimates as the authorised limit, but including an allowance for cash flow funding of specific capital schemes and without the additional headroom for unusual cash movements.

#### 5.8.9 Community Infrastructure Levy (CIL) Spend Proposals 2021/22

The allocations proposed for CIL spend are attached in Annex 5(iv) for approval. These allocations have been included in the capital programme where appropriate.

For future years budget setting new CIL allocation proposals will be managed through the Capital Strategy Group in consultation with the Cabinet Member for Resources.

## 6. RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. The key risks to the budget are currently assessed as:

Risk	Likelihood	Impact	Risk Management Update
Further government restrictions from Covid in 2021/22.	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 the Director of Public Health. The budget has provided a £5m Covid risk reserve to mitigate the budget impact.
Long term impacts on the Councils Commercial Estate over and above	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

anticipated levels.			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 was 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	We will continue to monitor the risk of Brexit on the Council through supply

			chain impacts and legislation changes.
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.

The key risks will continue to be monitored and reported through regular budget monitoring to Cabinet.

In addition, this report includes the Section 151 Officer's assessment of the Robustness of Estimates and Adequacy of Reserves. This assessment includes a review of the Directors' reviews of their budget, budget risks/sensitivities, and the Corporate Risk Register.

## **7 CLIMATE CHANGE**

Addressing Climate Emergency 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 scrutiny of the savings proposals, priorities, one-offs, pressures and capital bids took place on the 1<sup>st</sup> February 2021 through the Corporate Policy Development and Scrutiny Panel.

Engagement on the preparations for the 2021/22 budget took place through three public webinars, held on 15<sup>th</sup>, 18<sup>th</sup> and 22<sup>nd</sup> December, which were open to resident and other stakeholder participants and streamed live on YouTube. The webinars allowed for public questions on the council's budget to a panel comprising of the Council Leader, Deputy Leader and Cabinet Member for Resources, the Chief Executive and the Director of Finance.

Each webinar was built around an [Animation](#) which set out the council's current budget challenges and plans, as well as next steps, and with updated information also presented by panel members. As well as responding to "live" questions, the webinars also saw "quick polls" conducted to receive feedback from webinar participants on general and social care council tax precepts.

To date, the webinars have been viewed over 300 times on the council's [youtube channel](#), as has the budget animation. A [consultation webpage](#) was also established summarising the budget position and inviting responses to a survey and also more general responses, from 4<sup>th</sup> January 2021 until 20<sup>th</sup> January 2021.

<b>Contact person</b>	Andy Rothery, Director of Finance (S151 Officer), 01225 477103
<b>Background papers</b>	<p>February Corporate PDS Panel</p> <p>October Cabinet - Medium Term Financial Strategy</p> <p>CIL Infrastructure List (Reg 123 List):  <a href="http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Planning-and-Building-Control/Apply-for-Planning-Permission/bnes_reg_123.pdf">http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Planning-and-Building-Control/Apply-for-Planning-Permission/bnes_reg_123.pdf</a></p>
<b>Please contact the report author if you need to access this report in an alternative format</b>	