

## Bath & North East Somerset Council

MEETING:	<b>Corporate Policy Development &amp; Scrutiny Panel</b>
MEETING:	<b>10<sup>th</sup> January 2022</b>
TITLE:	<b>2022/23 Draft Budget Assumptions</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b> Appendix 1: 2022/23 Draft Savings and Income proposals (to follow) Appendix 2: 2022/23 Draft Funding Requirements (to follow) Appendix 3: 2022/23 Draft Emerging Capital Schemes (to follow)	

### **1 THE ISSUE**

1.1 The Medium Term Financial Strategy was considered by the Cabinet at their 9<sup>th</sup> September 2021 meeting. It presents the future years Medium Term Financial Strategy that sets how the Council will need to respond to the budgetary impacts of Covid over the next 5 years.

### **2 RECOMMENDATION**

The Panel is asked to;

2.1 Note and discuss the update to the Medium Term Financial Strategy budget assumptions.

2.2 Review and discuss the draft budget items in the supporting appendices

### **3 THE REPORT**

3.1 The Medium Term Financial Strategy 2022/23 – 2026/27 Cabinet report and supporting detailed appendices were reviewed and discussed at the Corporate Panel on the 27<sup>th</sup> September 2021.

3.2 In readiness for the provisional settlement and finalisation of the Council's 2022/23 budget proposals we have:

- Developed proposals to address the budget gap.
- Reviewed and refreshed the budget requirement in line with current financial forecasts and performance.

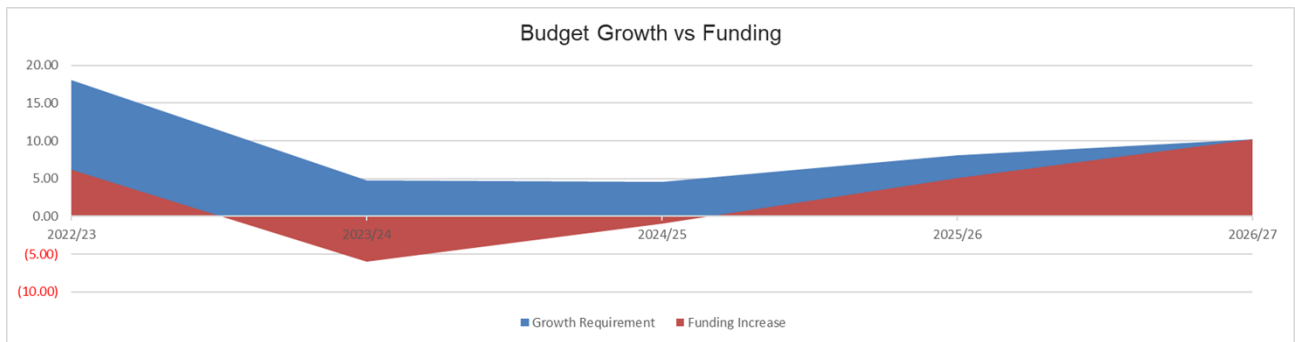
- Identified areas of risk and new funding requirements.
- Completed budget assurance meetings to test the appropriateness and robustness of new budget items.
- Reviewed and updated budget funding assumptions following the Spending Review headlines.

3.3 The 2022/23 Budget has incorporated the draft budget assumptions below:

- **Pay Inflation** – Estimated 2.00% per annum.
- **Council tax** – Assumed to increase within the limits set out in the 2021 Government Spending review.
- **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;
- **Inflation** – CPI projections held at existing planning levels of 2%, this will be refreshed for the detailed budget proposal based on ONS data. Financial risk is being recognised with corporate contingencies made in high risk areas.
- **Budget Pressures / Rebasing** – 2022/23 budget rebasing of income and expenditure budgets taking account of Covid and demand on services, with improvement in future years.
- **Capital Spending** – an allowance has been made to fund a minimal number of new schemes given current financial constraints;
- **Reserves** – Planned use of £3m corporate & £2.22m service reserves to manage the transitional pressures from reduced income, and £5m commitment against un-earmarked general reserve for unbudgeted Covid pressures.

3.4 The table below sets out the 2022/23 – 2026/27 draft revenue budget funding requirement and movement in funding:

Budget Planning	Future years assumptions					Total
	2022/23	2023/24	2024/25	2025/26	2026/27	
Growth Requirement	18.01	4.78	4.62	8.07	10.21	45.68
Funding Increase	6.14	(5.99)	(0.93)	5.05	10.17	14.44
<b>Annual Funding gap</b>	<b>11.87</b>	<b>10.77</b>	<b>5.55</b>	<b>3.02</b>	<b>0.04</b>	<b>31.25</b>
Savings Proposals	11.87	2.32	0.23	0.00	0.00	14.42
<b>Remaining Funding Gap</b>	<b>(0.00)</b>	<b>8.45</b>	<b>5.32</b>	<b>3.02</b>	<b>0.04</b>	<b>16.83</b>



The table below sets out the Council's draft net revenue budget for 2022/23 and future years alongside the available funding.

Budget Planning	Future years assumptions £m				
	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Budget Requirement (Previous Year)</b>	<b>130.07</b>	<b>136.21</b>	<b>130.22</b>	<b>129.29</b>	<b>134.34</b>
Budget Adjustments	2.00	0.00	0.00	0.00	0.00
Pay & Pension	3.07	2.30	2.28	2.28	2.30
Demographic Growth	1.45	1.72	1.72	1.72	2.72
Contract Inflation	3.99	0.48	2.22	2.28	2.31
New Homes Bonus Pressure	1.03	0.61	0.00	0.00	0.00
Capital Financing	1.60	1.62	1.64	1.08	1.02
Settlement grant funding	1.35	0.00	0.00	0.00	0.00
Budget pressure / rebasing	3.52	(1.95)	(3.24)	0.71	1.86
<b>Draft Budget Before Savings</b>	<b>148.08</b>	<b>140.99</b>	<b>134.84</b>	<b>137.36</b>	<b>144.55</b>
Proposed Savings Plans	(11.87)	(2.32)	(0.23)	0.00	0.00
Estimated Savings Required	0.00	(8.45)	(5.32)	(3.02)	(0.04)
<b>Budget Requirement</b>	<b>136.21</b>	<b>130.23</b>	<b>129.29</b>	<b>134.34</b>	<b>144.51</b>
<b>Funding of Budget Requirement</b>					
Council Tax	108.76	110.65	115.66	119.14	122.72
Business rates retention	21.81	19.15	20.64	21.20	21.78
Business rates retail relief deficit (20/21) - s31 grant funded	0.00	0.00	0.00	0.00	0.00
Reserve transfer from Business Rates retail relief reserve	0.00	0.00	0.00	0.00	0.00
Reserve transfers From	0.43	0.43	0.00	0.00	0.00
Reserve transfers (To)	5.22	0.00	(7.00)	(6.00)	0.00
<b>Funding of Budget Requirement Total</b>	<b>136.21</b>	<b>130.22</b>	<b>129.29</b>	<b>134.34</b>	<b>144.51</b>

3.5 We are now finalising the detailed content for the budget proposal, the high level budget implications were presented at the Budget Engagement event on the 14<sup>th</sup> December.

There are assumptions built into our current projections that will require engagement and consultation these include:

- We will need to make reductions in cost to enable us to live within our means, whilst continuing to deliver frontline services that support residents such as Adult and Childrens Social Care.
- We will need to increase Council tax to enable the Council to fund inflationary pressures, increases in service demand and ensure a fixed income stream into the Council.
- We will need to think and invest in services differently ensuring capital investment addresses Council priorities.

3.6 The draft Budget Report will be presented to the Corporate PDS Panel on the 31<sup>st</sup> January with the final report going to Cabinet on the 10<sup>th</sup> February and Council on the 15<sup>th</sup> February.

#### **4 STATUTORY CONSIDERATIONS**

4.1 The annual Medium Term Financial Strategy and planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities.

#### **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 These are contained throughout the attached report and appendices.

#### **6 RISK MANAGEMENT**

6.1 A risk assessment related to the issue and recommendations will be undertaken, in compliance with the Council's decision making risk management guidance.

#### **7 CLIMATE CHANGE**

7.1 This is an information only report about the Council's Medium Term Financial Strategy, it 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 The Cabinet Member for Resources and Economic Development (Deputy Leader) has been consulted on the drafting of this report as well as the Chief Executive and Monitoring Officer.

<b>Contact person</b>	Andy Rothery, Chief Financial Officer (S151 Officer) (01225 477103)
<b>Background papers</b>	2021/22 Revenue and Capital Budget Setting reports, 2020/21 Revenue and Capital Outturn Report, 2021/22 Quarter 1 Revenue and Capital Budget Monitoring.
<b>Please contact the report author if you need to access this report in an alternative format</b>	