

Bath & North East Somerset Council	
MEETING:	Corporate Policy Development & Scrutiny Panel
MEETING DATE:	31st January 2022
TITLE:	Budget and Council Tax 2022/23 and Financial Outlook – DRAFT REPORT
WARD:	All
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report</p> <p>Annex 1: 2022/23 Draft Savings and Income proposals Annex 2: 2022/23 Draft Funding Requirements Annex 3: 2022/23 Draft Emerging Capital Schemes Annex 4: Equality impacts of 2022 to 2023 Savings and Funding Proposals</p>	

1. THE ISSUE

This report presents the revenue and capital budgets together with proposals for Council Tax and Adult Social Care Precept for 2022/23.

2. RECOMMENDATIONS

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

The content of this report and 2022/23 budget proposal, including:

- Annex 1: 2022/23 Draft Savings and Income proposals
- Annex 2: 2022/23 Draft Funding Requirements
- Annex 3: 2022/23 Draft Emerging Capital Schemes
- Annex 4: Equality impacts of 2022 to 2023 Savings and Funding Proposals

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

The resource implications are contained within the body of the report

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSALS

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

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

5. THE REPORT

5.1 The 2022/23 Budget Summary

The Medium-Term Financial Strategy (MTFS) was approved in September 2021 and outlined how the budget would be delivered over the medium to long-term. This incorporates the ongoing 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 2022/23 and a current projected budget gap for 2023/24 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 £2m in recognition of pressures on Children's and Adult's Social Care and a one off Covid risk reserve of £5m has been maintained as a contingency for 2022/23.

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 new funding requirements, the starting point for the 2022/23 budget is a funding gap of c£17.51m. The proposed budget meets this funding gap in two ways:

- 1) A savings and income generation package of £11.87m.
- 2) one-off use of reserves of £5.2m (£3m corporate revenue, £2.2m release of service reserves), full repayment of the corporate revenue reserves has been built into the five-year budget planning period.

The ongoing 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 normally funded by external income. Income budgets were rebased and reduced by £13.24m in 2021/22 from a £33.17m net income budget. The 2022/23 budget has increased income expectations on Parking by £2.5m to align with the 2021/22 budget forecasts, other areas such as the Roman Baths are taking longer to bounce back. This is highlighted in more detail in section 5.2.4 of the report.

The budget includes a recommendation that general Council Tax is increased up to 1.99% in 2022/23 (an increase of £30.44 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 up to 1.00% is £1,575.30 (£1,529.57 in 2021/22) an overall increase of 2.99% and £45.73 per Band D (88p per week).

The proposed net revenue budget for Bath and North East Somerset for 2022/23 is £126.74m.

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:

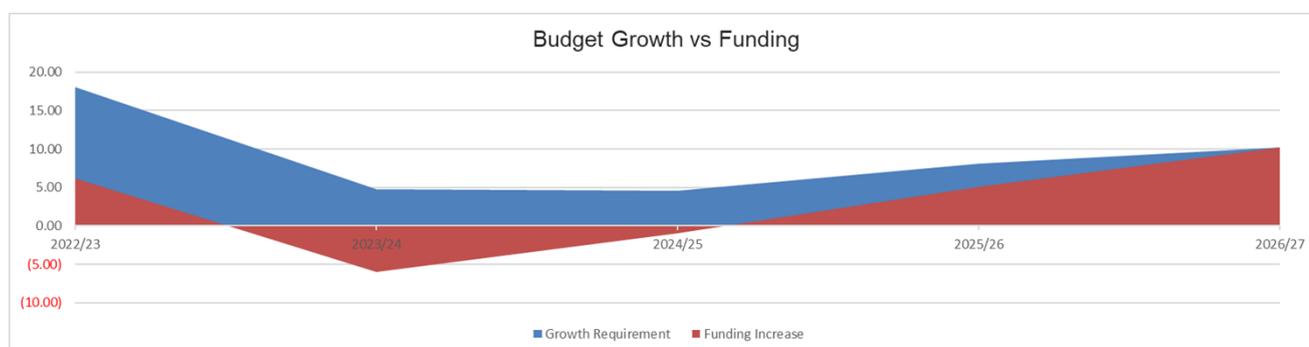
- Ongoing investment to deliver more effective transport schemes across the council area, with a particular focus on creating low traffic neighbourhoods and more opportunity to prioritise walking and cycling and the introduction of financial incentives to reduce inward commuting through the extension 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 2022/23

5.2.1 The Budget and Medium-Term Financial Outlook

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

Budget Planning	Future years assumptions £m					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
Annual Funding gap	11.87	10.77	5.55	3.02	0.04	31.25
Savings Proposals	11.87	2.32	0.23	0.00	0.00	14.42
Remaining Funding Gap	(0.00)	8.45	5.32	3.02	0.04	16.83



This illustrates that the budget gap remains significant over the next two years due to the ongoing impacts of the pandemic. This is set out in more detail in section 5.2.4 of the report

The table below shows how the budget has changed from 2021/22 taking account of the current financial challenge, this sets out the available revenue funding and 2022/23 funding requirement and savings at a portfolio level.

Portfolio	2022/23 Opening budget £'m	Funding requirements £'m	Proposed savings £'m	Budget requirement £'m
Economic Development & Resources	11.14	14.74	(3.82)	22.06
Adults & Council House Building	63.60	2.18	(3.68)	62.11
Children & Young People, Communities & Culture	31.32	1.38	(1.86)	30.84
Climate & Sustainable Travel	1.06	0.10	(0.12)	1.04
Neighbourhood Services	24.06	1.22	(1.22)	24.06
Transport	(3.08)	(2.05)	(1.02)	(6.15)
Planning	1.95	0.44	(0.14)	2.25
Total	130.07	18.01	(11.87)	136.21
Business Rate Relief Adjustment				(9.47)
Revised Budget Requirement				126.74

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

Budget Planning	Future years assumptions £m				
	2022/23	2023/24	2024/25	2025/26	2026/27
Budget Requirement (Previous Year)	130.07	126.74	129.27	128.34	133.39
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
Funding Requirement Sub Total	18.01	4.78	4.62	8.07	10.21
Draft Budget Before Savings	148.08	131.53	133.88	136.41	143.59
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)
Savings Requirement Sub Total	(11.87)	(10.77)	(5.55)	(3.02)	(0.04)
Budget Requirement	136.21	120.76	128.34	133.39	143.55
Business Rate Relief Adjustment*	(9.47)	8.51	0.00	0.00	0.00
Revised Budget Requirement	126.74	129.27	128.34	133.39	143.55
Funding of Budget Requirement					
Council Tax	108.76	110.64	115.66	119.14	122.72
Business rates retention*	14.97	18.20	19.68	20.25	20.83
Business rates relief deficit (21/22) - s31 grant funded	(22.54)	0.00	0.00	0.00	0.00
Reserve transfer from Business Rates s31 grant reserve	22.54	0.00	0.00	0.00	0.00
Reserve transfers From	5.22	0.43	0.00	0.00	0.00
Reserve transfers (To)	(2.20)	0.00	(7.00)	(6.00)	0.00
Funding of Budget Requirement Total	126.74	129.27	128.34	133.39	143.55

*Note: Budget reflects that the impacts of the Retail, Hospitality & Leisure business rate relief and frozen business rates multiplier reduces the amount of Business Rate Retention with a corresponding increase in s31 grant income included in the net revenue budget for 2022/23.

The forecast includes the following cost pressures and modelling assumptions:

- **Pay Inflation** – Estimated 2.00% per annum.
- **Council tax** – Assumed at not above 2%.
- **Social Care precept** – Assumed at up to 1% for the next three years.
- **Pension Costs** – Have been revised in line with the last revaluation for the next year 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 low rates of interest of around 0.25% per annum for treasury management cash investments and 3.5% for Longer Term Strategic investments. The Council will maintain a minimum cash policy;
- **Inflation** – CPI projections held at existing planning levels of 2%, this will be refreshed for the detailed budget proposal based on ONS data. Financial risk is being recognised with contingencies made in high risk areas.
- **Budget Pressures / Rebasing** – 2022/23 budget rebasing of income budgets taking account of Covid recovery, 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;
- **Reserves** – Planned use of £3m corporate & £2.22m service reserves to manage the transitional pressures from reduced income.

5.2.2 The Government Settlement

The Provisional Settlement was received on the 16th December 2021 but some elements have 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 2022/23 of £0.517m (2021/22 £0.498m) for one further year before being removed in 2023/24 (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 and 2021/22, pending consultation on a replacement scheme. This results in a payment of £0.645m for new housing growth over the past year, taking the total New Homes Bonus Grant to £2.037m for 2022/23, a reduction of £1.027m from 2021/22. The settlement announced that the grant element for 2022/23 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 2022/23.

	Total New Homes Bonus Grant		
<i>Payment relating to:</i>	2021/22 £'m	2022/23 £'m	2023/24 £'m
2022/23		0.645	
2021/22	0.759		
2020/21			
2019/20	1.392	1.392	
2018/19	0.913		
Total	3.064	2.037	0.000

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 2023/24 onwards.

- **Social Care Grant**

The December 2021 provisional settlement has confirmed a further £1.73m Social Care grant funding which will be combined with the continuation of the existing Social Care Support grant (Total £5.99m). This funding is assumed as recurrent in the base budget.

- **Market Sustainability & Fair Cost of Care Grant**

The December 2021 provisional settlement included new grant funding for 2022/23 of £0.493m through the Market Sustainability & Fair Cost of Care Grant. 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 2022/23 is anticipated to be £70m with the Council contribution of £29m and CCG contribution of £41m. In addition to the mandated financial amounts for pooling this includes Council and CCG budgets for the Joint Community Services contract with HCRG Care Services and associated sub-contracts. The CCG contribution is expected to rise in line with planned NHS uplifts once confirmed. For 2021-22 this increase was 5.3%.

The Council budget assumes that the funding transfer of £13.3m NHS mandated minimum contribution will remain consistent with prior years; with £9.6m of this funding transferred in 2021/22 for Council commissioned schemes under the S75 pooled budget arrangements.

The December 2021 settlement has confirmed that the existing improved Better Care Fund social grant will include a 3% inflationary uplift and for B&NES this will mean an increase of £0.14m to £4.9m. This will protect the Better Care Fund schemes that have committed this funding on an annual basis and form part of the additional resources for adult social care within the settlement.

- **Business Rates**

It has been confirmed that the 100% Business Rate Retention Pilot will continue into 2022/23. The Medium-Term Financial plan currently assumes that the estimated benefit of approximately £3.2m will be removed in 2023/24 as part of the review of Local Government Financing and Fairer Funding Review..

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.

As part of the Autumn Budget Statement, the Chancellor announced that the Government would provide the following package of business rate measures to support businesses:

- A new relief for eligible retail, hospitality and leisure properties with 50% relief on rates bills up to £110,000 per business
- A freezing of the multipliers at 49.9p (small business multiplier) and 51.2p (standard multiplier)
- The extension of the current Transitional Relief and Supporting Small Business schemes

The government confirmed that the Council would be compensated for the loss of Business Rates for granting these reliefs through section 31 grants paid to the revenue account.

2021/22 Business Rate Collection Fund Deficit

The current forecast for the Business Rate element of the collection fund is for a surplus of £1.8m, after allowing for additional s31 grant funding in respect of the extended retail relief and the Covid Additional Relief Fund which were announced by government after the 2021/22 budgets were set. The table below shows the Council's share of the current estimated surplus is £1.7m. The surplus is due to the favourable outturn position carried forward from the 2020/21 outturn, including the adjustment for 3 year spreading, partly offset by the small in year forecast deficit.

Business Rates Collection Fund	Total (£m)	B&NES Share (£m)
Collection Fund - Projected 2021/22 In Year Deficit	24.11	22.66
<i>Less impacts of reliefs funded through s31 grant:</i>		
Additional Extended Retail Relief	-19.69	-18.51
Covid Additional Relief Fund	-4.29	-4.04
In Year Deficit after Retail Relief & CARF s31 grant funding	0.13	0.12
2020/21 Surplus Carried Forward	-2.90	-2.73
3 Year Deficit Spreading Adjustment	0.99	0.93
Total Projected Surplus	-1.79	-1.68

The Council's share of the in-year deficit that relates to the extended retail relief and the Covid Additional Relief Fund, both of which were introduced by government after the 2021/22 budget was set, is currently forecast to be £22.5m. The s31 compensation grant in respect of these changes is to be received in 2021/22 and will be transferred to the Business Rates s31 Grant Reserve so it is available in 2022/23 to offset recovery of this element of the deficit.

- **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 Council's 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 92% of B&NES schools will have converted to academies by April 2022 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. This legislation is time

limited and it is anticipated that further legislation will be included within the SEN review due to be published in the spring of 2022. The underlying overspend on the DSG including the High Needs Block was £5.4m in 2020-21 and that balance was carried forward to 2021-22. The estimated forecast in 2021-22 (including the carry forward from 2020-21) is £12.6m.

The Government have been allocating additional ongoing funding for High Needs through the DSG in 2022-23 and B&NES has been allocated a further £2.5m. Additionally, to recognise pressures in schools the DFE have issued a supplementary grant with B&NES receiving a further £1.15m towards pressures in high needs. 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. The outcome of the review is expected in spring 2022.

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 £0.6m.

5.2.3 Savings and Income Generation

Savings plans total £14.19m over the next two years with plans to deliver £11.87m in 2022/23 and a balanced budget, with a further £2.32m planned for 2023/24 leaving a gap of £8.45m. This will be reviewed early in the 2022/23 financial year to enable early budget planning to develop robust and deliverable proposals for the 2023/24 budget.

The proposals for savings are outlined in Annex 1 and were reviewed by the Corporate Scrutiny Panel on the 10th and 31st January and feedback will be given to Cabinet as part of considering this report.

5.2.4 Budget Funding Requirements

Budget growth and additional pressures across portfolios of £18m 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.

The material items requiring additional funding on top of annual budget adjustments are listed below, this illustrates some of the economic and financial challenges the Council is facing from the ongoing impact of the Covid pandemic.

- Corporate contingency for Social Care £2m
- Contract inflation risks £1.67m
- Pay contingency £1m
- Home to School Transport £0.8m

The other items include rebasing budgets where service running costs and budgets have become misaligned, this includes additional investment into IT, Property Services, Recycling and Children’s Services. The budget has also recognised that investment is needed into frontline services to ensure the staffing budgets are appropriate to deliver core services such as Waste, City Centre Security and Educational Psychology.

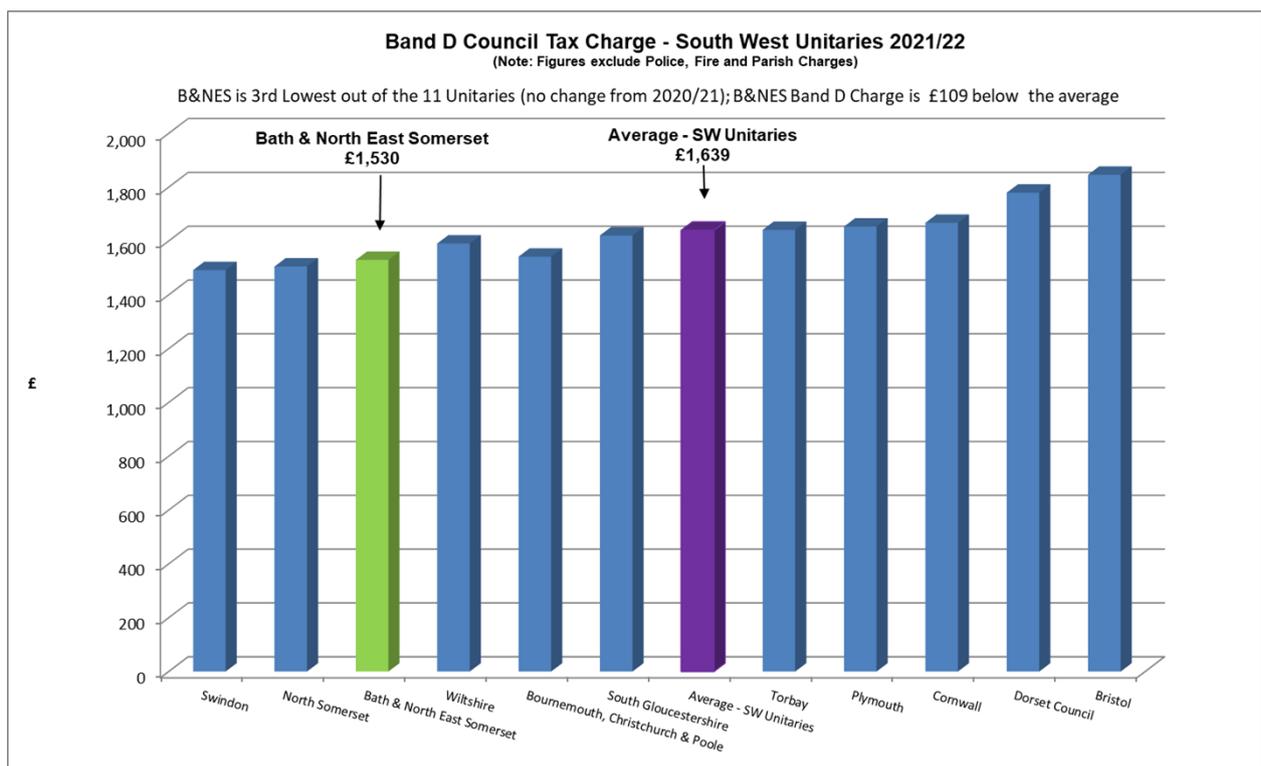
This represents a further year of budget rebasing and highlights that pre-Covid there has been a reliance on external commercial income to fund the Councils base budget. To manage this over the short and medium term there will need to be a re-balance found between appropriate Council tax increases alongside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

5.3 Council Tax

5.3.1 Band D Equivalent Council Tax

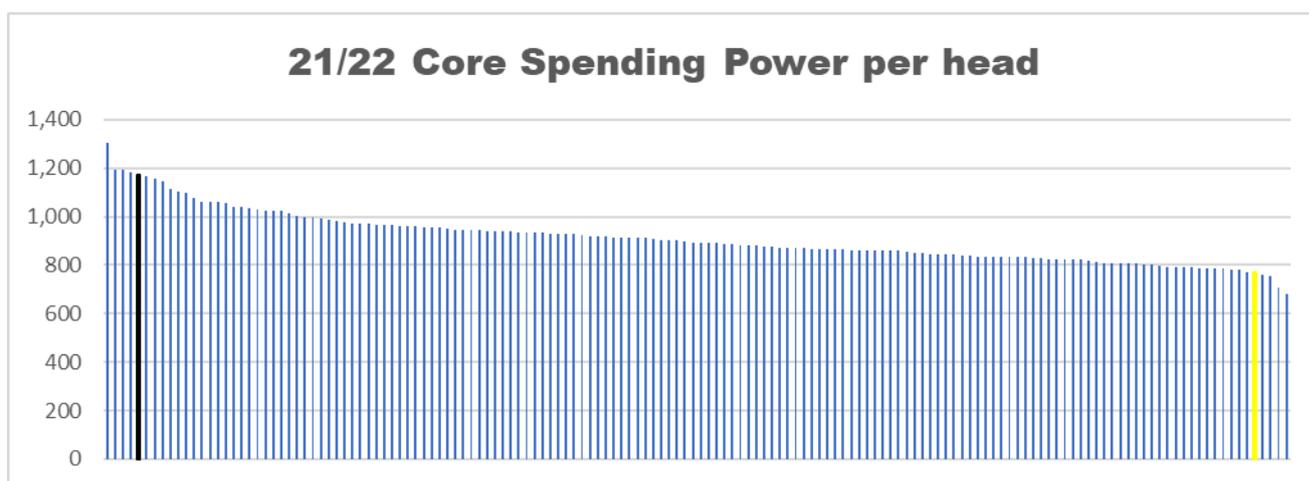
The MTFS included an assumption that general Council Tax (excluding the Adult Social Care Precept) would increase up to 1.99% per annum over the period of the plan. The Provisional Settlement has stated a referendum cap of 2%. The proposal within this report is to increase general Council Tax by up to 1.99% in 2022/23. This will increase a Band D by £30.44 for 2022/23 to £1,387.59. The overall proposed Band D Council Tax for Bath and North East Somerset Council next year including the Adult Social Care Precept increase of up to 1.00% is £1,575.30 (£1,529.57 in 2021/22) an increase of 2.99% and £45.73 per Band D (88p per week). The tax base for 2022/23 is 67,853.74, an increase of 1,141.89 (+1.71%) from 2021/22.

The diagram below shows that B&NES had the third lowest Council Tax of the South West Unitary Authorities in 2021/22-



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 15th February 2022.

In addition to benchmarking as the 3rd lowest in the South West for Council Tax B&NES has one of the lowest Core Spending Powers of all upper tier Council's. Core Spending Power (CSP) is the available funding when you combine Council Tax, Business Rates and government grants retained by the Council to fund its revenue operations. This is illustrated in the graph below:



The yellow line shows B&NES as the fifth lowest with a CSP of £772 per resident population, for illustration the fifth highest is the London Borough of Camden with a CSP of £1,174 per it's resident population; this is a difference of £402 per head.

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 1% increase per annum through the three year spending review period from 2022/23 to 2024/25. The Council's plans include this for 2022/23 (this would increase the Adult Social Care Precept to £12.74m an increase of £1.23m from 2021/22). The Medium-Term Financial Plan assumes that this applies annually to 2024/25.

5.4 West of England Combined Authority (WECA)

The West of England Combined Authority 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, over £1.6bn of new funding has been secured for our region, because we have a Combined Authority. This money would not have come to the region without the Combined Authority.

With local councils facing continued financial challenges, this additional funding secured by the Combined Authority is providing added value for our region's councils; bringing forward investments and programmes which would not have been possible otherwise. The success of the Combined Authority in securing significant new funding – which would not be available to councils – is helping us support people and businesses across the West of England.

The Combined Authority is working to improve public transport thanks to £540 million secured from Government through a successful City Region Sustainable Transport Settlement. This was the highest amount per head awarded anywhere in England.

The Combined Authority also secured £4m from Government for the Future Bright programme – which offers free, one-to-one career coaching and support to help local residents improve their work prospects and income. From 1 March 2021 to 31 December 2021, nearly 500 people have benefitted from advice and support.

The West of England Combined Authority has secured the following additional investment for our region:

- £613m for major transport schemes
- £3.8m emergency active travel funding (cycling and walking)
- £32m for MetroWest (secured by the Combined Authority and North Somerset Council)
- £24m for a Future Transport Zone
- £13.7m to accelerate infrastructure development work (including North Somerset)
- £5m to trial superfast 5G networks
- £4m for the Future Bright skills programme
- £75m from our business rates retention*
- £3.7m to progress housing development
- 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
- £2.5m to improve skills, employability and the environment
- £3m to run the Combined Authority

** 100% of business rates growth are kept in the region – 5% to the West of England Combined Authority*

Operating the Combined Authority incurs no additional costs to our constituent councils, because it is 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).

The West of England is an economic leader and will be key to the UK's recovery from the impact of Covid-19. The Combined Authority is supporting our region's residents and businesses through Covid-19, and is taking action to help people and businesses affected. The West England Combined Authority 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.

The Combined Authority Committee has committed over £10m additional funding for regional recovery – this is in addition to the £125m investment already committed to businesses and skills over the next four years. This includes business support, skills and employment initiatives

Overall, our five year programme will invest at least:

- £180m in transport improvements;
- £75m in housing development and supporting infrastructure;
- £135m in business and skills

The Budget for the Combined Authority will be set on 28 January 2022 by the West England Combined Authority Committee – at the time of writing the budget assumptions set out below are based upon the Combined Authority Budget proposals and are subject to the outcome of the above meeting. The following elements of the West England Combined Authority 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 2022/23 is £5.19m. Unitary Authority levies are pooled by the Combined Authority's 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, the West of England Combined Authority 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 2022/23.

- Within the City Region Sustainable Transport Programme, the Combined Authority will passport £25m per annum of capital funding to the West of England Unitary Authorities to provide Highways Maintenance and Transport Improvement Grants. This represents a significant increase in comparison with the previous £17.5m baseline as funded through the 100% Business Rates Retention Pilot. The Council's share is £7m per annum.
- The published West of England Combined Authority investment programme will continue to support a number of projects and initiatives for our Unitary Authority throughout 2022/23.
- These are funded from the additional investment funds received by the West of England Combined Authority 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 Combined Authority's 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, West of England Combined Authority 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.

The Combined Authority is not permitted to raise a Council Tax to fund any of its activity and therefore no precept will be requested.

Full details of the West of England Combined Authority Budget proposals are available at www.westofengland-ca.gov.uk

5.5 Community Contribution fund

The Community Contribution Fund was launched in March 2021 as a pilot scheme offering residents the chance to pay into a good causes fund to help local charity, community and voluntary groups to reduce inequalities in the area.

To date, over 300 people have donated to the fund with several individuals donating more than once. 73% of the donations received were valued between £5 and £50 with the largest donations being £1,000 and £2,000 respectively.

In October 2021, the fund had reached over £20,000 enabling it to be opened for grant applications from charitable, voluntary and community organisations. As of 20/12/21, the fund total was £25,128.00 (as at 20/12/21).

29 applications for funding have been received totalling £51,715. The projects include supporting people's mental health; providing emergency medical supplies; investing in refurbishment of community facilities; mentoring; support for families; training; group therapy and youth provision.

An assessment panel of Councillors, comprising 3 Liberal Democrat, 1 Conservative, 1 Labour and 1 Independent will meet on 26th January to determine which of the applications will be awarded funding.

In February 2022, donors to fund; applicants and the wider community will be given opportunity to provide feedback on the scheme. This will help inform decisions on the future of the scheme. Some feedback has already been received by donors which will also need to be considered as part of the review. These related to gift aid/tax relief, making regular payments or alternative payment methods.

5.6 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

5.6.1 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 Chief Financial Officer (S151 Officer) to fulfil his duty and give the required advice relating to the 2022/23 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 2022/23 budget to inform the advice.

5.6.2 CIPFA's Financial Resilience Index

CIPFA will be publishing its 2020/21 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 2019/20) 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 2021/22 budget proposal, whilst reserves have been utilised to enable the Council to mitigate its temporary loss of income (£8.5m in 2021/22 and £5.22m in 2022/23), these balances will be repaid in 2024/25 to 2025/26. In addition, the 2020/21 outturn made a net transfer to reserves of £5.42m due to the early work put in place on the Council's Covid financial recovery plan. 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 alongside care and health providers, 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.

5.6.3 Executive Summary of the Chief Financial Officer (S151) on the budget position

For 2022/23 the savings requirement after planned use of reserves is £11.87m 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 2022/23 as the amounts proposed have been profiled to consider the delivery timeframe. This savings requirement is after £5.22m one off use of reserves to enable the transition from the Covid impact on the Council income budgets. This will enable a balanced budget with the one off use of reserve being fully replenished within the 2022/23 – 2026/27 budget period.

In addition to putting forward a balanced budget for 2022/23, the budget is proposing to maintain a £5m Covid contingency reserve of for unplanned Covid related budget pressures in 2022/23.

5.6.4 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.

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.

5.6.5 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 alongside £2m Social Care Contingency are held Corporately to mitigate unforeseen risks, and the risk of savings not being realised in 2022/23. 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 2022/23, a £5m Covid risk reserve has been provided.

The budget has recognised the current and future years funding requirement with £18m allocated in 2022/23 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 2021/22.

A shortfall of £8.45m has been identified for 2023/24 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.

The conclusion of the CFO is that the estimates for 2022/23 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 Programme 2022/23 to 2026/27

The new and emerging Capital schemes can be found in Annex 3, these include new schemes funded from Corporate Supported borrowing funded from a £1.6m addition to the revenue budget for capital financing in the 2022/23 budget.

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

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
Continued government restrictions in the event of new variants impacting vaccine success	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.
Operational budget pressures due to latent demand and backlog	Possible	High	There is the risk of built up demand on Council services and backlog because of operational activity being diverted to managing the Covid pandemic. This may result in one-off cost pressures to clear the backlog.
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 2021/22. The roll back of the furlough programme could impact business viability and therefore risk of further voids will be monitored closely over the coming weeks and months.
Contract inflationary pressure	Possible	High	With increase in wage and fuel costs, Council contracted services are at risk of

			above budget price increases. This is an economic risk that has been recognised in the budget with a corporate inflation contingency for know areas that cannot be mitigated through activity management.
The income from Heritage Services may not recover in the short term.	Possible	High	Continue to monitor income levels and impact on business plan in light of capacity restrictions. We anticipated income will not fully recover in the medium term and growth was built into the medium terms financial plan for the next three years.
Impact on Reserves	Possible	High	Without additional government grant in recognition of Covid related financial pressures there is the risk that Council reserve levels are not enough to manage in-year and future years risk.
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	The impacts of Covid-19 will increase the volatility and uncertainty around business rate income. In 2022/23 this risk will be partly offset by the extension of the business rate relief scheme for Retail, Leisure and Hospitality businesses. We continue to monitor arrears, CVAs, and liquidations with a specific reserve held to manage in-year volatility.
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Possible	High	The Council has a number of projects within this category. These risks will continue to be monitored and reported. An assessment is made as part of the budget process to ensure that revenue reserves are sufficient to meet these risks. The capital programme methodology looks to de-risk projects wherever possible.
Changes to Government Policy that affects future funding	Likely	High	Need to monitor and continue to highlight impact
Brexit risks	Likely	Medium	The short to medium term impacts of Brexit on the Councils supply chain may result in contractual cost pressures from customs tariffs that previously did not apply.
Funding pressures through WECA, CCG	Possible	Medium	Ensure good communication links with partner organisations.

and other partners			
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 public consultation took place through webinars in December 2020 & online consultation during January 2022.

Contact person	Andy Rothery, Chief Financial Officer (S151 Officer), 01225 477103
Background papers	2021/22 Revenue and Capital Budget Setting reports, 2020/21 Revenue and Capital Outturn Report, 2021/22 Quarter 2 Revenue and Capital Budget Monitoring.
Please contact the report author if you need to access this report in an alternative format	