Bath & North East Somerset Council	
MEETING:	**Council**
MEETING DATE:	**21st February 2023**
TITLE:	**Budget and Council Tax 2023/24 and Financial Outlook**
WARD:	All

AN OPEN PUBLIC ITEM

List of attachments to this report

Annex 1: Revenue Budget 2023/24 – individual service cash limits
Annex 2: (i) 2023/24 to 2025/26 Budget Savings and Income proposals & (ii) 2023/24 to 2025/26 Funding Requirements.
Annex 3: Equalities Impact Assessment of 2023/24 to 2025/26 Savings Proposals
Annex 4: Efficiency Strategy
Annex 5: Draft Capital Programme 2023/24 to 2027/28
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 2023/24
Annex 9: Advice of Monitoring Officer on the Budget Setting Process
Annex 10: Budget 2023/24 Consultation Report
Annex 11: Fees & Charges Brochure 2023/24
Annex 12: Formal Council Tax Setting Resolutions (incorporating precepts from Parishes, Fire, and Police) – TO FOLLOW

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 2023/24.

2. RECOMMENDATIONS

2.1 The Council approves-

a) The General Fund net revenue budget for 2023/24 of **£131.03m** and the individual service cash limits for 2023/24 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 2.99% in 2023/24 (an increase of £47.10 per Band D property or 91p per week).

d) An increase of 2% to Council Tax for the Adult Social Care Precept in recognition of the current demands and financial pressures on this service. This is equivalent to an increase of £31.50 on a Band D property (61p 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 £11.6m - £12.8m.

f) To note the Children's Services management plan set out in section 5.2.7 of the report.

g) The Efficiency Strategy attached at Annex 4.

h) The Capital Programme for 2023/24 of £87.89m including new and emerging capital bids outlined in Annex 5(i), planned sources of funding in 5.8.2, and notes the programme for 2024/25 to 2027/28 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.

i) 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.

j) The Community Infrastructure Levy (CIL) allocations and amendments outlined in Annex 5(v).

k) The Capital & Investment Strategy attached at Annex 6.

l) The MRP Policy attached at Annex 7.

m) The Capital Prudential Indicators outlined in 5.8.6.

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 2023/24 shown in the following link: https://beta.bathnes.gov.uk/sites/default/files/2023-01/Proposed%20Council%20Tax%20reduction%20scheme%20April%201%202023%20-%20March%2031%202024.pdf and referred to in 5.3.5

q) To approve the Fees and Charges schedule for 2023/24 at Annex 11 and support its publication following approval of the budget.

2.2 That the Council approves the technical resolutions that are derived from the budget report, and all the figures in that report, including the precepts for towns, parishes and other precepting bodies as set out in Annex 12.

2.3 That the Council 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 Council note the budget consultation responses in Annex 10.

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

The resource implications are contained within the body of the report

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSALS

A local authority has a statutory duty to set an annual budget and Council Tax. The advice of the Council’s Monitoring Officer regarding the budget setting process is attached at Annex 9.

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 2023/24 Budget Summary

The Medium-Term Financial Strategy (MTFS) was approved in November 2022 and outlined how the budget would be delivered over the medium to long-term. This incorporates the continuing impact of the Covid pandemic on the Council’s income levels together with the severe inflationary pressures from the ‘Cost-of-Living crisis’. 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 2023/24 and a current projected budget gap for 2024/25 and beyond although this is expected to reduce to a balanced position once the impacts of returning income and further efficiencies are factored in to budget planning. The figures include all estimates for future pay awards, pension costs, Council Tax, business rates, Government grant, and inflation. The revenue budget contingency for inflationary pressures has been replenished with a further £1m to the £1.67m added in 2022/23 which has been allocated for in year contract pressures.

The budget has been developed considering how to operate with a higher cost base and lower income levels 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 2023/24 budget is a funding gap of £14.38m. The proposed budget meets this funding gap in two ways:

1) Income generation plans of £5.09m.
2) Cost reduction plans of £9.29m.

The ongoing impact of high inflation together with a reduction in income has created a short-term 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. The Council revenue support grant has reduced from £31m in 2013/14 to £0.8m per annum in 2023/24 and as a result we have become more reliant on external income to help fund core Council services. After considering demands on services and inflationary pressure the Council revenue budget requires £17.52m in budget growth, this is funded through increases in Council tax, income and savings plans and grant adjustments. This is highlighted in more detail in section 5.2.5 of the report and supporting annex's.

The budget includes a recommendation that general Council Tax is increased by 2.99% in 2023/24 (an increase of £47.10 per Band D property) and the Adult Social Care Precept is increased by 2% (an increase of £31.50 per Band D property). This results in a total proposed Band D Council Tax for Bath and North East Somerset Council next year of £1,653.90 (£1,575.30 in 2022/23) an overall increase of 4.99% and £78.60 per Band D (£1.51 per week).

The proposed net revenue budget for Bath and North East Somerset for 2023/24 is £131.03m.

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:

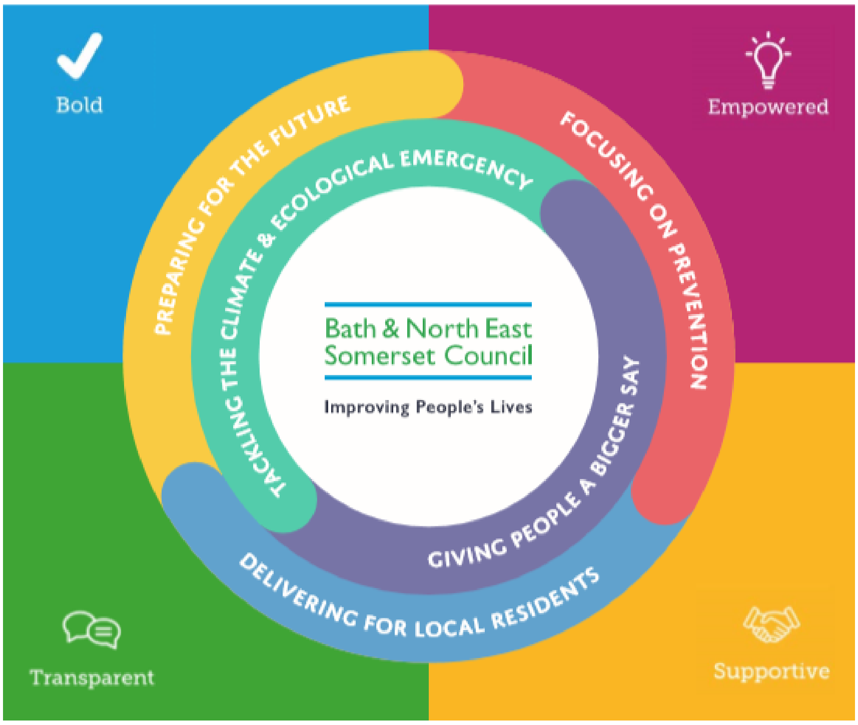
ONE: We have **one** overriding purpose – to improve people's lives.

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 and reductions in vehicle usage.
- Focus on supporting the local economy to recover from the impact of the pandemic and rising inflation, regenerate local high streets and increase the diversification of the economy away from dependence on retail, hospitality and tourism.
- Support the Business Change programme to modernise the council with a focus on improved asset management and flexible working.

5.2 The Revenue Budget 2023/24

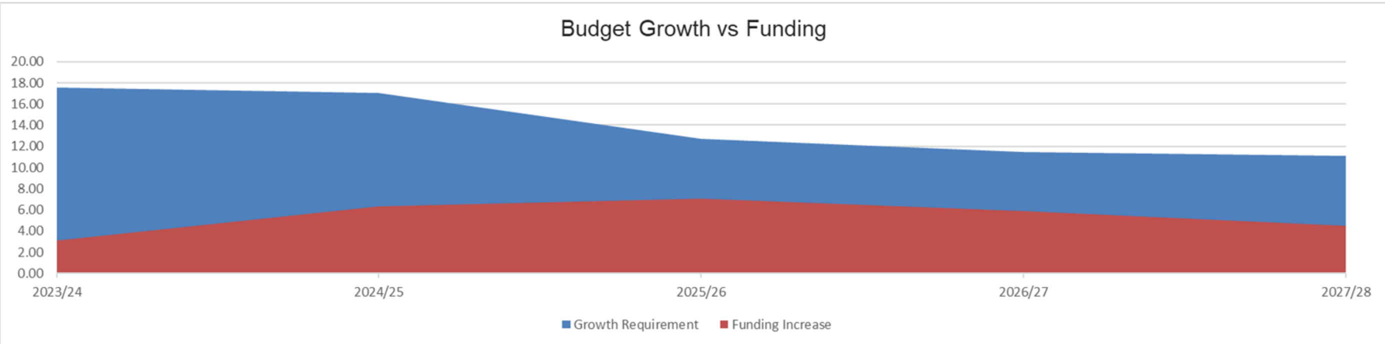
5.2.1 **2022/23 Current Budget Position**

The Council is currently forecasting an over budget position at Quarter 3 of £1.48m at year end. The pay settlement was significantly higher than anticipated when setting the 2022/23 budget last year and as such has meant services have been required to mitigate through vacancy management and reducing discretionary spend where possible. Coupled with this are significant inflationary and demand pressures, this has had a material impact on Children's services, which like many councils, has meant this year has been financially challenging. However, increases in interest rates have had a positive impact on our high cash balances, the borrowing requirement for the capital programme has been reduced, whilst strong visitor recovery in Bath has meant increased income for our Heritage and Parking services. All of which has part mitigated the aforementioned pressures. Financial recovery actions continue to be put in place to further mitigate the over budget position to bring the Council back into budget by year-end. Recurrent service budget pressures that cannot be mitigated have been incorporated into the funding requirement for 2023/24.

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					
	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Growth Requirement	17.52	17.02	12.69	11.48	11.09	69.80
Funding Increase	3.14	6.37	7.09	5.91	4.53	27.05
Annual Funding gap	**14.38**	**10.65**	**5.60**	**5.57**	**6.56**	**42.76**
Savings Proposals	**14.38**	**0.69**	**1.05**	**0.00**	**0.00**	16.12
Remaining Funding Gap	**0.00**	**9.96**	**4.55**	**5.57**	**6.56**	**26.64**



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 2023/24	2024/25	2025/26	2026/27	2027/28
Budget Requirement (Previous Year)	**126.74**	**131.03**	**137.40**	**144.49**	**150.40**
Budget Adjustments	1.00	0.00	0.00	0.00	0.00
Pay & Pension	5.80	2.89	2.87	3.47	3.33
Demographic Growth	1.71	1.71	1.71	2.71	2.71
Contract Inflation	3.72	5.36	2.28	2.32	2.32
New Homes Bonus Pressure	1.61	0.42	0.00	0.00	0.00
Capital Financing	0.87	2.01	1.78	0.99	1.21
Settlement grant funding	(4.67)	(2.54)	5.07	0.00	0.00
Budget pressure / rebasing	7.49	1.62	(1.03)	2.00	1.52
Funding Requirement Sub Total	**17.52**	**11.48**	**12.69**	**11.48**	**11.09**
Draft Budget Before Savings	**144.27**	**142.50**	**150.09**	**155.97**	**161.49**
Proposed Savings Plans	(14.38)	(0.69)	(1.05)	0.00	0.00
Estimated Savings Required	(0.00)	(9.96)	(4.55)	(5.57)	(6.56)
Savings Requirement Sub Total	**(14.38)**	**(10.65)**	**(5.60)**	**(5.57)**	**(6.56)**
Budget Requirement	**129.89**	**131.86**	**144.49**	**150.40**	**154.93**
Business Rate Relief Adjustment*	1.14	5.54	0.00	0.00	0.00
Revised Budget Requirement	**131.03**	**137.40**	**144.49**	**150.40**	**154.93**
Funding of Budget Requirement					
Council Tax	113.89	120.33	123.95	127.68	131.52
Business rates retention*	24.28	21.37	22.04	22.72	23.41
Reserve transfers From	0.25	0.00	0.00	0.00	0.00
Reserve transfers (To)	(7.39)	(4.30)	(1.50)	0.00	0.00
Funding of Budget Requirement Total	**131.03**	**137.40**	**144.49**	**150.40**	**154.93**

** Budget adjustment realigns s31 grant income for 2023/24 from government funded business rate relief compensation. The adjustment in 2024/25 assumes the Retail Relief scheme ends, so s31 grant income reduces with a corresponding increase in the amount of Business Rate Retention.*

The forecast includes the following cost pressures and assumptions:

- **Pay Inflation** – Estimated 3.00% per annum until 2025/26 (1% additional contingency in 2023/24), 2% thereafter with (+ 1% corporate contingency).
- **Council tax** – General assumed at 2.99%, Social Care precept 2% until 2025/26.
- **Pension Costs** – Have been revised in line with the recent revaluation no increase until the next fund revaluation which is due in 2025/26 for 2026/27 budget setting.
- **Demographic Growth & Increase in Service Volumes** – Additional demand from new placement and market pressures in Adult & Children Social Care;
- **Interest Rates** - Higher interest rate to follow movement in Bank of England base rate currently 3.50% for treasury management cash investments. The Council has fixed investment budget interest rates at 3.75% based on interest rate forecasts for 2023/24;

- **Inflation** – CPI projections modelled on a higher rate between 5-10% as per the Bank of England MPC forecasts.
- **Budget Pressures / Rebasing*** – 2023/24 budget rebasing takes into account current pressures on demand driven services including Children's Services and Waste.
- **Capital Spending** – an allowance has been made to fund previously agreed provisional schemes requiring borrowing.
- **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;
- **New Priorities** – from April 2023 will be developed with the new Council administration as part of the Corporate Strategy and have not yet been factored into the plan.
- **Reserves** – Service delivery risks for 2023/24 have been assessed against un-earmarked general reserve for unbudgeted in year risks.

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

5.2.3 The Government Settlement

The Final Settlement was received on 6th February 2023 and final grant allocations have been reflected in this report.

- **Revenue Support Grant (RSG)**

As a result of a further delay in the Fairer Funding and Business Rate Retention Review, the Council will continue to receive the Revenue Support Grant (RSG) in 2023/24 of £0.779m (2022/23 £0.517m). The increase reflects the transfer into RSG of £0.210m in respect of the specific grants listed below, based on 2022/23 grant amounts, and an inflationary uplift of £0.052m on the core RSG:

- Family Annexe Council Tax discount grant - £0.032m
- Local Council Tax Support Admin grant - £0.172m
- Food Safety and Standards Enforcement grant - £0.006m

The RSG allocated to B&NES has been rolled into the 100% Business Rate Pilot Scheme, with the Council retaining an equivalent amount of business rates instead of receiving a RSG payment.

- **Services Grant & Lower Tier Services Grant**

The Lower Tier Services Grant has been removed for 2023/24, the Council received £0.20m in 2022/23. The Services Grant has been reduced from £1.63m to £0.96m in 2023/24, the reduction includes adjustment to remove 2022/23 funding for the increase in Employer's National Insurance following the Chancellor's decision to reverse this. The Council's pay budgets have been adjusted to reflect the change in National Insurance rates.

- **Business Rate Levy Surplus Account Grant**

  As part of the Business Rate Retention Scheme, the government reviews the balance of the national Levy Account based on levy payments received and safety net payments made. The final settlement includes a new grant based on distribution of the £100m assessed surplus on the Levy Account. Allocations are distributed pro rata to Settlement Funding Assessment (SFA) and the Council's share of the grant is £199k. This grant is assumed to be one-off for 2023/24 only.

- **New Homes Bonus**

  The New Homes Bonus is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.

  The Provisional Settlement has outlined continuation of the changes made to the funding arrangements for New Homes Bonus since 2020/21, pending an announcement on the future position of the scheme ahead of the 2024/25 local government finance settlement. This results in a 2023/24 New Homes Bonus grant payment of £0.425m for new housing growth over the past year, a reduction of £1.612m from 2022/23, as prior year legacy payments drop out. The settlement announced that the grant element for 2023/24 would only be paid for one year without the further 3 years of legacy payments which were made for growth rewarded in 2019/20 and prior years. The table below shows the annual remaining funding. The settlement announced that the national housing growth baseline adjustment would remain at 0.4% for 2023/24.

	Total New Homes Bonus Grant		
Payment relating to:	**2022/23 £'m**	**2023/24 £'m**	**2024/25 £'m**
2023/24		0.425	
2022/23	0.645		
2021/22			
2020/21			
2019/20	1.392		
Total	**2.037**	**0.425**	**0.000**

- **Social Care Grant**

  The December 2022 provisional settlement has confirmed an increase of £4.09m in Social Care grant funding taking the total grant for 2023/24 to £10.07m. This increase includes the transfer into the grant of the Independent Living Fund (ILF) grant of £0.43m. After taking account of the ILF transfer, the net increase of £3.66m will be allocated to fund Children's Social Care demand pressures in line with previous years use of the Social Care grant. The government has funded the 2023/24 increase through delaying Adult Social Care charging reform until October 2025, and in line with this the MTFS assumes the 2023/24 additional funding will be removed in 2025/26.

- **Adult Social Care Market Sustainability & Improvement Fund Grant**

  The December 2022 provisional settlement included grant funding for 2023/24 of £1.709m through the Market Sustainability & Improvement Fund Grant, an increase of £1.216m on the 2022/23 grant of £0.493m. This funding is assumed as recurrent in the base budget.

- **Adult Social Care Discharge Fund Grant**

  The December 2022 provisional settlement included new ring-fenced grant funding for 2023/24 of £0.687m through the Adult Social Care Discharge Fund 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 Integrated Care Boards (ICBs) and Local Authorities to pool budgets and agree an integrated spending plan, owned by the health and wellbeing board. 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 ICB Better Care fund for 2023/24 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 ICB budgets for the Joint Community Services contract with HCRG Care Services and associated sub-contracts. The CCG contribution is expected to rise in line with planned NHS uplifts once confirmed. For 2022-23 this increase was 5.66%.

  The Council budget assumes that the funding transfer of £14.1m NHS mandated minimum contribution will remain consistent with prior years; with £10.15m of this funding transferred in 2022/23 for Council commissioned schemes under the S75 pooled budget arrangements.

  The December 2022 settlement has confirmed that the existing improved Better Care Fund social grant will be maintained at the same value as 2022-23, for B&NES this is £4.9m. This will protect the Better Care Fund schemes that have committed this funding on an annual basis.

- **Business Rates**

  It has been confirmed that the 100% Business Rate Retention Pilot will continue into 2023/24. The Medium Term Financial plan currently assumes that the estimated benefit of approximately £3.2m will be removed in 2024/25 as part of the review of Local Government Financing. At this stage it is entirely unclear what funding arrangements will exist for local government in future financial years.

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.

The next Business Rate Revaluation will take place from 1st April 2023 and the government has confirmed that it will adjust each local authority's top-up or tariff to ensure that as far as practicable a local authority's retained income from business rates is no more, or less, than it would have been had the revaluation not taken place.

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:

- An increase in relief for eligible retail, hospitality and leisure properties to 75% from 50% 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).
- A more generous Transitional Relief scheme to protect businesses from increases following the 2023 revaluation.
- A Supporting Small Business Relief scheme covering 2023/24 to 2025/26 to help businesses losing small business rates relief or rural rates relief.

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.

2022/23 Business Rate Collection Fund Surplus

The current forecast for the Business Rate element of the collection fund is for a surplus of £4.7m, after allowing for the net reduction of 2022/23 s31 grant funding in respect of the extended retail relief and the Covid Additional Relief Fund. The table below shows the Council's share of the current estimated surplus is £4.4m. The surplus is due to the favourable outturn position carried forward from 2021/22 of £3.9m, including the adjustment for 3 year spreading, and a small in year forecast surplus of £0.8m, and has been transferred to the Business Rate Reserve. The reserve transfer will replenish the Business Rate Reserve, which will be used in 2022/23 to fund the revenue impact of reduced Retail Relief s31 grant which is forecast to be £4.3m lower than the £8.5m budget due to changes in eligibility criteria received after the original estimate was made.

Business Rates Collection Fund	Total (£m)	B&NES Share (£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 Additional Relief Fund	-3.95	-3.71
In Year Surplus after 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**

- **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 2023 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 2023.The underlying overspend on the DSG including the High Needs Block was £13.4m in 2021-22 and that balance was carried forward to 2022-23. The estimated forecast in 2022-23 (including the carry forward from 2021-22) is £19.6m.

The Government have been allocating additional ongoing funding for High Needs through the DSG in 2023-24 and B&NES has been allocated a further £2.2m. Additionally, to recognise pressures in schools the DFE have issued a supplementary grant with B&NES receiving a further £1.3m towards pressures in high needs. However, this is unlikely to be sufficient to meet current demand.

The DFE have invited B&NES to participate in the national DSG Safety Valve programme where the DFE require the LA to produce a recovery plan and if agreed the DFE will support the eradication of the on going cumulative deficit. Officers have been working on the submission and are having ongoing discussions about the details of that plan. It is anticipated that the outcome will be known during February 2023.

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**

To deliver a balanced budget in 2023/24 savings and income generation plans total £14.38m, with income and savings to find of £9.96m in 2024/25. This will be reviewed early in the 2023/24 financial year to enable early budget planning to develop robust and deliverable proposals for the 2024/25 budget. The Council has a good track record of delivering proposed savings. In relation to the 2022/23 approved savings of £11.87m, 90% (£10.63m) have been delivered in full, 1% (£0.09m) have been mitigated by one-off underspends in year, with the remaining 9% delayed until 2023/24.

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

5.2.5 **Budget Funding Requirements**

Budget growth and additional pressures across portfolios of £17.52m have been added to ensure that the budget remains robust and to add additional budget funding to areas that require rebasing. This does not mean that savings cannot be found from these areas in future once savings opportunities are identified, but this ensures that spend and budget are aligned especially in high demand areas. Growth and pressures are outlined in Annex 2.

The material items requiring additional funding on top of annual budget adjustments are listed below, this illustrates some of the economic and financial challenges the Council is facing post pandemic and as a result of rising inflation.

- Investment in Neighbourhoods services £1.9m
- Children's Services budget rebasing £2.46m
- Education Services budget rebasing £1.6m
- Home to School Transport £1.1m

In addition, the budget has incorporated £0.177m one-off funding for the introduction of a new Ward Councillor Empowerment fund to be used by 2025/26, and £0.33m ongoing funding for the Councils Business Change programme detailed below.

5.2.6 **Business Change**

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

The current programmes of work are as follows:

<u>Customer Experience programme</u>
This programme of work aims to modernise the way we interact with customers using a digital first approach and includes the following outcomes:

- Residents/communities have greater access to the services and products they need
- A reduction in number of telephone calls, emails and letters received / sent out.
- A reduction in customers needing to contact us many times about the same issue.
- Simple, high volume, repetitive tasks are automated rather than manual.
- Core customer contact processes embedded within organisation
- All services follow the corporate customer service standards
- Customers clear about how, when and where they can contact us.

<u>Children's Services and Education transformation</u>
This programme initially is focussing on reviewing and improving the way we record data and make payments and relies on the development of a digital solution. The key outcomes are:

- Data and finance are managed robustly, and a long-term direction of travel and action plan is agreed
- The service can more easily link activity to payments.
- Support and interventions for children and families can be measured and the effectiveness can be easily tracked through the system

<u>Corporate Landlord model</u>
This programme supports the service to develop a Corporate Landlord Model. The key outcomes are:

- Development of a target operating model and implementation and embedding of a Corporate Landlord Model.
- Driving of efficiencies and associated savings from economies of scale and a common approach to assurance.
- Ensuring that Council services occupy property that is in the right location, fit for purpose, economic to occupy, and compliant with statutory and regulatory codes
- Our estate leads by example in the contribution it makes to making Bath and North East Somerset carbon neutral and climate resilient by 2030.
- Our assets and property related activities support income generation, regeneration, economic development and housing objectives, creating vibrant and sustainable communities.

<u>Working Well Together</u>

This programme continues the development of our corporate office estate to enable a working environment for the future and includes the following outcomes:

- The corporate office estate will be modern and accessible to support the workforce to work and deliver services in a safe, efficient and effective way
- Our workforce has access to the right resources to work well and deliver services
- The front door to the organisation represents our organisation's principles & values
- The whole workforce has digital access to resources and have the skills, support, and time to use it.

The Hub was funded for the first year from the Transformation Reserve during which time recruitment to key posts has taken place. A series of templates have been developed to include PIDs, a programme brief and a target operating model and a dashboard is being finalised to provide performance data for each programme of work.

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 **Children's Services Management Plan**

Our children's services are rated good by Ofsted. A recent independent assessment by CIPFA (Chartered Institute of Public Finance & Accountancy) found that whilst services remain good they are under stress. There are a number of contributing factors including a significant increase in the number of looked after children, demand for early help services exceeding capacity, high cost of placements, a shortage of local residential placements and an increase in staff turnover resulting in greater use of agency personnel.

The council recognises that this position is not sustainable and that changing how we do things is a priority. The children's transformation programme requires cross council support, will take several years and is one of a small number of very high priority change programmes for the council. The components of which will include:

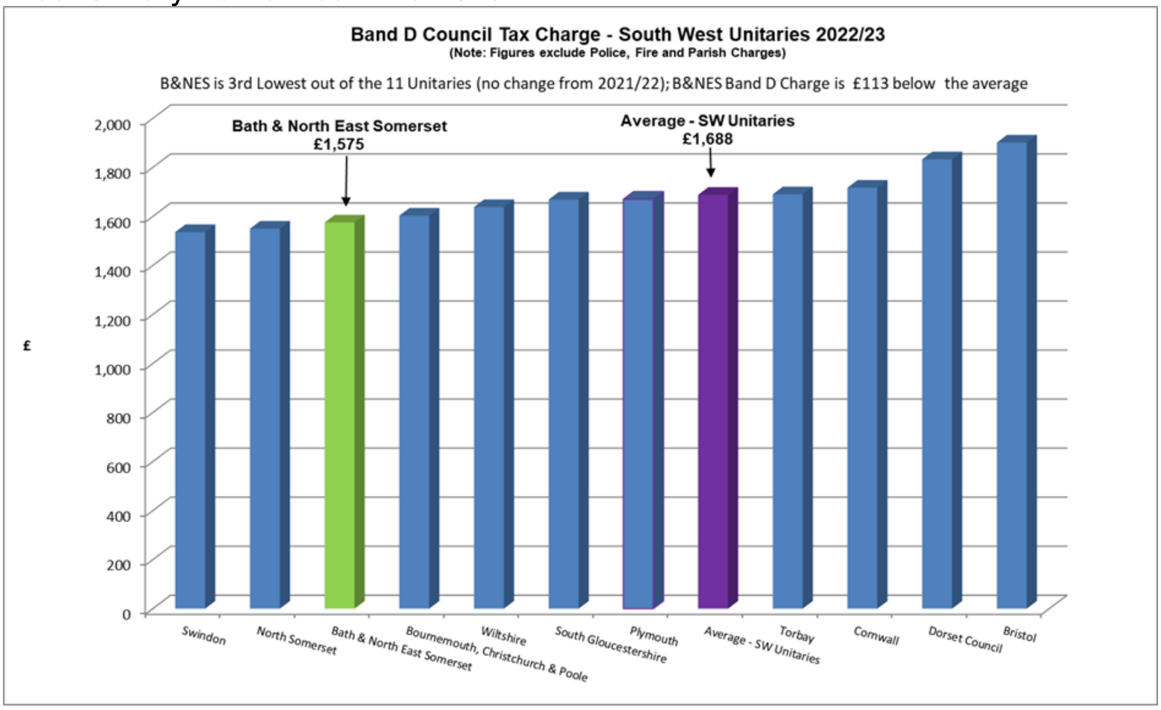
- Enhancing early help and prevention, for example family group conferencing and reunification
- Continued recruitment of our own foster carers and build on our nationally recognised fostering family programme
- Provision of local residential accommodation and education arrangements
- Develop our arrangements for young people as they move from children to adult services
- Put in place a workforce strategy
- Improving financial management awareness, decision making, controls and governance across teams and functions

5.3 Council Tax

5.3.1 Band D Equivalent Council Tax

The Provisional Settlement has stated an increased referendum cap of 3% reflecting the government's need to reduce local government spending. The proposal therefore within this report is to increase general Council Tax by 2.99% in 2023/24. This will increase a Band D by £47.10 for 2023/24 to £1,434.69. The overall proposed Band D Council Tax for Bath and North East Somerset Council next year including the Adult Social Care Precept increase of 2.00% is £1,653.90 (£1,575.30 in 2022/23) an increase of 4.99% and £78.60 per Band D (£1.51 per week). The tax base for 2023/24 is 68,609.94, an increase of 756.20 (+1.11%) from 2022/23.

The diagram below shows that B&NES had the third lowest Council Tax of the South West Unitary Authorities in 2022/23:



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 21st February 2023.

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 2% increase per annum through the final two years of the current spending review period to 2024/25. The Council's plans include this for 2023/24 (this would increase the Adult Social Care Precept to £15.04m an increase of £2.30m from 2022/23).

The funding requirement for Adult Social Care before savings and grant funding is £5.8m (Annex 2i) which will be part funded from the Adult Social Care Precept increase.

5.3.3 **2022/23 Council Tax Collection Fund Surplus**

The forecast for the Council Tax element of the collection fund is for a surplus of £0.500m. The Council's share of the estimated surplus, after allowing for amounts due to Avon Fire Authority and Avon & Somerset Police, is £0.415m. The surplus is due to the favourable in year position mainly as a result of a reduction in Local Council Tax Support claimants due to claimants ceasing to be entitled to LCTS, for example where they have returned to employment or their income has increased. This is partly offset by the Collection Fund position carried forward from 2021/22, including the adjustment for 3 year deficit spreading.

5.3.4 **Estimates for Future Years Band D Council Tax**

The current Medium Term Financial Plan has factored in an annual increase of 4.99% for 2024/25 across both general Council Tax and the Adult Social Care precept. This is in line with the Chancellor's budget policy statement for local government council tax setting. The annual increase for 2025/26, 2026/27 and 2027/28 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 new Government after the next general election.

5.3.5 **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 2023 – see link as follows:

https://beta.bathnes.gov.uk/sites/default/files/2023-01/Proposed%20Council%20Tax%20reduction%20scheme%20April%201%202023%20-%20March%2031%202024.pdf

The tax base currently assumes the same number of recipients as at the end of November 2022 will continue into 2023/24. The budget estimate is £10.3m compared to £10.6m in 2022/23. The reduced cost reflects the reduction in LCTS claimants over the past year due to claimants ceasing to be entitled to LCTS, for example where they have returned to employment or their income has increased.

The Government have announced that from April 2023, most Welfare Benefits rates, including Universal Credit, will be increased by 10.1%.

We are proposing to increase our income bands for the LCTS in line with this figure. This will allow residents to keep more of their income, while still being eligible for support. **The proposed new income band values would take effect from April 2023.**

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 £1.7bn 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 West of England Combined Authority has secured the following key additional investment for our region:

- £694m for major transport schemes
- £2.9m emergency active travel funding (cycling and walking) additional to the Active Travel Fund of £5.8m
- £54m for MetroWest Phase 1 and 2
- £24m for a Future Transport Zone
- £4m for the Multiply Programme
- £10m from the UK Shared Prosperity Fund
- £95m for Bristol Temple Quarter from Homes England
- £75m from our business rates retention*
- Around £16m per annum to invest in adult education
- £8m to help SMEs plan and support their current and future workforce
- £81m for Net Zero and Green Homes projects
- £15m for Business Skills and Delivery
- £10m for Skills Bootcamps
- £5m 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 remains key to the UK's recovery from the impact of Covid-19. The Combined Authority continues to support our region's residents and businesses post 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 West of England Combined Authority has five key mayoral priorities, which the budget will support as listed below:

1. Create West of England Sustainable Transport
2. Tackle the climate & ecological emergency
3. Secure decent jobs and training
4. Increase the availability of affordable places to call home
5. Put the West of England on the map for national and global success

The Budget for the Combined Authority will be set on 27 January 2023 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 2023/24 is £5.194m. 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.

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 is expected to continue in 2023/24 subject to a scheduled committee meeting to discuss the plans moving forward. To prevent further reduction of supported bus provision in B&NES, the Council budget proposal has made provision for £281k 2023/24 of top up funding.

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. 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 2023/24 including:

- Love Our High Streets –
    - Bath City Centre High Streets Renewal £1.490m
    - Midsomer Norton High Street £1.1m
    - Local Centres £0.3m
- Milsom Quarter Masterplan £2.5m
- Bath Riverline West £1.5m
- Bath Quays North £31m
- Somer Valley Rediscovered £0.9m

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

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. The total amount donated has reached £36,095.32 as at 10th January 2023 and there have been over 460 individual donations received. Most people donated £50, with the largest donation to date being £2,000. Only four queries have been raised around whether gift aid is possible, so this does not appear to be a significant barrier to the majority of donors.

The scheme attracted more donations within the first financial year, however this downward trend in charitable giving has been seen across the sector.

Donations and grants 2021/22

By the end of January 2022, £25,248 had been raised and was allocated by a Panel of Councillors in the form of grants to 14 community organisations working to reduce inequalities. Projects funded included those that supported people's mental health; provided emergency medical supplies; invested in refurbishment of community facilities; mentoring; support for families; training; group therapy and youth provision.

Further donations were subsequently made and by the end of 2021-22 the total amount donated reached £30,019.55.

Donations and grants 2022/23

The council agreed to extend the scheme and a further £6,075.55 has been raised to date. Grants of £250 were offered to community organisations from October 2022 in support of community-run Warm Spaces registered with the Council. Applicants are able to use these to help support their additional utility costs or to help run activities. 20 applications have so far been approved by the panel and further applications are expected.

It is recommended that the scheme continues into 2023/24

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 2023/24 and future years maintaining capital receipts flexibility mainly to fund restructuring and severance costs.

	Estimated Balance 1/4/23 £'m	**Estimated Balance 31/3/24 £'m**	**Estimated Balance 31/3/25 £'m**	**Estimated Balance 31/3/26 £'m**
Revenue Budget Contingency	3.2	3.2	4.0	4.3
Financial Planning and Smoothing Reserve	2.9	2.8	6.3	6.3
Transformation Investment Reserve	1.6	0	0	0
Covid Grant Reserve	2.4	0	0	0

Restructuring & Severance Reserve	1.9	1.9	1.9	1.9

5.6.1 **Revenue Budget Contingency £3.2m**

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 2022 forecast a £1.5m over budget position, further recovery actions during the remaining period are expected mitigate this pressure. If the year-end position results in an over-budget position the revenue budget contingency will be utilised. The Budget proposal fully replenishes the reserve balance to pre-covid levels by 2025/26 following its use to mitigate the Covid impact on the Council's income levels.

5.6.2 **Financial Planning and Smoothing Reserve £2.9m**

The Financial Planning Reserve will be used to smooth the delivery of organisational change. The Budget proposal fully replenishes the reserve balance to above pre-covid levels by 2024/25 following its use to mitigate the Covid impact on the Council's income levels.

5.6.3 **Transformation Investment Reserve £1.6m**

The reserve facilitates delivery of future savings by providing additional short-term capacity and specialist advice. The £1.6m will be used to support one-off costs associated with the Business Change Programme during 2023/24.

5.6.4 **Covid Grant Reserve £2.4m**

In recognition that the 2023/24 financial year may result in ongoing demand and inflationary pressures as a result of the pandemic that requires revenue funding.

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 2022/23 is expected to be up to £0.5m with the remaining £2.91m carried forward for use in 2023/24 and 2024/25 as outlined in the Efficiency Strategy attached at Annex 4. Currently £3.1m of unapplied capital receipts through estate assets, land holdings etc are held as at the end of December 2022 with a further £9m forecast in 2023/24 to meet requirements for flexible capital receipts and to finance the capital programme in those years.

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

5.6.1 **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 2022 estimated that Un-earmarked reserves would total £12.58m by 31st March 2023.

The budget risk assessment has set a range of between £11.6m and £12.8m 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 2023/24 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 2023/24 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 2023/24 budget to inform the advice.

5.7.2 **CIPFA's Financial Resilience Index**

CIPFA has published its 2021/22 Financial Resilience Indicators for each authority, these measure different aspects of financial indicators such as levels of reserves across each tier of local authority.

The majority of indicators show (in 2021/22) 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 and the cost of Social Care to net revenue budget.

Reserve sustainability and changes in reserves – This was recognised in the 2022/23 budget proposal, whilst reserves have been utilised to enable the Council to mitigate it's temporary loss of income (£8.5m in 2021/22 and £5.22m in 2022/23), these balances will be repaid in full by 2025/26. In addition, the 2021/22 outturn made a net transfer to reserves of £4.03m due to the positive financial performance of the Council in 2021/22. 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 around 10% of net budget when benchmarked against other unitary Councils who hold reserve levels at c4-6%.

The resilience index has identified that the cost of delivering Social Care in comparison to net revenue budget has increased by 11% from 2020/21. There have been increased in the cost of both Children's and Adult's Social Care, this has been recognised in the 2023/24 budget proposal. This report sets out the commitment to deliver the Children's Services management plan that will help put appropriate measures in place to control the rising cost of care.

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

For 2023/24 the savings requirement after planned use of reserves is £14.38m 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 2023/24 as the amounts proposed have been profiled to consider the delivery timeframe. To recognise risk the revenue budget has provided a £1m budget contingency to mitigate slippage on savings delivery. This will enable a balanced budget without use of reserves and prior years reserve use being fully replenished by 2025/26.

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 service delivery risk that have been incorporated into a corporate wide assessment. A further £1m has been added to the £1.67m contingency for inflationary pressures alongside a £1m contingency for savings delivery risk in 2023/24.

The budget has recognised the current and future years funding requirement with £17.52m allocated to portfolios in 2023/24 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 2022/23.

A shortfall of £9.96m has been identified for 2024/25 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 2023/24 planned level of General Fund Un-earmarked reserve at £12.58m (is within the required range of £11.6m to £12.8m).

The conclusion of the CFO is that the estimates for 2023/24 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 2023/24 to 2027/28

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 2021. 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 generate revenue savings for the council; and
- Delivering or working with partners to deliver high priority government funded programmes and West of England 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 Cabinet member 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 2023/2024 – 2027/2028 is shown below

Capital Schemes for Approval

Cabinet Portfolio: Capital Schemes	Budget 2023/2024 £'m	Budget 2024/2025 £'m	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Total £'m
Resources	17.539	7.292	0	0	0	**24.831**
Economic Development, Regeneration & Growth	22.244	15.126	3.869	0	0	**41.239**
Leader	0.185	0.020	0.020	0.020	0.020	**0.265**
Climate & Sustainable Travel	1.693	0.313	0.146	0.032	0.008	**2.192**
Adults & Council House Building	7.563	1.442	6.636	1.442	1.442	**18.525**
Children & Young People & Communities	4.126	0.196	0.000	0.000	0.000	**4.322**
Neighbourhood Services	27.654	2.331	0.031	0.000	0.000	**30.016**
Transport	6.883	0.000	0.000	0.000	0.000	**6.883**
Total	**87.887**	**26.720**	**10.702**	**1.494**	**1.470**	**128.270**

Capital Schemes for Provisional Approval (Subject to)

Cabinet Portfolio: Capital Schemes	Budget 2023/2024 £'m	Budget 2024/2025 £'m	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Total £'m
Resources	28.259	3.700	4.000	4.000	4.000	**43.959**
Economic Development, Regeneration & Growth	17.330	8.228	0.020	0.000	0.000	**25.578**
Leader	1.894	0.350	0.350	0.350	0.350	**3.294**

Climate & Sustainable Travel	16.204	0.773	2.875	2.410	1.005	**23.267**
Adults & Council House Building	4.085	4.912	0.691	0.655	0.432	**10.775**
Children & Young People & Communities	21.472	1.500	0.000	0.000	0.000	**22.972**
Neighbourhood Services	5.292	16.065	20.150	10.084	16.003	**67.594**
Transport	3.675	4.476	1.293	1.163	1.163	**11.770**
Total	**98.211**	**40.004**	**29.379**	**18.662**	**22.953**	**209.209**

<u>Funded By</u>

Financing	**Budget 2023/2024 £'m**	**Budget 2024/2025 £'m**	**Budget 2025/2026 £'m**	**Budget 2026/2027 £'m**	**Budget 2027/2028 £'m**	**Total £'m**
Grant	58.560	21.126	11.321	9.731	8.802	**109.540**
Capital Receipts/RTB	13.184	0.63	0.806	0	0	**14.620**
Revenue	1.000	0	0	0	0	**1.000**
Borrowing	102.460	44.465	26.657	9.27	14.891	**197.739**
3rd Party (inc S106 & CIL)	10.898	0.503	1.297	1.155	0.73	**14.583**
Total	**186.098**	**66.724**	**40.081**	**20.156**	**24.423**	**337.482**

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 **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 £2.9m in capital receipts to fund proposed savings plans in 2023/24. The Strategy must be approved by Full Council.

5.8.4 **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 £2.7m;
- 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.

5.8.5 **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 and is unchanged from the 2022/23 policy.

5.8.6 **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	**2021/22 Actual**	**2022/23 Forecast Outturn**	**2023/24**	**2024/25**	**2025/26**
Estimate of Capital Expenditure (£'000s)					
Actual/estimates of capital expenditure	58,405	122,351	186,098	66,724	40,081
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			-£1.95	-£3.87	£5.67
Cumulative totals:			-£1.95	-£3.87	-£0.15

Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			14.88%	17.55%	18.44%
Memo: estimates of the ratio of financing cost to gross revenue stream			*5.04%*	*6.13%*	*6.66%*
Borrowing Limits (£m)					
Operational boundary – borrowing			£433m	£465m	£479m
Operational boundary – other long-term liabilities			£4m	£4m	£4m
Operational boundary – total			**£437m**	**£469m**	**£483m**
Authorised limit – borrowing			£462m	£493m	£506m
Authorised limit – other long-term liabilities			£4m	£4m	£4m
Authorised limit – total			**£466m**	**£497m**	**£510m**
Capital Financing Requirement (£'000s) (as at 31 March)					
Actual/estimate of capital financing requirement	328,171	370,925	462,115	493,480	506,141

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 2023/24**

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.

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
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 backlog	Likely	High	There is the risk of built-up demand on Council services and backlog because of operational activity being diverted to managing the Covid pandemic. This may result in one-off cost pressures to clear the backlog.
Long term impacts on the Councils Commercial Estate over and above anticipated levels.	Possible	High	Current modelling has been prudent following the Covid pandemic and impact on retail economy. 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.
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.
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 has been partly offset by the extension of the business rate relief scheme for Retail, Leisure and Hospitality businesses. We continue to monitor arrears, CVAs, and liquidations with a specific reserve held to manage in-year volatility.
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Possible	High	The Council has a number of projects within this category. These risks will continue to be monitored and reported. An assessment is made as part of the budget process to ensure that revenue reserves are sufficient to meet these risks. The capital programme methodology looks to de-risk projects wherever possible.
Changes to Government Policy that affects future funding	Likely	High	Need to monitor and continue to highlight impact
Brexit risks	Likely	Medium	The short to medium term impacts of Brexit on the Councils supply chain 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.

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 2023/24, along with the feedback received and council responses are set out in Annex 10. The consultation comprised of:

- Two special online briefings held in November 2022 to discuss the impact of the cost-of-living crisis on residents and businesses and the impacts on council finances
- An online consultation on the council's draft budget proposals, which took place from December 14th 2022 to January 20th 2023

In addition, scrutiny of the savings proposals, priorities, one-offs, pressures and capital bids took place at the 23rd January 2023 Corporate Policy Development and Scrutiny Panel. The panel was joined by members of the Climate Emergency PDS and Children, Adults, Health and Wellbeing PDS panel to enable all members to scrutinise the budget.

Contact person	Andy Rothery, Chief Financial Officer (S151 Officer), 01225 477103
Background papers	January Corporate PDS Panel November Cabinet - Medium Term Financial Strategy https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=122&MId=5530

	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	