

Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	10 th / 11 th February 2022	EXECUTIVE FORWARD PLAN REFERENCE:
		E3321
TITLE:	Budget and Council Tax 2022/23 and Financial Outlook	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report		
Annex 1: Revenue Budget 2022/23 – individual service cash limits		
Annex 2: (i) 2022/23 to 2024/25 Budget Savings and Income proposals & (ii) 2022/23 to 2024/25 Funding Requirements.		
Annex 3: Equalities Impact Assessment of 2022/23 to 2024/25 Savings Proposals		
Annex 4: Efficiency Strategy		
Annex 5: Draft Capital Programme 2022/23 to 2026/27		
Annex 5 (i): New and Emerging Capital Schemes		
Annex 5 (ii): Highways Maintenance Programme		
Annex 5 (iii): Transport Improvement Programme		
Annex 5 (iv): Corporate Estate Planned Maintenance Programme		
Annex 5 (v): Community Infrastructure Levy (CIL) Allocations		
Annex 6: Capital & Investment Strategy		
Annex 7: MRP Policy		
Annex 8: Council Pay & Reward Policy 2022/23		
Annex 9: Advice of Monitoring Officer on the Budget Setting Process		
Annex 10: Budget 2022/23 Consultation Report		

1. THE ISSUE

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

2. RECOMMENDATIONS

2.1 The Cabinet recommends Council approves-

- a) The General Fund net revenue budget for 2022/23 of **£126.74m** and the individual service cash limits for 2022/23 as outlined in Annex 1.
- b) The savings and income plans outlined in Annex 2(i), funding requirements 2(ii), in conjunction with the Equalities Impact Assessment Report in Annex 3.

- c) An increase in Council Tax of 1.99% in 2022/23 (an increase of £30.44 per Band D property or 59p per week).
- d) An increase of 1% to Council Tax for the Adult Social Care Precept is approved in recognition of the current demands and financial pressures on this service. This is equivalent to an increase of £15.29 on a Band D property (29p per week).
- e) The movement in reserves outlined in section 5.6 and the adequacy of Un-earmarked Reserves at £12.58m within a risk assessed range requirement of £11.9m - £13.2m.
- f) The Efficiency Strategy attached at Annex 4.
- g) The Capital Programme for 2022/23 of £96.064m including new and emerging capital bids outlined in Annex 5(i), planned sources of funding in 5.8.2, and notes the programme for 2022/23 to 2026/27 and that any wholly funded projects coming forward during the year will be added to the Capital Programme in line with the Budget Management Scheme.
- h) The delegation of implementation, subject to consultation where appropriate, of the capital programmes set out in Annex 5(i) to Annex 5(iv) to the relevant Director in Consultation with the appropriate Portfolio Holder.
- i) The Community Infrastructure Levy (CIL) allocations and amendments outlined in Annex 5(v).
- j) The Capital & Investment Strategy attached at Annex 6.
- k) The MRP Policy attached at Annex 7.
- l) The Establishment and funding of a Business Change Hub outlined in 5.2.6.
- m) The Capital Prudential Indicators outlined in 5.8.7.
- n) The Annual Pay Policy Statement at Annex 8.
- o) The Community Contribution Fund pilot 12-month extension outlined section 5.5.
- p) The Council Tax Support Scheme for 2022/23 shown in the following link: <https://beta.bathnes.gov.uk/sites/default/files/2022-01/Council%20Tax%20reduction%20scheme%20April%201%202022%20-%20March%2031%202023.pdf> and referred to in 5.3.4.

- 2.2 That the Council include in its Council Tax setting, the precepts set and approved by other bodies including the local precepts of Town Councils, Parish Councils, and Charter Trustees of the City of Bath, and those of the Fire and Police Authorities.
- 2.3 That Cabinet note the S151 Officer's report on the robustness of the proposed budget and the adequacy of the Council's reserves outlined in 5.7.
- 2.4 That Cabinet note the budget consultation responses in Annex 10.

- 2.5 Authorise the Council's S151 Officer, in consultation with the Portfolio Holder for Economic Development & Resources, to make any necessary changes to the draft budget proposal for submission to Council.

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 The resource implications are contained within the body of the report

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSALS

- 4.1 A local authority has a statutory duty to set an annual budget and Council Tax. The advice of the Council's Monitoring Officer regarding the budget setting process is attached at Annex 9.
- 4.2 Members must have regard to the impact on specific groups in their decision making. The Equalities Team has reviewed savings plans to ensure that any impact the saving will have on diversity and equality has been assessed and to ensure that any issues are highlighted to members before a decision is made. The analysis is attached at Annex 3.

5. THE REPORT

5.1 The 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£17m. 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 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 5.2.5 of the report.

The budget includes a recommendation that general Council Tax is increased by 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 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.

The proposal for fully approved capital spend in 22/23 totals £96.064m.

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:

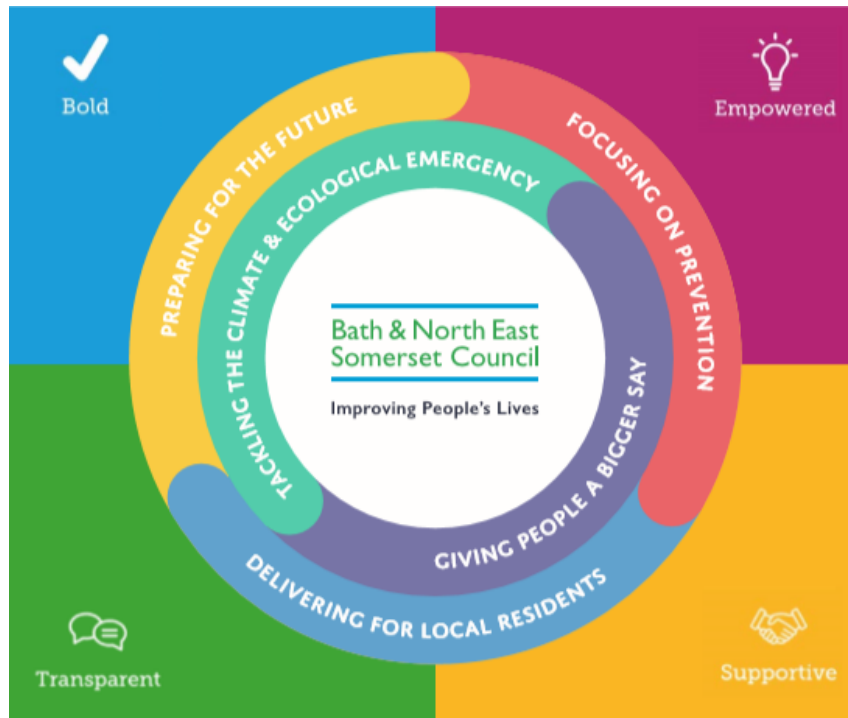
ONE: We have **one** overriding purpose – to improve people's lives.

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:

- Further investment to deliver more effective transport schemes across the council area, with a particular focus on creating liveable neighbourhoods, prioritising active travel and reducing reliance on the car for commuting and short journeys.
- Continued investment to support the most vulnerable people in our communities.
- Continued commitment to address the climate and ecological emergency, investing in energy.
- Focus on supporting the local economy to recover from the impact of the pandemic, regenerate local high streets and increase the diversification of the economy away from 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

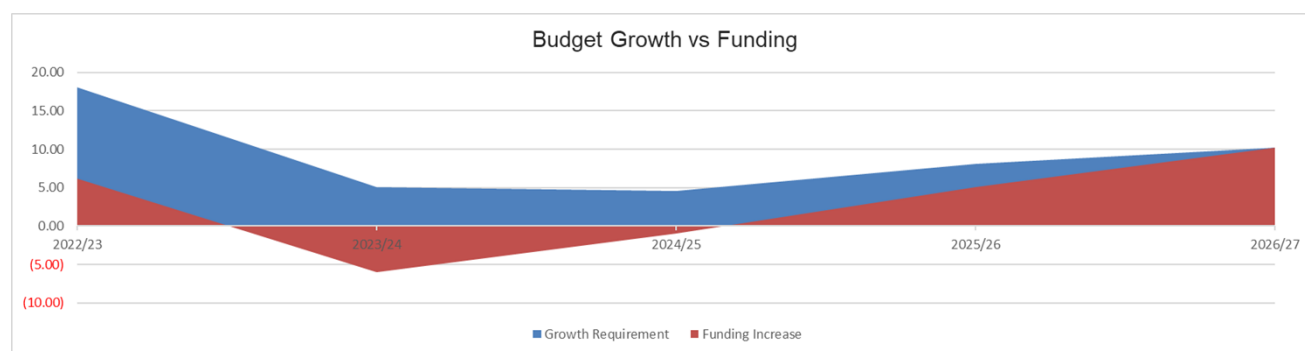
5.2.1 2021/22 Current Budget Position

The Council is currently forecasting a minor under budget position (£0.06m). Social Distancing restrictions imposed at the beginning of the year, coupled with the Omicron Covid variant over Christmas and into the last quarter of the year have significantly impacted the income generated in Heritage Services. Demand pressures in Children's and Waste services, along with further income shortfalls across the Council form the key budget pressures. These are mitigated by a much quicker recovery on Parking income than expected, and reduced costs in Adult Social Care. On-going savings and funding requirements are recognised in the 2022/23 budget with the rebase of some budgets to reflect changes in demand.

5.2.2 The Budget and Medium-Term Financial Outlook

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

Budget Planning	Future years assumptions £m					Total
	2022/23	2023/24	2024/25	2025/26	2026/27	
Growth Requirement	18.01	5.11	4.62	8.07	10.21	46.01
Funding Increase	6.14	(5.99)	(0.93)	5.05	10.17	14.44
Annual Funding gap	11.87	11.10	5.55	3.02	0.04	31.58
Savings Proposals	11.87	2.32	0.23	0.00	0.00	14.42
Remaining Funding Gap	0.00	8.78	5.32	3.02	0.04	17.16



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 5.2.5 of the report.

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	(1.62)	(3.24)	0.71	1.86
Funding Requirement Sub Total	18.01	5.11	4.62	8.07	10.21
Draft Budget Before Savings	148.08	131.86	133.88	136.41	143.59
Proposed Savings Plans	(11.87)	(2.32)	(0.23)	0.00	0.00
Estimated Savings Required	0.00	(8.78)	(5.32)	(3.02)	(0.04)
Savings Requirement Sub Total	(11.87)	(11.10)	(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 assumptions:

- **Pay Inflation** – Estimated 2.00% per annum.
- **Council tax** – Assumed at 1.99% excluding Social Care precept.
- **Social Care precept** – Assumed at 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 totalling £4.5m.
- **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.

** Rebasing is the alignment of budgets to current and forecast expenditure and income levels*

Annex 1 shows the Revenue Budget Summary for 2022/23, which totals £126.74m. Once approved by Council, these represent the financial plans that the Cabinet will manage under their delegated authority and monitor in accordance with the Budget Management Scheme.

5.2.3 The Government Settlement

The Provisional Settlement was received on the 16th December 2021 but has still not had the final grant allocations confirmed 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 Revenue Support Grant (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 (formerly Virgin Care) 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.

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 has 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 2020/21, including the adjustment for 3 year spreading, partly offset by the small in year forecast deficit, and has been transferred to the Business Rate Reserve.

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 Councils main revenue funding and included as part of the proposed budget.

As schools convert to academies the DfE take back the element of DSG payable to the local authority in order to make payments direct to the academies. It is estimated that 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.

5.2.4 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 £8.78m. 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 Council has a good track record of delivering proposed savings, in relation to the 2021/22 approved savings of £8.5m, 93% (£7.9m) have been delivered in full and a further 5% (£0.4m) have been mitigated by one-off underspends in year.

The proposals for savings are outlined in Annex 2(i) 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.

5.2.5 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 (ii).

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.

In addition, there has been £0.95m earmarked against the £5m Covid contingency for one-off investment into Neighbourhoods Services to help manage demand pressures and the delivery of service priorities.

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.

5.2.6 Business Change

The Council is creating a Business Change Hub to provide a dedicated resource to drive transformation programmes across the Council. The establishment of a professional hub will provide the tools to deliver change more effectively, allow for interdependencies between programmes to be identified and managed more strategically and improve resource planning to ensure the right support, governance and structure is in place to realise the identified benefits of each programme.

It will lead on future-focused service redesigns in key areas to deliver optimum efficiency to the business, while providing corporate oversight and assurance of change programmes focusing on early identification, management and mitigation of the key risks to delivering change. This will support the commitment to ensure that we are a modern council which meets the needs of people today, and in the future, with the funding available to us.

The Hub will be funded for the first year from the Transformation reserve during which time strategic and long term business change plans will be developed in order to support and enable service transformation plans and associated savings to be realised. It is envisaged that revenue budget will fund the management posts in 2023/24 and business cases will be developed to demonstrate the value of the Business Change Hub to support the delivery of savings and ensure return on investment both in year and to address future years' budget gap.

It is also anticipated that projects funded from the reserve will allocate an initial portion of the savings they generate to be used to 'top up' the reserve to ensure funding remains available on an ongoing basis. This would clearly only be relevant to projects of an 'invest to save' nature. A "gateway" process for accessing transformation reserve funding will be put in place to ensure the funding model remains viable.

Funding for staff of £330k has been built into the 2023/24 budget proposals which will cover the core staff for the Hub.

5.2.7 Preparing for the Future

The Council is continually evolving and looking for new and improved ways to operate and modernise the ways we provide services to our residents.

A decision was made in July 2020 to reduce the number of office buildings we use in Bath and change the work base for the majority of our staff to be based at our preferred location, Keynsham Civic Centre. This will result in new and modern hybrid ways of working, less reliant on traditional office working, supported by investment in technology and digital solutions to make us fit for the future.

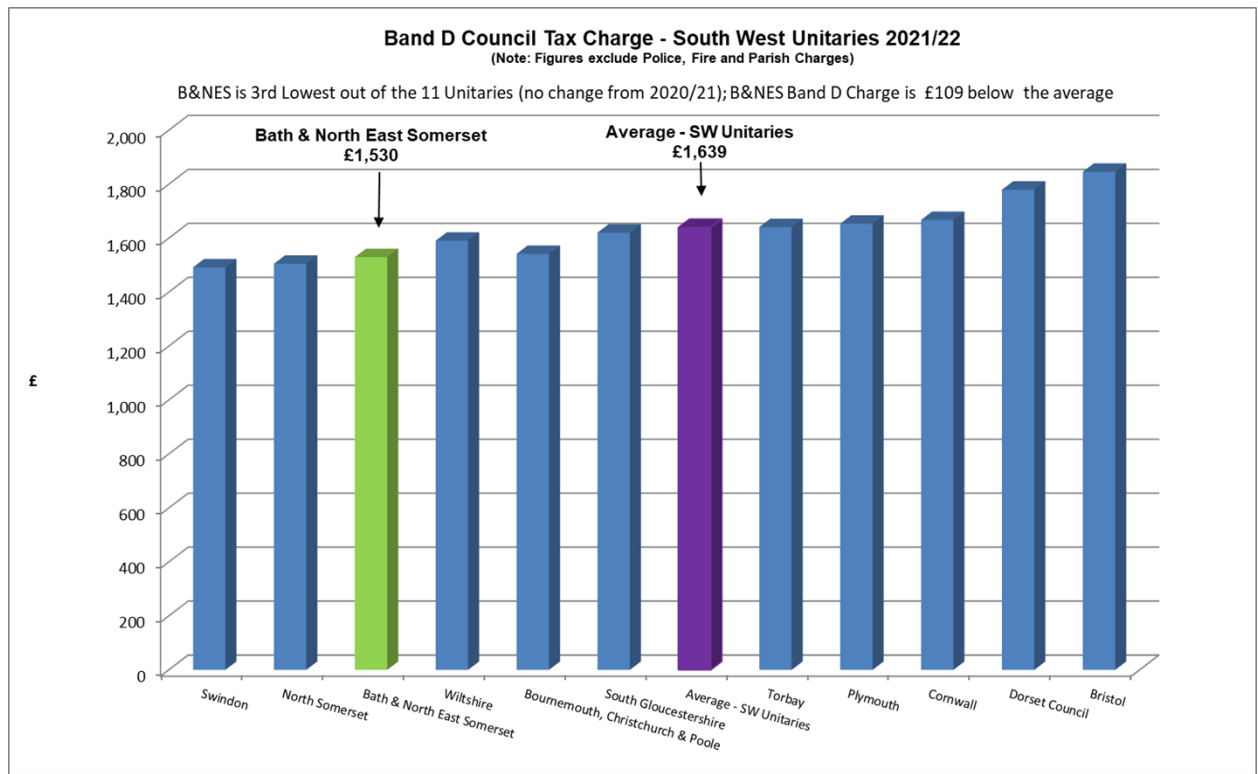
At the same time work has also been taking place on the ground floor of Lewis House to accommodate bringing the Police back into Bath City Centre as well as providing the Council's Housing, Welfare and Advice Service. As part of modernising our approach to customer services we are now investigating different ways to deliver some of our information services, in order to offer residents and visitors an enhanced and more visible service in central Bath. We need to make the most of new technology and be smarter and more flexible in the ways that we work and so increasingly we will enable residents to self-serve for our more transactional services, so that we can better support customers who need our help the most.

5.3 Council Tax

5.3.1 Band D Equivalent Council Tax

The MTFS included an assumption that general Council Tax (excluding the Adult Social Care Precept) would increase by 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 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 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.

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.

The funding requirement for Adult Social Care before savings is £2.4m (Annex 2i) which will be part funded from the Adult Social Care Precept increase. This number excludes the £2m Corporately held contingency for Social Care funded through the budget proposal.

5.3.3 Estimates for Future Years Band D Council Tax

The current Medium Term Financial Plan has factored in an annual increase of 2.99% per annum for the two years covering 2023/24 and 2024/25 across both general Council Tax and the Adult Social Care precept. The annual increase for 2025/26 and 2026/26 is included at 1.99% for general Council Tax only. Projections

will be adjusted accordingly in line with any future referendum limits set by the Government.

5.3.4 Council Tax Support

The base Council Tax Support Scheme was approved in November 2019 and has been updated to reflect annual changes to statutory legislation and benefit rates from April 2022 – see link as follows: <https://beta.bathnes.gov.uk/sites/default/files/2022-01/Council%20Tax%20reduction%20scheme%20April%201%202022%20-%20March%2031%202023.pdf>.

The tax base currently assumes the same number of recipients as at the end of November 2021 will continue into 2022/23. The budget estimate is £10.6m compared to £11.0m in 2021/22.

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 including:
 - Love High Streets – High Street Regeneration Bath City Centre and High Street Renewal Keynsham and Midsomer Norton High Streets
 - Milsom Quarter Masterplan
 - Bath Riverline
 - Bath Quays
 - Somer Valley Enterprise Zone
- 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 currently permitted to raise 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 (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.

The recommendation is to agree an extension to the pilot of 12 months (financial year 2022/23) to assess continued donor interest and enable a fuller evaluation to take place. This to include options for longer term delivery models, incorporating feedback from PDS Panel on getting the gift aid tax benefit from the contributions.

5.6 Revenue Balances, Contingency & Reserves

Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An estimate of the key reserves has been made for 2022/23 and future years maintaining capital receipts flexibility mainly to fund restructuring and severance costs.

	Estimated Balance 1/4/22 £'m	Estimated Balance 31/3/23 £'m	Estimated Balance 31/3/24 £'m	Estimated Balance 31/3/25 £'m
Revenue Budget Contingency	2.5	2.5	2.5	5.5
Financial Planning and Smoothing Reserve	6.9	2.2	2.1	6.1
Transformation Investment Reserve	2.0	0	0	0
Covid Grant Reserve	4.0	0	0	0
Restructuring & Severance Reserve	1.9	1.9	1.9	1.9

5.6.1 Revenue Budget Contingency £2.5m

The primary purpose of this reserve is to fund in year unforeseen events, overspends, and to meet the risks of non-delivery of budget savings. Budget monitoring for the period April to December 2021 has outlined that there is no expected requirement to utilise this by year end as the budget is expected to be on target. The Budget continues to propose that the £3.3m that was transferred from this reserve to smooth the budget rebasing and savings requirement in 2021/22 is replenished in 2024/25 and 2025/26. This would increase the reserve from its current level to £5.5m in 2024/25 and £5.8m in 2025/26.

5.6.2 Financial Planning and Smoothing Reserve £6.9m

The Financial Planning Reserve will be used to smooth the delivery of organisational change. The 2022/23 Budget requires a transfer from this reserve of £3m to smooth the savings requirement, with this amount replenished in 2025/26, in addition £1m is proposed to be transferred to the Covid Grant Reserve to give a balance of £5m. The £4m used in supporting the 2021/22 Budget is planned for repayment in 2024/25.

These movements would leave an allocation of around £2m available in the reserve until the planned replenishment.

5.6.3 Transformation Investment Reserve £2.0m

The reserve facilitates delivery of future savings by providing additional short-term capacity and specialist advice. The £2m will be used to support one-off costs associated with the Business Change Programme during 2022/23.

5.6.4 Covid Contingency reserve £5.0m

In recognition that the 2022/23 financial year may result in ongoing demand increases as a result of the pandemic that requires revenue funding. This reserve will be funded from a planned £4m carry forward of 2021/22 government covid grant and £1m top up from the Financial Planning and Smoothing reserve.

5.6.5 Restructuring and Severance Reserve £1.9m

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

5.6.6 Reserves and Flexible Capital Receipts

Flexible capital Receipts can be used for revenue spend that results in ongoing revenue savings. Estimated usage for 2021/22 is expected to be up to £0.5m with the remaining £3.07m carried forward for use in 2022/23 as outlined in the Efficiency Strategy attached at Annex 4. Currently £3.9m of unapplied capital receipts through estate assets, land holdings etc are held as at the end of December 2021 with a further £4.7m forecast in 2022/23 to meet requirements for flexible capital receipts and to finance the capital programme in those years.

	Actual Usage 2017/18 – 2020/21 £'m	Estimated Usage 2021/22 £'m	Available Balance 2022/23 £'m	Est Total Usage £'m
Flexible Capital Receipts	7.93	0.50	3.07	11.50

5.6.7 General Fund Un-Earmarked Reserve

The General Fund Un-earmarked reserve is retained to meet the Council's key financial risks. Budget Monitoring for the period April to December 2021 estimated that Un-earmarked reserves would total £12.58m by 31st March 2022.

The budget risk assessment has set a range of between £11.9m and £13.2m to meet those risks. The available balance is £12.58m which is within the budget risk assessment range.

As set out in the Council's Financial Regulations the specific arrangements for the governance and release of reserves are delegated to the Council's Chief Financial Officer in consultation with the Cabinet Member for Resources and the Chief Executive.

5.7 Robustness of and Risks within the Proposed Budget for 2022/23 Statutory Chief Finance Officer (CFO) Report and Advice on the Robustness of the Budget and Adequacy of Reserves and Balances

5.7.1 Introduction

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

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

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

This report has been prepared by the 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.

5.7.2 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 in 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.

5.7.3 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, this is funded from retained Covid grant and the Councils financial planning reserve.

5.7.4 Consequences of Failing to Deliver a Budget

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

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

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

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

In respect of the robustness of estimates, estimates have been prepared by Directors and their staff supported by appropriate finance staff reviewing pressures, priorities, savings, demographics, inflation and contractual obligations, and income generation. Each Director has completed a Robustness Statement outlining savings and delivery risk that have been incorporated into a corporate wide assessment. A £1.65m Revenue Budget Contingency 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 £8.78m 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.

With regard to the adequacy of balances, the 2022/23 planned level of General Fund Un-earmarked reserve at £12.58m (is within the required range of £11.9m to £13.2m).

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 Strategy, Programme and Capital Receipts 2022/23 to 2026/27

5.8.1 Capital & Investment Strategy

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

5.8.2 Overall Capital Programme & Financing including New Capital Schemes

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

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

The Council follows this approach through:

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

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

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

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

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

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

A summary of the proposed capital programme and it's financing for 2022/2023 – 2026/2027 is shown below

Capital Schemes for Approval

Cabinet Portfolio: Capital Schemes	Budget 2022/2023 £'m	Budget 2023/2024 £'m	Budget 2024/2025 £'m	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Total £'m
Economic Development & Resources	38.824	15.886	13.480	1.593	0.000	69.784
Climate & Sustainable Travel	1.006	0.000	0.000	0.000	0.000	1.006
Adults & Council House Building	14.089	1.442	1.442	1.442	1.442	19.857
Children and Young People, Communities and Culture	1.886	0.000	0.000	0.000	0.000	1.886
Neighbourhood Services	35.418	10.374	0.800	0.000	0.000	46.592
Transport Services	2.014	0.000	0.000	0.000	0.000	2.014
Corporate Capital Contingency	2.828	0.000	0.000	0.000	0.000	2.828
Total	96.064	27.702	15.722	3.035	1.442	143.966

Capital Schemes for Provisional Approval (Subject to)

Cabinet Portfolio: Capital Schemes	Budget 2022/2023 £'m	Budget 2023/2024 £'m	Budget 2024/2025 £'m	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Total £'m
Economic Development & Resources	49.339	12.755	12.268	4.440	4.400	83.202
Climate & Sustainable Travel	7.603	0.530	0.000	0.000	0.000	8.133
Adults & Council House Building	6.692	0.435	0.000	0.000	0.000	7.127
Children and Young People, Communities and Culture	21.817	0.000	0.000	0.000	0.000	21.817
Neighbourhood Services	9.028	12.417	24.661	9.463	9.497	65.065
Transport Services	5.535	1.163	1.163	1.293	1.163	10.317
Total	100.013	27.300	38.092	15.196	15.060	195.661

Grand Total	196.077	55.003	53.814	18.231	16.502	339.627
--------------------	----------------	---------------	---------------	---------------	---------------	----------------

Funded By

Financing	Budget 2022/2023 £'m	Budget 2023/2024 £'m	Budget 2024/2025 £'m	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Total £'m
Grant	53.405	16.973	17.151	8.595	8.439	104.563
Capital Receipts/RTB	7.013	5.500	0.000	0.000	0.000	12.513
Revenue	0.632	0.000	0.000	0.000	0.000	0.632
Borrowing	126.224	31.713	36.663	9.636	8.063	212.299
3rd Party (inc S106 & CIL)	8.803	0.816	0.000	0.000	0.000	9.619
Total	196.077	55.003	53.814	18.231	16.502	339.627

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

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

Attached at Annex 5(ii) is the Highways Maintenance Programme, at 5(iii) the Transport Improvement Programme, and at 5(iv) the Corporate Estate Planned Maintenance Programme for approval. The substitution of one scheme for another that is unable to proceed within these programmes will be allowed following

consultation and approval with the Chief Financial Officer, and subject of any specific provisions agreed as part of the budget approval.

5.8.3 City Region Sustainable Transport Settlement

WECA led the City Region Sustainable Transport Settlement bid into the Department for Transport in August 2021. A settlement of £540m was made as part of the Spending Review in 2021. The final allocation to schemes in the Bath and North East Somerset area is proposed to be £129.39m for 2022-27, rising to £146.6m when local match funding is included (required for capital enhancements at a rate of 20%) future amendment to the programme subject to business case approval. The Local Contribution for B&NES based on the proposed schemes is £17.2m as set out in Annex 5i.

Following the approval of the CRSTS strategic outline case and scheme funding with the DFT, the Council will incorporate the schemes and funding being delivered by B&NES into the capital programme.

5.8.4 Efficiency Strategy

Central Government outlined in December 2015 that local authorities will be able under certain circumstances to utilise capital receipts for revenue expenditure for certain purposes. The flexibility has been extended for a further 3 years from 2022-23 onwards for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery.

The Efficiency Strategy remains a key lever in funding the one-off costs to deliver savings plans. An updated Strategy is attached at Annex 4 to earmark up to £3.1m in capital receipts to fund proposed savings plans in 2022/23. The Strategy must be approved by Full Council.

5.8.5 Capital Risk Contingency

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

- Individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;
- The capital programme includes a funded corporate risk contingency of £5m, the contingency has been increased by £2.8m to reflect the increased cost risks on projects from inflation and other market pressures;
- The corporate risk assessment on which the general reserves target is based includes an element in the context of the capital programme based on the risks of the current programme.

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

5.8.6 Minimum Revenue Provision (MRP) Policy

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

5.8.7 Prudential Indicators

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

Prudential Indicator	2020/21 Actual	2021/22 Forecast Outturn	2022/23	2023/24	2024/25
Estimate of Capital Expenditure (£'000s)					
Actual/estimates of capital expenditure	62,202	106,571	196,077	55,003	53,814
Net Increase in Council Tax (band D per annum) Figures in £'s (not £'000's)					
The implied estimate of incremental impact of the new capital investment decisions on the Council Tax			£7.87	£9.08	£8.55
Cumulative totals:			£7.87	£16.95	£25.50
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			14.41%	17.62%	19.76%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			5.03%	6.23%	6.95%
Borrowing Limits (£m)					
Operational boundary – borrowing			£435m	£455m	£478m
Operational boundary – other long-term liabilities			£4m	£4m	£4m
Operational boundary – total			£439m	£459m	£482m
Authorised limit – borrowing			£464m	£483m	£506m
Authorised limit – other long-term liabilities			£4m	£4m	£4m
Authorised limit – total			£468m	£487m	£510m
Capital Financing Requirement (£'000s) (as at 31 March)					
Actual/estimate of capital financing requirement	326,909	348,784	464,211	483,488	506,343

Gross Debt and the Capital Financing Requirement

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

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

Borrowing limits

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

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

5.8.8 Community Infrastructure Levy (CIL) Spend Proposals 2022/23

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

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

6. RISK MANAGEMENT

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

Risk	Likelihood	Impact	Risk Management Update
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 any 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	Possible	High	Current modelling has been prudent

the Councils Commercial Estate over and above anticipated levels.			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 known 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 broadly at current low levels in the medium term until economic growth prospects improve. The Council will continue to consider shorter term borrowing options alongside the PWLB.
Volatility and uncertainty around business rates	Likely	High	<p>The impacts of Covid-19 will increase the volatility and uncertainty around business rate income. In 2022/23 this risk will be partly offset by the extension of the business rate relief scheme for Retail, Leisure and Hospitality businesses.</p> <p>We continue to monitor arrears, CVAs, and liquidations with a specific reserve held to manage in-year volatility.</p>
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Possible	High	The Council has a number of projects within this category. These risks will continue to be monitored and reported. An assessment is made as part of the budget process to ensure that revenue reserves are sufficient to meet these risks. The capital programme methodology looks to de-risk projects wherever possible.
Changes to Government Policy that	Likely	High	Need to monitor and continue to highlight impact

affects future funding			
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 and other partners	Possible	Medium	Ensure good communication links with partner organisations.
Capital receipts in the areas identified are insufficient to meet target	Possible	Medium	There is a risk that a depressed market will impact on current values, in the short to medium term the Council should not rely on capital receipts as a key funding source.

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

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

7 CLIMATE CHANGE

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

8 OTHER OPTIONS CONSIDERED

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

9 CONSULTATION

Details of the consultation carried out on the budget process for 2022/23, along with the feedback received and council responses are set out in Appendix 10. The consultation comprised of:

- A series of online Area Forum meetings, held in November and December, focusing on winter pressures. These identified the financial challenges and context for the council's budget setting. There was also a separate online meeting for the voluntary and community sector, hosted by 3SG. Together these received a total of 269 attendances and views.
- An open online Forum meeting, held on Zoom and chaired by the council leader on the council's spending plans, held on Tuesday 14 December. The online event was attended by 30 people and a recording was uploaded to the council's youtube channel, where it has received 220 views

- An online consultation on the council's draft spending plans, which took place from December 15th 2021 to January 4th 2022, and a further online consultation on the council's draft detailed budget proposals, which took place from January 10th 2022 to January 24th, 2022. Taken together, these consultations received 88 responses.

In addition, scrutiny of the savings proposals, priorities, one-offs, pressures and capital bids took place at the 31st January 2022 Corporate Policy Development and Scrutiny Panel. Budget proposals were also presented to the Climate Emergency PDS Panel on and Children, Adults, Health and Wellbeing PDS panels during January 2022.

Contact person	Andy Rothery, Chief Financial Officer (S151 Officer), 01225 477103
Background papers	January Corporate PDS Panel September Cabinet - Medium Term Financial Strategy CIL Infrastructure List (Reg 123 List): http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Planning-and-Building-Control/Apply-for-Planning-Permission/bnes_reg_123.pdf
Please contact the report author if you need to access this report in an alternative format	