

Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	11th February 2021	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3235
TITLE:	Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2020 to December 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 no change from the position outlined in the Quarter 2 Monitoring Report. There have been movements across portfolios in relation to both expenditure and income generation, but the changes have offset each other in presenting a forecast break-even position for year end.

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. These pressures continue to 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 £4.3m 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 will not be achieved due to diverting resources to responding to the emergency. Those savings have been captured within the forecasts and have been reviewed as part of preparations for setting the 2021/22 budget.

The forecast position takes into account the current national lockdown but cannot predict the success of the vaccination programme and the consequential relaxation of restrictions for the remainder of the financial year.

b) Capital budget

The current position of the 2020/21 Capital Programme is a forecast spend of £88.4m against a budget of £117.9m. The variance of £29.5m reflects rephasing requests into future years and an underspend of £27k against the Community Libraries scheme which is now complete.

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 £1.95m 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 £1.40m, of which the Council's share is £1.16m.

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. 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.

d) Council Reserves

The Covid-19 2020/21 Financial Recovery plan reported £11.43m reserves will be required to balance the 2020/21 budget. The new government funding to compensate for sales, fees and charges income losses has been factored into the revenue position which removes the need for reserve usage in 2020/21 based on current forecasts.

- 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 December 2020.

2 RECOMMENDATION

The Cabinet is asked:

- 2.1 To note the 2020/21 revenue budget position (as at the end of December 2020).
- 2.2 To note the revenue virements listed for information only in Appendix 3(i).
- 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 third 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	17.31	11.96	(5.35)
Adult Services	63.35	61.63	(1.71)
Children's Services	25.50	27.52	2.02
Climate Emergency & Neighbourhood Services	16.91	16.79	(0.12)
Transport Services	(0.15)	1.14	1.29
Housing, Planning & Economic Development	4.00	2.96	(1.04)
Community Services	(4.11)	0.80	4.91
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 (£5.35m under budget, £0.24m 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. We are anticipating an on-going impact of the commercial estate budget due to lower

market rent, increased void levels and outstanding debt. This has been recognised in the 2021/22 budget proposal.

The Corporate Estate has a £0.6m savings target which is at risk of non-delivery. Work is ongoing to enable these to be delivered – it is currently estimated that only £0.15m will be achieved in 20/21. The service is also experiencing reduced income from room and building hire.

Savings targets relating to Digital £0.75m, Improving How We Work £0.3m and Procurement £0.3m will not be delivered this year due to diverting resource and focus to the pandemic and these pressures have been addressed in the 21/22 budget.

Reduced borrowing costs resulting from both higher cash balances and a reprofiled capital programme, combined with the £11.9m Covid-19 grant have offset the aforementioned pressures, creating an overall favourable position for the portfolio. Any uncommitted grant will be considered as part of the outturn.

Adult Services (*£1.71m under budget, £1.63m favourable movement*)

The 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. The supplier relief schemes have now ended with £0.825m of supplier relief having been paid to the supplier market to date. We are still receiving requests for support through supplier relief demand that cover the period it was in place and these are being processed.

Hospital discharges placed up to the 31st August were funded via the Health funding route and in line with government guidelines. This expenditure, where relevant, transferred to Social Care funding in November and is now reflected in our position. A further hospital discharge scheme commenced on the 1st September and this covers the first 6 weeks funding following discharge after which time, the assessed ongoing needs will move to the relevant funding source. We are seeing expenditure from this second scheme in our position. The duration of this scheme is subject to further government guidelines yet to be issued to health colleagues.

The current position reflects the reduced number of package placements seen to date when comparing with the same period in 2019/20, along with a lesser than forecast value of expenditure returning to social care funding from the health funded initial hospital discharge pathway. This figure has reduced as less packages than anticipated required funding and the scheme continued past the initial forecast end date, again reducing the in year impact of packages on the budgets. At the time of the quarter 2 report, it was anticipated that a potential £1.8m could return to be funded through the Adult services purchasing budgets. When the majority of packages and placements transitioned to ongoing funding, the net movement was £0.645m. The second discharge scheme, mentioned above, has a further impact on expected expenditure of £0.286m. Cumulative attrition of package numbers is 27%, this has further impacted on the expected spend and is being reflected in the favourable movement. This reduced activity will continue to offset the demand that the return of previously funded health packages from the second scheme will cause.

The level of future demand is still undetermined but is expected to cause pressure on budgets going forward. Considerable 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 (£2.02m over budget, £2.65m adverse movement)

Children's Services has a pressure of £2.1m predominately as a result of increased placement costs in the Joint Agency Panel (JAP) and Residential areas of the budget. JAP costs are over budget by £1.3m in-year and have increased from last year's costs by £1.7m. This is primarily due to an exceptionally complex placement that is not typical of historical costs. The service is continually searching for an alternative suitable provision to reduce costs going forward. Residential costs are over budget in-year and increased from last year by £1m. This is primarily due to an increase in the number of placements needed in this area, combined with costs associated with the complexity of provision needed for these our most vulnerable of young people.

In the last report a virement was included for approval to transfer a contingency budget of £0.9m for Special Educational Needs and Disabilities (SEND) held within Children's Services, to Corporate budgets reflecting the requirement for SEND costs to be covered by the Dedicated Schools Grant. This virement has now been completed and so £0.9m of the adverse movement in the forecast is as a result of this transfer with the corresponding benefit of the release of the contingency reflected in the Resources portfolio.

Education Services shows an under-budget position forecast of £88k. This is as a result of delivery of recovery savings in year. The previous pressure from Home to School Transport of £0.2m has now been released, and this area is forecast on budget.

Across the portfolio, underlying costs associated with Covid-19 total £1.1m. 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.

Recovery Plans across the portfolio, 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.

Schools DSG (£4.3m over budget, including an overspend of £1.25m carried forward from 2019-20)

The DSG has a forecast overspend of £3.05m in 20/21 made up of significant pressures on SEND. The SEND pressures are estimated based on current pupils identified with Education, Health and Care (EHC) Plans of £4.5m, however mitigating actions have identified £1.5m of savings.

Particularly significant pressures are being felt in the pupils with most complex needs, supported though the Joint Agency Panel (JAP) pooling arrangement.

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.

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 (£0.12m under budget, £0.04m favourable 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 favourable budget position across the portfolio.

Transport Services (£1.29m over budget, £0.52m 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 December following an increase in visitors to the City Centre of Bath. However, income has reduced again in January following the start of lockdown and the trend is down to 80% of previous income levels. Based on the current income losses of £6.4m, £4.4m would be compensated through the 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 (£1.04m under budget, £0.86m favourable movement)

Planning income has been remodelled since the previous quarter. Whilst it has still been impacted by the pandemic, the £0.3m shortfall forecast is not as bad as previously feared and is offset in part by the government's sales, fees and charges compensation scheme. Financial Recovery Plans have been also been delivered across the portfolio, including releasing £0.6m of un-ringfenced Housing reserve and holding vacancies resulting in staff savings, which has resulted in a cumulative forecast under budget position for the portfolio.

Community Services (£4.91m over budget, £0.16m adverse 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 are forecasting a £19.7m shortfall in external income. Again, this is offset in part by £12.2m of sales, fees and charges compensation grant, which combined with cost mitigations leaves the service forecasting a £4.1m adverse position at year end. 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 year.

LATEST FUNDING ANNOUNCEMENT AND FINANCIAL RECOVERY PLANS

3.6 The total un-ringfenced Covid grant to B&NES for dealing with the on-going pandemic is £11.94m. Since this initial funding was announced additional, more

specific grant funding has been allocated to B&NES, including the Contain Outbreak Management Fund (COMF) £1.93m, Rapid Testing £0.56m, Winter Pressures £0.39m and Clinically Extremely Vulnerable £0.1m to support councils during the winter period, protect and support the vulnerable and prevent further spread of the virus.

3.7 The Council has submitted claims one and two of the three claim periods for the Sales, Fees and Charges compensation scheme – where if 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, and the second claim (August-November) was for £5.1m. The value of the last claim will not be known until year end but is forecast at a further with £5.4m, bringing the total grant compensation to £18.2m.

The income compensation scheme has allowed for some flexibility in delivering the full £20.7m financial recovery plans agreed by Cabinet. Recovery plans that have been delivered in 20/21 with no adverse service impacts are being considered as recurrent savings in the 21/22 budget proposal.

REVENUE BALANCES, CONTINGENCY AND RESERVES

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

Key Reserves

3.9 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	Estimated Balance 31/03/2021 £'m
Revenue Budget Contingency	4.90	0.75	4.15
Financial Planning and Smoothing Reserve	6.28	0.66	5.62
Transformation Investment Reserve	3.13	1.05	2.08
Restructuring & Severance Reserve	2.18	0.00	2.18

Reserves and Flexible Capital Receipts

3.10 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 2021/22 in recognition of future years' savings requirements as follows:

	Actual Usage 2017/18 £'m	Actual Usage 2018/19 £'m	Actual Usage 2019/20 £'m	Estimated Usage 2020/21 £'m	Estimated Usage 2021/22 £'m	Estimated Total Usage £'m
Flexible Capital Receipts	3.12	3.45	1.26	0.50	3.17	11.50

3.11 Unapplied capital receipts of £2.362m were carried forward from 2019/20 and £1.055m has been received in 2020/21 so far with a further £1.840m expected by 31st March 2021.

General Fund Un-Earmarked Reserve

3.12 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.

3.13 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.

SAVINGS PERFORMANCE

3.14 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 not be fully delivered given resources have been diverted to focus on the emergency response situation. However, all existing savings targets have been reviewed during preparing the 21/22 Budget and where necessary have been rebased or replaced, negating any ongoing pressures beyond this financial year.

3.15 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

3.16 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.

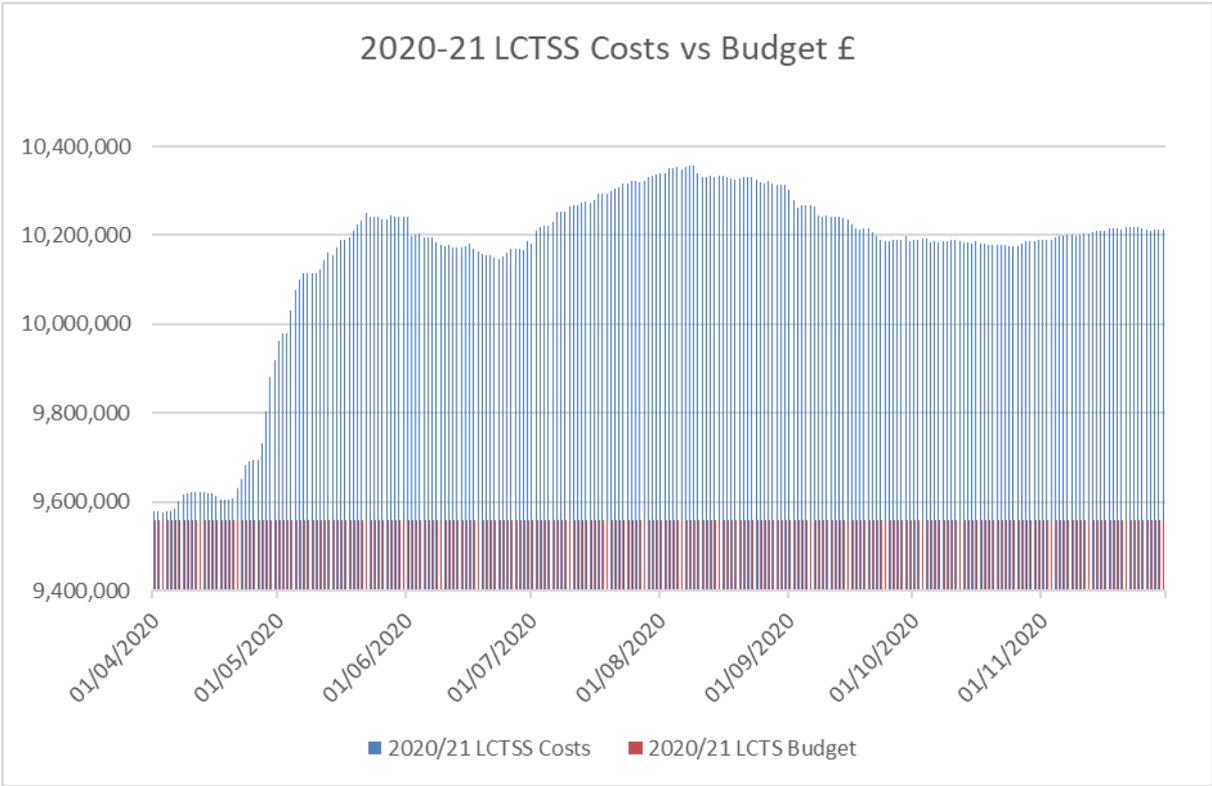
COUNCIL TAX, COUNCIL TAX SUPPORT AND BUSINESS RATES

3.17 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 December showing a reduction of 2%.

3.18 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.

3.19 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 December the current cost has risen to £10.23m, an increase of £0.67m. The costs peaked at £10.35m in early August but have since reduced to a similar level as reported at the end of June. The number of working age claimants at the end of December was 6,602 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 December 2020)



3.20 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 during the remainder of the year.

- 3.21 Taking both collection rates and the LCTSS claimants' impact into account the current forecast is for an in year £1.95m 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 £1.40m, of which the Council's share is £1.16m.
- 3.22 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.
- 3.23 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. This has been reflected in the 2021/22 Budget Report.

Council Tax Hardship Fund

- 3.24 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.
- 3.25 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.
- 3.26 The position, as at the end of December, is that reliefs totalling £965,440 have been applied to 7,126 Council Tax Accounts.
- 3.27 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

- 3.28 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 a reduction in rates payable. An increase in the appeals provision has also been incorporated into the forecast to reflect the potential impact of proposed changes by the Valuation Office in how it will value hospitals and fire stations (£226k), and to provide allowance for the potential reductions in business rate income due to appeals in respect of the impacts of the Covid pandemic causing "material changes in circumstances" to businesses (£835k).

Business Rates Collection Fund	Total (£m)	B&NES Share (94%) (£m)
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
Deficit after Extended Retail Relief s31 grant funding	3.0	2.8
2019/20 Deficit Carried Forward	0.3	0.3
Total Projected Deficit	3.3	3.1

3.29 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.

3.30 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

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

- Small Business Grant Fund - all businesses in England in receipt of Small Business Rates Relief will be eligible for a payment of £10,000.
- 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

3.32 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.

3.33 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 £2.110m.

3.34 In light of the further local and national restrictions that the government introduced impacting the Council area from early November, the government has provided funding for further business support grants to be administered by the Council as follows:

- The Local Restrictions Support Grant (LRSG) provides support to business rate paying businesses that have either had to close due to the restrictions or which are still able to open but are severely impacted by Tier 2, Tier 3 or the national lockdown restrictions.
- The Additional Restrictions Grant provides a discretionary scheme to support businesses that are not eligible under the LRSG scheme, but which have been adversely impacted by the restrictions put in place to control the spread of COVID-19.
- The Christmas Support Payment Scheme provided additional support over the festive period for wet-led pubs in areas under Tier 2 or 3 restrictions. A wet-led pub is defined as a pub that derived less than 50% of its income from sales of food before 11 March 2020.
- The Closed Business Lockdown Payment Scheme provides a one-off top up grant for eligible businesses mandated to close during national restrictions which were introduced from 5th January 2021.

3.35 These grant schemes are operational and are each at differing stages of the application, assessment and payment cycle. More information on the grant schemes being currently administered by the Council can be found through accessing the website link below:

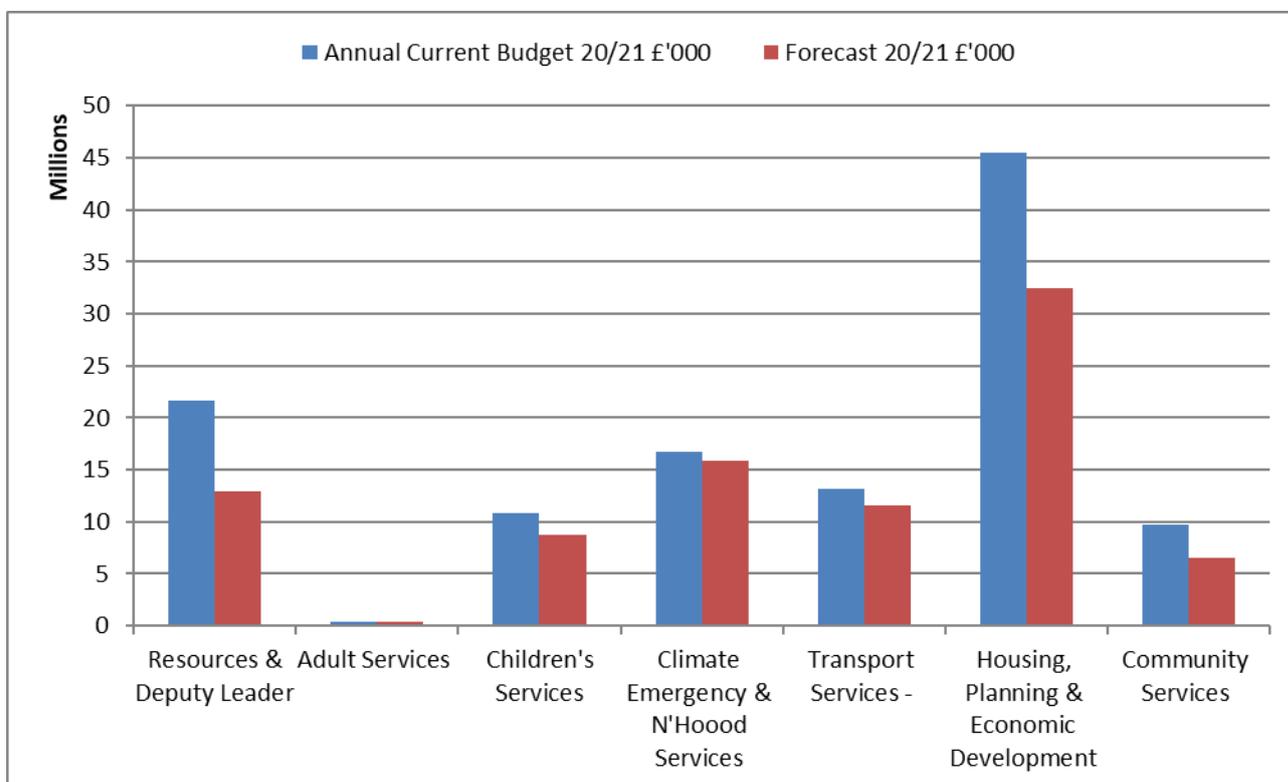
<https://beta.bathnes.gov.uk/coronavirus-covid-19-latest-information-and-advice/help-businesses>

CAPITAL BUDGET

3.36 The current position of the 2020/21 Capital Programme is a forecast spend of £88.4m against a budget of £117.9m. The variance of £29.5m reflects carry forward requests into future years, mainly from large Economic Development Projects, Housing development loans, School's Basic Need projects 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 Q2 monitoring to September Cabinet.

Portfolio Summary Monitor	Annual Current Budget 2020/21 £'000	Forecast 2020/21 £'000	In-Year Variance 2020/21 £'000	Forecast Re-phasing to 2020/21 £'000	Other Variance 2020/21 £'000
Resources & Deputy Leader	21,610	12,972	8,638	8,638	0
Adult Services	386	336	50	50	0
Children's Services	10,847	8,690	2,158	2,158	0
Climate Emergency & Neighbourhood Services	16,701	15,846	855	855	0
Transport Services -	13,146	11,511	1,635	1,635	0
Housing, Planning & Economic Development	45,530	32,435	13,095	13,095	0
Community Services	9,712	6,578	3,134	3,107	27
Grand Total	117,933	88,368	29,565	29,538	27

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** - £4.7m rephasing of loans to Aequus in respect of housing developments and £3.1m rephasing of Flexible Use of Capital Receipts into 2021/22.
- **Housing, Planning & Economic Development** - £10.9m programme rephasing on the various developments at Bath Quays North, Bath Quays South and Bath Western Riverside as outlined in Appendix 2. Rephasing also identified for Radstock Health Living Centre, Somer Valley Enterprise Zone, Affordable Housing, Midsomer Norton High Street and Englishcombe Lane.
- **Community Services** - £3.1m 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. Rephasing also identified for the Heritage Services Energy Scheme, Roman Baths Archway Project, and delivery of project schemes within Parks.
- **Children's Services** - £2.1m of rephasing requested in respect of school projects where delivery will continue into next financial year. Appendix 4(i) includes adjustments to the capital programme to allocate grant funding into the SEND provision project at the Aspire Academy site. This funding has allowed for the release of provisionally held corporately supported borrowing.
- **Transport Services** - £1.6m of programme rephasing associated mainly with the Transport Improvement Programme; full budget spend is anticipated but the impact of covid means some of these works cannot be delivered in the current financial year and slip into 21/22.

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
Uncertainty around the length of current government restrictions and the speed and success of the vaccination programme.	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 has been reviewed when setting the 2021/22 budget and budgeted income has been rebased.
The income from Heritage Services may not recover in the short term.	Possible	High	Budgeted income levels for Heritage Services has also been rebased as part of the 2021/22 Budget. Pre Covid-19 performance exceeded business plan targets, while visitor levels during the pandemic also exceeded adjusted expectations. However, we anticipate income will take time to recover to pre-pandemic levels and the speed of longer-term recovery hinges on both national and international social restrictions, which has been reflected in the Medium Term Financial Strategy.
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	Possible	High	The Council has a number of projects within this category. These risks will continue to be monitored

revenue reversion costs or liabilities from underwriting agreements			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	Impacts on the Councils supply chain will need close monitoring as a result of the Trade Deal struck in December 2020.
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	<p><i>E3210 Covid-19 2020/21 Financial Recovery Plan</i></p> <p><i>E3234 Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2020 to September 2020</i></p>
Please contact the report author if you need to access this report in an alternative format	