Bath & North East Somerset Council		
MEETING:	**Cabinet**	
MEETING DATE:	**9th February 2023**	EXECUTIVE FORWARD PLAN REFERENCE: E 3374
TITLE:	**Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2022 to December 2022**	
WARD:	**All**	
AN OPEN PUBLIC ITEM		

List of attachments to this report:

Appendix 1 – Revenue Monitoring Commentary

Appendix 2 – Key Scheme Capital Monitoring Commentary

Appendix 3 (i) & 3 (ii) – Proposed Revenue Virements & Revised Revenue Cash Limits 2022/23

Appendix 4 (i) & 4 (ii) – Capital Virements & Capital Programme by Portfolio 2022/23

EXECUTIVE SUMMARY

a) Revenue budget

The Revenue budget outturn is currently forecast to be £1.5m over budget.

The 2022/23 pay settlement was significantly higher than budgeted. The reversal of the Employers' National Insurance increase in-year will offset this in part but will result in a £2.6m unbudgeted cost to the organisation.

Demand-led placement and package costs continue to cause a significant pressure in Children's Services. Combined with staffing pressures as a result of covering absences within teams and responding to increasing complexity of need, the service is currently forecasting a £6.0m overspend.

Further pressures are being experienced in the Bereavement, Corporate Estate, and Planning Services. High levels of vacancies across the organisation, strong performance in Heritage Services and the Commercial Estate, and increased interest on cash balances and delayed need to borrow are providing favourable mitigations.

The renewal of corporate energy contracts in the midst of the cost of living and inflation crisis is resulting in a large increase in costs across the organisation. These costs are being funded in-year from the inflation contingency included in the 2022/23 budget and an Inflation Reserve set aside as part of the 2021/22 outturn, while the medium-term increase has been considered in the 2023/24 budget planning process.

In addition, there is an in-year SEND placement pressure of £6.2m on the Dedicated Schools Grant (DSG). Mitigation plans are being worked up as part of the DFE's Safety Valve programme to recover the ongoing deficit on the DSG over the next 5 years.

Savings of £11.9m were included in the 2022/23 budget. At present £10.6m savings are expected to be delivered, with the majority of the shortfall relating to delays in the Children's transformation project aimed at delivering cost reductions.

b) Capital budget

The current position of the 2022/23 Capital Programme is a forecast of £107.1m against a budget of £159.6m. The variance of £52.5m reflects anticipated rephasing across of schemes into future financial years.

c) Council Tax and Business Rates

There has been a continued reduction in the cost of the Local Council Tax Support Scheme over the period to December, in line with a fall in working age claimants, with the cost at the end of December £9.7m which is £0.85m below the budget estimate. The current forecast on the Council Tax Collection Fund is for an in year £0.8m surplus, of which the Council's share is £0.6m. This represents a positive variance of 0.6% against the 2022/23 budgeted income.

The current in year forecast for the Business Rate element of the collection fund is for a surplus of £0.8m, after allowing for the impacts of s31 grant funding in respect of the retail reliefs and the Covid Additional Relief Fund. The surplus is mainly the result of a favourable position in respect of empty property relief which is currently below budget.

d) Council Reserves

The Council approved 2022/23 revenue budget utilises £5.2m of corporate and service earmarked reserves to mitigate ongoing Covid pressures on the Council's revenue budget.

1 THE ISSUE

1.1 This report presents the financial monitoring information for the Authority as a whole for the financial year 2022/23, using information available as at the end of December 2022.

2 RECOMMENDATION

The Cabinet is asked:

2.1 To note the 2022/23 revenue budget position as at the end of December 2022.

2.2 To note the revenue virements listed for information only in Appendix 3(i).

2.3 To note the capital year-end forecast detailed in paragraph 3.25 of this report;

2.4 To note the changes in the capital programme including capital schemes that have been agreed for full approval under delegation listed in Appendix 4(i).

3 THE REPORT

3.1 The Budget Management Scheme requires that the Cabinet consider the revenue and capital monitoring position four times per year.

REVENUE BUDGET

3.2 Service Directors have been asked to outline the actual expected outturn for the year and the reasons to date for over / under budget forecasts. For revenue budgets which are forecast to be over budget, the Directors are expected to seek compensating savings to try and bring budgets back to balance.

3.3 The pay settlement was higher than budgeted this year, in part due to high inflation nationally. As such, all services with staffing are experiences pressures associated with not having the full pay budget to meet their full establishments costs. To allow us to analyse the outturn variance between pay award and non-pay award factors, the variance has been split across two memo columns in the table below.

3.4 A summary by Portfolio of the revenue position as at the end of the second quarter is shown in the following table:

Portfolio	**Revised Budget £'m**	**Year End Forecast £'m**	**Variance Over / (Under) £'m**	***Memo 1: Pay-Award Impact on Variance***	***Memo 2: Variance excl Pay Award Impact***
Leader of Council	(5.16)	(5.83)	(0.67)	*0.01*	*(0.68)*
Resources	12.31	9.34	(2.97)	*0.60*	*(3.57)*
Economic Development, Regeneration & Growth	0.59	0.54	(0.05)	*0.01*	*(0.06)*
Climate and Sustainable Travel	1.37	1.19	(0.18)	*0.03*	*(0.21)*
Adult Services and Council House Building	62.95	63.45	0.49	*0.53*	*(0.04)*
Children and Young People, and Communities	31.94	38.06	6.12	*0.51*	*5.61*
Neighbourhood Services	25.62	26.36	0.74	*0.62*	*0.12*
Transport	(5.63)	(6.62)	(0.99)	*0.22*	*(1.21)*
Planning and Licensing	2.38	2.67	0.29	*0.10*	*0.19*
Total	**126.37**	**129.16**	**2.78**	***2.63***	***0.15***
Use of Corporate Social Care Contingency	*0.00*	*(1.30)*	*(1.30)*		
Quarter 2 Forecast Outturn Variance	**126.37**	**127.86**	**1.48**		

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

3.5 The current **year-end** forecast is a £1.48m over budget position. This position reflects the full utilisation of the remaining Corporate Social Care Contingency budget to mitigate Children Social Care pressures.

3.6 The £1.48m pressure is an improvement from the £4.47m reported last quarter. The Council has been exploring what in year mitigations are available to prevent further use of reserves, which has been governed through a Financial Recovery Board. This Board will maintain strategic oversight of the financial position, with a focus on further mitigations aimed to achieve an on-budget position by year-end. In the event the above budget position cannot be fully mitigated the Council's Revenue Budget Contingency Reserve and Covid Contingency Reserve will need to be utilised, subject to approval.

Portfolio Commentary

3.7 Key variances and associated actions by Portfolio are as follows, a more detailed breakdown can be found in Appendix 1:

Leader of the Council *(£0.67m under budget, £0.01m favourable movement)*

The Leader of the Council portfolio holds Events, World Heritage and External Affairs and Partnerships budgets. All three cash limits continue to forecast a broadly on budget position. Heritage Services are now held within this portfolio and are forecasting a £0.66m favourable position resulting from strong summer and autumn visitor numbers. The service budgeted for 60% of pre-Covid visitor numbers, whereas the forecast shows this has increased to 80%.

Resources *(£2.97m under budget, £3.70m favourable movement)*

The estimated 2022/23 pay award based on the Local Government Employer's final offer to unions was forecast against Corporate Budgets within this portfolio at quarter 2 reporting. Now the pay settlement has been quantified the unbudgeted pressure is being reflected against each respective service area. The impact of the higher pay award was partially offset by the in-year reversal of the National Insurance increase, with the net estimated cost totalling £2.63m. The change in presentation represents a significant proportion of the favourable portfolio movement.

Costs associated with void properties, including the vacant former school site at Culverhay, result in a forecast £0.43m over budget position in the Corporate Estate. These pressures are partially offset by savings on licensing, contracts and borrowing costs in ICT (£0.51m), lower borrowing costs associated with delays in borrowing for capital projects (£1.00m), and increased interest earned on cash balances (£0.95m). Rental income on the Commercial Estate is also greater than budgeted (£0.63m).

Economic Development, Regeneration and Growth (£0.05m under budget, £0.01m favourable movement)

Vacancies within the Regeneration service are resulting in a minor forecast underspend for the portfolio.

Climate and Sustainable Travel *(£0.18m under budget, £0.09m favourable movement)*

Vacancies across all services are resulting in a minor forecast underspend for the portfolio.

Adult Services and Council House Building *(£0.50m over budget, £0.54m adverse movement)*

Aside from the impact of the pay award, the current forecast position for Adult Social Care is balanced as the underlying variances will be covered by a transfer from the Adult Social Care Reserve funds (£2.1m). The forecast use of the reserve has reduced by £0.9m since the previous quarterly forecast. Adverse variances are being forecast in the Learning Disabilities and Autism Pooled services (£2m). This reflects the increasing number of package placements (activity and cost) now being seen in line with continued demand pressures being experienced across the health and social care system. All services are awaiting decisions on a number of Continuing Health Care Cases which, if agreed, would improve the forecast

position. Referrals to the services are increasing in complexity which adds to the budgetary pressure. There is also an underlying adverse variance in the budgets for our Community Resource Centres and Extra Care Units (£1.5m). This is due to the increased use and cost of agency staff. Recruitment issues and high sickness levels within the service have contributed to this high agency usage. Intensive recruitment work commenced earlier in the financial year and will continue for the remaining 3 months of the year to attract permanent staff and reduce agency spend. Funding for a Hospital Discharge pathway was agreed by the Integrated Care Alliance (ICA) board for 2022-23, the Adult Social Care Discharge Fund announced in November 2022, is contributing to this. Transformation and planning work continues to determine a longer-term system approach to this through prevention and early intervention.

An increased level of cost demand is now being seen and is expected to cause continued pressure on existing budgets together with the ongoing inflationary pressures being seen in the provider market. Whilst the social care reforms have now been delayed, work on the Cost of Care review is to continue as this will help to determine future requirements and the planning required to meet them.

Housing are forecasting a £0.04m favourable budget position and is a result of staffing underspends.

Children and Young People, and Communities *(£6.12m over budget, £0.68m adverse movement)*

The main driver of this over budget position is the continuing and increasing pressures from 2021/22 across the demand-led placement and package budgets totalling £4.20m.

Pressures are due to the increased demand (38% rise in the numbers in Residential placements from 2021/22 to date) and increased packages of care and support costs needed, due to the increased needs our Children and Young People are presenting with. There are also continued increased costs as a result of the complex packages of care needed for those with the highest need in the Disabled Children's Team. Pressures from supporting unaccompanied asylum seeker children are also included totalling £0.17m.

Staffing pressures across the frontline areas of Children's Social Care total £1.30m. This is the result of covering absences within teams, whilst also responding to increasing demand levels and complexity of need. Across Children's Services and Education there is pressure on staffing budgets for 2022/23 of £1.50m.

Home to school transport has been subject to ongoing and worsening market failure leading to upward cost pressures of £0.78m, underlying forecast is £1.10m adverse, reduced by one of use of corporate social care contingency of (£0.36m).

This forecast includes the pressure of £0.60m as a result of delayed delivery of cashable savings in relation to the planned transformation savings budgeted. These are in relation to increasing the usage and availability where appropriate of Foster Care provision. The Transformation Programme has delivered £0.92m cost avoidance savings in 2022/23, but these will not convert to cashable savings until 2025/26 due to the cohort age to which they relate.

There has been in-year mitigation of additional health funding, and use of Covid Reserves totalling £1.20m.

Customer Services are forecasting a pressure of £0.06m linked to staffing costs.

Schools DSG ***(£6.21m over budget, plus an overspend of £13.44m carried forward from 2021/22)***

The DSG has a forecast overspend of £6.21m in 22/23 made up of significant pressures on SEND. The SEND pressures are estimated based on current pupils identified with Education, Health, and Care (EHC) Plans of £7.30m however mitigating actions have identified £1.10m of savings.

The local Authority has submitted its first draft of a recovery plan to the DFE as part of the Safety Valve Programme, and we are working with the DFE currently in order to gain sign off for this. The Safety Valve Programme will provide additional support and funding to the Local Authority to eradicate the deficit over a number of years.

Further work on opening the provision of local SEND places at schools in the area will help reduce the pressure and extensive analysis of the specific cost pressures is being conducted to look to reduce the overspend. Bids for new free schools as part of a DFE programme have also been made with a bid for both an Alternative provision schools and new Special School submitted.

Any overspend on the DSG is currently ringfenced to the grant allocation and the Department for Education (DFE) have issued guidance to restrict the supporting of the pressures from council revenue funding. The DFE and DCLG have recently confirmed that the ringfencing of the DSG deficit in the councils reserves will continue for a further 3 years.

Neighbourhood Services ***(£0.74m over budget, £0.15m adverse movement)***

The main crematorium chapel at Haycombe was closed between April and October for major capital improvement works and has since reopened. As a result, there was a significant reduction in cremations and memorial sales in Bereavement Services. Both Waste and Parks services are undergoing a regrading exercise for some of their staff which will create an in-year pressure on staffing budgets. These pressures are partially offset by surplus recycling income and reduced tonnages on waste disposal costs.

Transport ***(£0.99m under budget, £0.68m favourable movement)***

Staff vacancies across Parking Services, Public and Passenger Transport and Network and Traffic Management, combined with additional income from high levels of visitors to Bath, and across the Traffic Management Service are generating a significant under budget position.

Planning and Licensing ***(£0.29m over budget, £0.13m adverse movement)***

The Planning and Licensing services both have staff vacancies at present, which are partly offsetting a significant £0.61m forecast income shortfall from planning, building control, pest control and licensing fees.

REVENUE BALANCES, CONTINGENCY AND RESERVES

Key Reserves

The following table shows the balances of key reserves at the beginning of the year, planned use, and expected balance at the year-end based on current forecast:

	Balance as at 01/04/2022 £'m	Projected Use / Commitments £'m	Estimated Balance 31/03/2023 £'m
Revenue Budget Contingency	3.74	(0.54)	3.20
Financial Planning and Smoothing Reserve	3.56	(0.68)	2.88
Transformation Investment Reserve	2.40	(0.83)	1.57
Covid Contingency Reserve (Govt grant)	5.57	(3.15)	2.42
Restructuring & Severance Reserve	1.90	0.00	1.90

Reserves and Flexible Capital Receipts

3.8 Flexible Capital Receipts are being utilised for revenue spend that results in ongoing revenue savings. A five-year estimated use of £11.5m was agreed as part of budget setting in February 2022, this has now been updated to reflect the re-profiled requirement and re-phasing into 2022/23 as follows

	Actual Usage 2017/18 to 2021/22 £'m	Forecast Usage 2022/23 £'m	Available Balance 2023/24 £'m	Est Total Usage £'m
Flexible Capital Receipts	8.09	0.50	2.91	11.50

3.9 Unapplied capital receipts of £3.129m was carried forward from 2021/22 and £1.039m has been received in 2022/23. The remaining £3.5m budgeted for receipt in 2022/23 is now expected to be received during 2023/24.

General Fund Un-Earmarked Reserve

3.10 The General Fund Un-Earmarked Reserve is retained to meet the Council's key financial risks. The risk assessment has set a range of between £11.9m and £13.2m to meet those risks in the 2022/23 financial year. The reserve has a

current uncommitted balance of £12.6m in line with the level reported in the 2022/23 Budget Report.

SAVINGS PERFORMANCE

3.11 The 2022/23 revenue budget approved savings of £11.87m. Delivery of these savings are monitored throughout the year, with £10.63m forecast as achieved at the end of December, representing 90% delivery. Of the £1.24m not current achieved, £0.09m are being mitigated through savings elsewhere in the respective service, £1.12m of savings are delayed until 2023/24 and £0.03m are resulting in unavoidable pressures. The most significant undelivered savings are £0.92m of Children's Transformation Project savings, which have been reprofiled to future years in the 2023/24 – 2025/26 Budget Proposals.

3.12 The Council's financial position, along with its financial management arrangements and controls, are fundamental in continuing to plan and provide services in a managed way, particularly in light of the medium-term financial challenge. Close monitoring of the financial situation provides information on new risks and pressures in service areas, and appropriate management actions are then identified and agreed to manage and mitigate those risks.

Revenue Budget Virements

3.13 Any revenue budget virements which require Cabinet approval are listed in Appendix 3(i). Technical budget adjustments are also shown in Appendix 3(i) for information purposes, as required by the Budget Management Scheme.

COUNCIL TAX, COUNCIL TAX SUPPORT AND BUSINESS RATES

3.14 The number of people claiming Local Council Tax Support (LCTS) has continued to fall since the peak experienced in 2020/21 as a result of the economic impact of the pandemic. The 2022/23 tax base allowed for the same number of recipients as at the end of November 2021 to continue into 2022/23 with budgeted costs of LCTS set at £10.56m. The cost at the beginning of April was £10.20m and there has been a gradual reduction over the year, in line with a fall in working age claimants, with the cost at the end of December £9.71m. This is currently £0.85m below the budget estimate which would lead to a Council Tax Collection Fund surplus if the position remained at this level at year end. The number of working age claimants at the end of December was 5,751 compared to the budget assumption of 6,385. The reduction is due to claimants ceasing to be entitled to LCTS, for example where they have returned to employment or their income has increased.

3.15 The actual outturn position on LCTSS and the impact on the Council Tax collection fund will depend on a number of variables, including the change in number of claimants and the period claimants remain eligible for support whilst seeking employment and this will continue to be monitored closely during the remainder of the year.

3.16 The other factors which can impact on the Collection Fund, including the number of chargeable dwellings and exemptions and discounts, have been reviewed using quarter 3 data and are broadly in line with budgeted levels. This includes a correction to the forecast estimate made in the previous quarter. The current

forecast is for an in year £0.8m surplus on the Collection Fund in respect of Council Tax, of which the Council's share is £0.6m. This represents a positive variance of 0.6% against the 2022/23 forecast income.

3.17 The Council's share of the improved 2021/22 Council Tax Collection Fund final outturn position of £0.3m, as reported to Cabinet in July, and the adjustment for the three year spreading of the 2020/21 deficit of £0.5m, and the in-year projected surplus have been reflected in the 2023/24 Budget Report in line with the required Collection Fund accounting arrangements.

Business Rates

3.18 The government announced, as part of the Chancellor's Budget Statement in October 2021, that it would introduce a new retail, hospitality and leisure business rate relief scheme for 2022/23. This follows previous relief schemes for these businesses that operated during 2020/21 and 2021/22. The 2022/23 scheme provides for 50% business rates relief, capped at £110,000 per business for eligible properties.

3.19 The Council will be recompensed for the reduction in business rate income arising from this relief via a s31 compensation grant. As at the end of December retail relief of £4.4m had been granted. This is £4.6m lower than the £9.0m budget estimate due to changes in eligibility criteria received after the original estimate was made. This will lead to a surplus in the Collection Fund in 2022/23 with a corresponding reduction in s31 compensation grant income which will be smoothed through the business rate reserve.

3.20 The government announced a new £1.5bn Covid-19 Additional Relief Fund (CARF) in March 2021. The fund is available to support those businesses affected by the pandemic, but that are ineligible for existing support linked to business rates. Guidance on the fund was issued on 19 December 2021 and the relief has been processed during 2022/23. The CARF allocation for Bath & North East Somerset area is £4.3m of which the Council's share is £4.0m. The actual allocations made as at the end of December are £3.95m. The negative impact on the Collection Fund of granting the relief will be fully mitigated by s31 compensation grant received from the government.

3.21 Empty property relief was £5.0m at the end of December which is a reduction of £0.2m on the 2021/22 year end position and is below the £5.8m allowance included when setting the business rate income forecast for 2022/23. The forecast overall impact on the business rates collection fund position in relation to reliefs will be closely monitored during the remainder of the year.

3.22 Taking these factors in account, the current in year forecast for the Business Rate element of the collection fund is for a surplus of £0.8m, after allowing for the net impact on s31 grant funding in respect of the retail and CARF reliefs.

3.23 The table below shows the overall forecast position on the Collection Fund for Business Rates. Including the surplus carried forward from the 2021/22 outturn position and the adjustment for 3 year deficit spreading, it shows an overall projected surplus of £4.7m of which the Council's share is £4.4m.

Business Rates Collection Fund	Total (£m)	B&NES Share (94%) (£m)
Collection Fund - Projected 2022/23 In Year Surplus	-1.45	-1.36
Less impacts of reliefs funded through s31 grant:		
Reduced Retail Relief	4.58	4.31
Covid Addition Relief Fund	-3.95	-3.71
In Year Surplus after Extended Retail Relief & CARF s31 grant funding	**-0.81**	**-0.76**
2021/22 Surplus carried Forward	-4.89	-4.59
3 Year Deficit Spreading Adjustment	0.99	0.93
Total Projected Surplus	**-4.71**	**-4.43**

3.24 As set out in the Budget Report, 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 and this position will be reflected in the 2023/24 budget. The balance on the Business Rate Reserve as at 1st April 2022 was £5.942m, this includes the £2.2m transfer from the reserve approved in the 2022/23 budget report. The reserve is currently forecast to reduce to £1m by year end, due to the required smoothing of the s31 grant timing impacts, with the reserve returning to £6.5m in 2023/24 after the forecast Collection Fund surplus is transferred in.

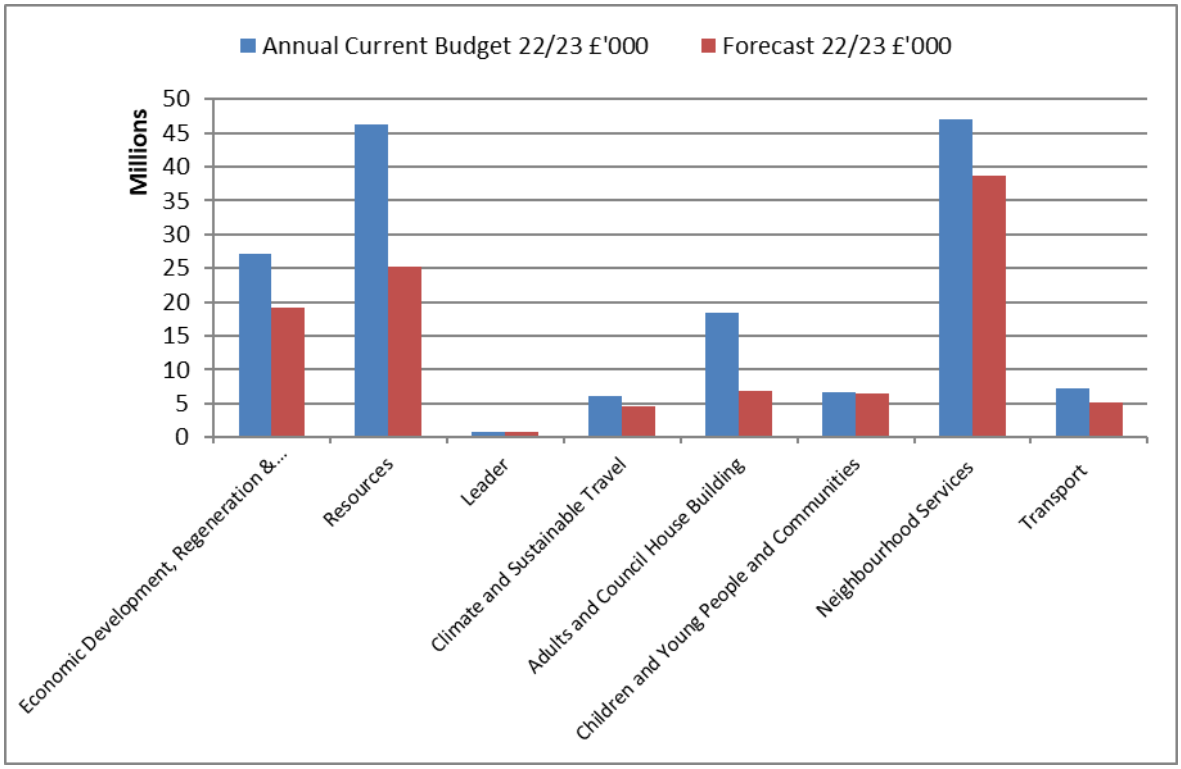
CAPITAL BUDGET

3.25 The current position of the 2022/23 Capital Programme is a forecast spend of £107.1m against a budget of £159.6m. The variance of £52.5m is due to project slippage which is detailed below. The full breakdown of the Capital Programme by Portfolio can be found in Appendix 4(ii) with key scheme commentary in Appendix 2. Appendix 4(i) sets out budget changes actioned since the February Budget setting.

Portfolio Summary Monitor	Annual Current Budget 2022/23 £'000	Forecast 2022/23 £'000	In-Year Variance 2022/23 £'000	*Forecast Re-phasing to 2023/24 £'000*	*Other Variance 2022/23 £'000*
Economic Development, Regeneration & Growth	27,117	19,193	7,924	7,924	0
Resources	46,300	25,311	20,989	20,989	0
Leader	798	778	20	20	0
Climate and Sustainable Travel	6,028	4,603	1,425	1,425	0
Adults and Council House Building	18,330	6,850	11,480	11,480	0
Children and Young People and Communities	6,740	6,451	289	289	0
Neighbourhood Services	47,082	38,664	8,418	8,418	0
Transport	7,206	5,230	1,976	1,976	0
Grand Total	**159,601**	**107,079**	**52,521**	**52,521**	**0**

Note: Some of the figures in this table are affected by rounding

The graph below illustrates the value and forecast against budget for all in year capital budgets by Cabinet Portfolio:



Capital Commentary

3.26 A number of schemes are expecting to re-phase into future financial years, the key in-year variances on the programme being:

- **Economic Development, Regeneration & Growth** - £4.1m variance for Bath Quays North reflecting programmed slower scheme delivery while viability continues to be assessed and the £3.1m rephasing on Bath Western Riverside results from a revised delivery programme.
- **Resources** - £12.1m variance for Property Company Investment, as the Aequus construction activity forecast expects their larger schemes now to progress from 2023/24 onwards, resulting in later draw-down of loans. Proposals for Commercial Estate Refurbishment have been developed and prioritised, with £2.5m of works now expected to be delivered in 2023/24. Expected rephasing of Corporate Estate Planned Maintenance is £0.7m and the repairs to Orange Grove of £0.6m will be undertaken in 2023/24 after surveys are completed in quarter 4. Forecast adjustments also include earmarking of £2.9m Flexible Use of Capital receipts in future years and £1.5m Corporate Contingency for City Centre Security Budget Proposals.
- **Climate and Sustainable Travel** - £1.1m variance reflects Clean Air Zone funding and delivery programme which can continue into 2023/24.
- **Adults & Council House Building** – The Social Rent Programme budget approval gave flexibility to allow possible full delivery in 2022/23. As plans have advanced during the year, rephasing of £9.8m to future years has been identified to align to the current delivery profile.
- **Neighbourhoods** – A rephase of £5.5m of Pixash Site Redevelopment is anticipated with the current programme plan being for the public Reuse and Recycling Centre (RRC) to open in Spring 2023 with relocation of operations later in 2023/24. Rephasing of £1.2m Vehicle Replacements also reflects the later delivery of new assets for orders which have been placed during the year.
- **Transport** – Bath Transport Package was jointly funded with Department for Transport (Dft) grant which enhanced public transport infrastructure. Rephasing of £1.6m supports budget proposals to fund other capital schemes including further Park and Ride Improvements in 2023/24.

RISKS

The key risks to the budget were outlined in the Councils 2022/23 Budget Report, in compliance with the Council's decision-making risk management guidance. These have been reviewed and are listed below, along with any additional emerging risks:

Risk	Likelihood	Impact	Risk Management Update
Reinstated 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	Likely	High	There is the risk of built-up demand on Council services and backlog because of operational activity that has been diverted to managing the Covid

backlog			pandemic over the last three years. 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	There are risks in the retail & hospitality sector from a challenging labour market that is impacting recruitment to these sectors, so this may have an impact on business viability and income from Council tenants. A potential national recession would increase this risk further.
Contract inflationary pressure	Likely	High	With increase in wage, energy 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. Capital Schemes may need to be paused due to unfunded viability gaps due to increased supply chain costs.
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 changing customer expectations and international travel. We anticipated income will not fully recover in the medium term and growth was built into the medium terms financial plan between 21/22 and 24/25. Net income is budgeted to exceed pre-pandemic levels by 24/25.
Impact on Reserves	Possible	High	Without additional government grant in recognition of unfunded inflationary pressures there is the risk that Council reserve levels are not enough to manage in-year and future years risk.
Interest rates increase	Likely	Medium	A reserve is available for borrowing to manage market risk and long-term borrowing costs have been factored into the longer-term MTFS. Borrowing rates have increased by around 2% since the start of the financial year with increased volatility in recent months following market concern over the UK economy and public finances. The latest forecast from our treasury management advisors is that borrowing rates will remain under upward pressure in the short term on inflation and central bank policy expectations, and investor uncertainty. Yields are forecast to fall slightly over the medium term as weak growth places pressure on central banks to ease policy. The Council will continue to consider shorter term borrowing options alongside the PWLB.
Volatility and uncertainty around business rates	Likely	High	The impacts of the current economic challenges 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	Likely	High	Need to monitor and continue to highlight impact

Government Policy that affects future funding			
Brexit risks	Likely	Medium	The short to medium term impacts of Brexit on the Councils supply chain and labour market may result in contractual cost pressures from customs tariffs that previously did not apply.
Funding pressures through WECA, ICB and other partners	Possible	Medium	Ensure good communication links with partner organisations.
Capital receipts in the areas identified are insufficient to meet target	Possible	Medium	There is a risk that a depressed market will impact on current values, in the short to medium term the Council should not rely on capital receipts as a key funding source.

4 STATUTORY CONSIDERATIONS

4.1 The annual medium-term financial planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities. This report monitors how the Council is performing against the financial targets set in February 2022 through the Budget setting process.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 The financial implications are contained within the body of the report.

6 RISK MANAGEMENT

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

6.2 The substance of this report is part of the Council's risk management process. The key risks in the Council's budget are assessed annually by each Director, with these risks re-assessed regularly as part of the budget monitoring process.

7 CLIMATE CHANGE

7.1 The Medium Term Financial Strategy and budget process aligns resources towards the corporate priorities and objectives set out in the Corporate Strategy, which includes tackling the climates emergency. This report monitors the Council's financial performance against those budgets. and therefore does not include any decisions that have a direct impact on Climate Change.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

9.1 Consultation has been carried out with the Cabinet Member for Resources, Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

9.2 Consultation was carried out at meetings and via e-mail.

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Background papers	*N/A*
Please contact the report author if you need to access this report in an alternative format	