

<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>Cabinet</b>	
MEETING DATE:	<b>13<sup>th</sup> February 2020</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		E3161
TITLE:	<b>Budget and Council Tax 2020/21 and Financial Outlook</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<p><b>List of attachments to this report</b></p> <p><b>Annex 1: Revenue Budget 2020/21 – individual service cash limits</b></p> <p><b>Annex 2: 2020/21 to 2021/22 Budget Savings &amp; Income Generation Proposals, priorities, one-off allocations, and pressures</b></p> <p><b>Annex 3: Equalities Impact Assessment of 2020/21 to 2021/22 Savings Proposals</b></p> <p><b>Annex 4: Efficiency Strategy</b></p> <p><b>Annex 5: Draft Capital Programme 2020/21 to 2024/25</b></p> <p><b>Annex 5 (i) New and Emerging Capital Schemes</b></p> <p><b>Annex 5 (ii): Highways Maintenance Programme</b></p> <p><b>Annex 5 (iii): Transport Improvement Programme</b></p> <p><b>Annex 5 (iv): Corporate Estate Planned Maintenance Programme</b></p> <p><b>Annex 5 (v): Community Infrastructure Levy (CIL) Allocations</b></p> <p><b>Annex 6: Capital &amp; Investment Strategy</b></p> <p><b>Annex 7: MRP Policy</b></p> <p><b>Annex 8: Advice of Monitoring Officer on the Budget Setting Process</b></p> <p><b>Annex 9: Council Pay &amp; Reward Policy 2020/21</b></p> <p><b>Annex 10: Adult Social Care Charging and Financial Assessment Framework</b></p> <p><b>Annex 11: Direct Payment Policy</b></p>		

## 1. THE ISSUE

This report presents the revenue and capital budgets together with proposals for Council Tax and Adult Social Care Precept for 2020/21.

## 2. RECOMMENDATIONS

2.1 The Cabinet recommends Council approves-

- a) The General Fund net revenue budget for 2020/21 of **£118.25m** and the individual service cash limits for 2020/21 as outlined in Annex 1.

- b) The savings and income generation plans outlined in Annex 2(i), priorities 2(ii), one-off allocations 2(iii), pressures 2(iv) in conjunction with the Equalities Impact Assessment Report in Annex 3.
- c) An increase in Council Tax of 1.99% in 2020/21 (an increase of £27.88 per Band D property).
- d) An increase of 1.99% to Council Tax for the Adult Social Care Precept is approved in recognition of the current demands and financial pressures on this service. This is equivalent to an increase of £27.88 on a Band D property.
- e) The movement in reserves outlined in paragraph 5.5 and the adequacy of Un-earmarked Reserves at £13.5m within a risk assessed range requirement of £12.3m - £13.5m.
- f) The Efficiency Strategy attached at Annex 4.
- g) The Capital Programme for 2020/21 of £109.507m including new and emerging capital bids outlined in Annex 5(i), planned sources of funding in 5.7.2, and notes the programme for 2021/22 to 2024/25 and that any wholly funded projects coming forward during the year will be added to the Capital Programme in line with the Budget Management Scheme.
- h) The delegation of implementation, subject to consultation where appropriate, of the capital programmes set out in Annex 5(ii) to Annex 5(iv) to the relevant Director in Consultation with the appropriate Portfolio Holder.
- i) The Community Infrastructure Levy (CIL) allocations and amendments outlined in Annex 5(v).
- j) The Capital & Investment Strategy attached at Annex 6.
- k) The MRP Policy attached at Annex 7.
- l) The Capital Prudential Indicators outlined in 5.7.8
- m) The Annual Pay Policy Statement at Annex 9.
- n) The Council Tax Support Scheme for 2020/21 shown in the following link: <http://beta.bathnes.gov.uk/sites/default/files/2020-01/Bath%20%26%20NE%20Somerset%20S13A%20202021%20v3.pdf> and referred to in 5.3.4.
- o) The Adult Social Care Charging and Financial Assessment Framework at Annex 10.
- p) The Direct Payment Policy at Annex 11.

2.2 That the Council include in its Council Tax setting, the precepts set and approved by other bodies including the local precepts of Town Councils, Parish Councils, and Charter Trustees of the City of Bath, and those of the Fire and Police Authorities.

- 2.3 That Cabinet note the S151 Officer's report on the robustness of the proposed budget and the adequacy of the Council's reserves outlined in 5.6.
- 2.4 Authorise the Council's S151 Officer, in consultation with the Portfolio Holder for Finance and Efficiency, to make any necessary changes to the draft budget proposal for submission to Council.

### **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 8.

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 2019/20 Budget Summary**

The Medium-Term Financial Strategy (MTFS) was approved in September 2019 and outlined how the budget would be delivered over the medium to long-term. 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 2020/21 and a projected budget gap for 2021/22 and beyond. The figures include all estimates for pay awards, pension costs, Council Tax, business rates, Government grant, and inflation. An ongoing contingency sum has been added as a budget for 2020/21.

The budget has been developed along with the Corporate Strategy to ensure that it aligns to our key principles and commitments. A total of £2.25m has been allocated to meet new priorities as well as savings and income generation plans totalling £4.85m. Of these savings 11% are considered high risk (an improvement compared to 2019/20 of 35%).

The risks to the budget and robustness of estimates have been reviewed and as a result the sum required as a Revenue Budget contingency for 2020/21 is £2.0m as well as a requirement for un-earmarked balances to remain within the range of £12.3 to £13.5m.

Overall £4.6m have been added to reserves within this budget to add additional resilience in 2020/21.

The budget includes a recommendation that general Council Tax is increased by 1.99% in 2020/21 (an increase of £27.88 per Band D). The proposed Band D Council Tax for Bath and North East Somerset Council next year including the Adult Social Care Precept increase of 1.99% is £1,456.88 (£1,401.12 in 2019/20) an overall increase of 3.98% and £55.76 per Band D (£1.07 per week).

The proposed net revenue budget for Bath and North East Somerset for 2020/21 is £118.25m.

The proposal for fully approved capital spend in 20/21 totals £109.507m.

### **5.1.1 Corporate Strategy and the Councils' Priorities**

The budget focusses on delivery of the new 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 nature 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**.

## **5.2 The Revenue Budget 2020/21**

### **5.2.1 Current Position**

The expected 2019/20 year-end position at the end of December 2019 is in line with the budget set in February 2019 despite continued additional demand in Children's Services, a shortfall in income in Commercial Estate, and some delays/ non-delivery of savings targets. This is an improvement on the position at the end of September 2019 which predicted an under- budget position of £0.08m as the quarter three position reduces reliance on the Financial Planning and Smoothing Reserve.

## 5.2.2 The Budget and Medium-Term Financial Outlook

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

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
<b>Budget Requirement (Previous Year)</b>	<b>113.10</b>	<b>118.25</b>	<b>118.11</b>	<b>120.37</b>	<b>122.83</b>
One-Off items from previous year	-0.71	-	-	-	-
Pay inflation @2.75% 2020/21 and then 2%	2.22	1.59	1.53	1.49	1.52
Pension Contributions	-1.34	0.16	0.01	0.61	0.61
Demographic Growth & Increase in Service Volumes	2.29	2.34	1.98	1.98	1.98
Contractual Inflation	1.88	1.93	1.97	1.92	1.98
Budget Pressures / Rebasing Priorities	4.55	-0.29	0.31	-	-
Contingency Budget	1.00	0.50	-	-	-
Increase(-)/ Reduction in New Homes Bonus Grant	-0.55	3.38	0.91	1.39	-
New Homes Bonus - Replacement Grant Estimate	-	-0.81	-0.35	-0.38	-
Capital Financing	1.75	1.61	1.00	1.00	1.00
Increased Business Rates income (incl s31 grants)	-0.21	-	-	-	-
SEND Govt funding (replacement of General Fund Council funding)	-1.44	-0.86	-	-	-
Social Care settlement grant	-2.68	-	-	-	-
One-off costs	0.64	-0.54	-0.10	-	-
<b>Draft Budget Before Savings</b>	<b>122.74</b>	<b>127.25</b>	<b>125.35</b>	<b>128.39</b>	<b>129.92</b>
<b>Savings Proposals</b>					
Once-off Business Rates Grant	-0.36	-	-	-	-
Savings Plans	4.85	2.41	0.40	-	-
Estimated Savings Required		6.73	4.57	5.56	3.86
<b>Budget Requirement</b>	<b>118.25</b>	<b>118.11</b>	<b>120.37</b>	<b>122.83</b>	<b>126.06</b>
<b>Funding of Budget Requirement</b>					
Council Tax	88.83	91.67	94.61	97.63	100.75
Adult Social Care Precept 2% in 2020/21	8.61	8.70	8.78	8.87	8.96

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Collection Fund Surplus (Council Tax)	0.71				
Business Rate Retention incl Revenue Support Grant and Estimated Impact of Fairer Funding	23.21	17.65	16.98	16.32	16.35
Collection Fund Surplus (NDR)	1.52				
Business Rates Reserve	-2.31				
Transfer to Un-earmarked Balances Reserve	-1.20				
Transfer to Transformation Reserve	-1.11	0.09			
<b>Funding of Budget Requirement</b>	<b>118.25</b>	<b>118.11</b>	<b>120.37</b>	<b>122.83</b>	<b>126.06</b>

(Note the table outlines an increase in Council Tax of 1.99% over the plan whereas the Adult Social Care Precept of 1.99% has only been applied for 2020/21)

The forecast includes the following cost pressures and assumptions-

**Pay** – Pay inflation has been allocated at 2.75% for 2020/21 and will be subject to the national agreement. 2% has been allocated for the remainder of the plan. The Council's Pay Policy Statement is attached at Annex 9;

**Pension Costs** – Have been revised in line with the recent revaluation for the next three years followed by a 1% increase per annum from 2023/24;

**Service Demand Pressures** – the strategy assumes that demand especially within Adults and Children's Social Care remains in line with estimates as at December 2019;

**Interest Rates** – Estimated average interest of 1.1% per annum for treasury management cash investments. The Council will maintain a minimum cash policy;

**Inflation** – CPI projections for the coming years are expected to be 2.0% in 2020/21, 2.1% in 2021/22 and 2.1% 2022/23. However, it is expected that services will continue to absorb all but a limited amount based on specific service circumstances and contractual commitments;

**Capital Spending** – an allowance has been made to fund borrowing costs for new schemes each year of the plan;

**Borrowing** – the strategy continues to factor in longer term borrowing costs into the MTFS while continuing to optimise the use of cash balances subject to market conditions and the overriding need to meet cash outflows;

Annex 1 shows the Revenue Budget Summary for 2020/21, which totals £118.25m. Once approved by Council, these represent the financial plans that the Cabinet will manage under their delegated authority and monitor in accordance with the Budget Management Scheme.

### 5.2.3 The Government Settlement

The Provisional Settlement was received on the 20th December 2019 but has not yet been finalised. However, it is unlikely to change substantially as some consultation was carried

out in October 2019 and therefore there is only a small chance that the figures for B&NES will change in February. The figures outlined in this report reflect the provisional figures. The final settlement details will be reflected within the report to Council if they are published before the report deadline.

- **Revenue Support Grant (RSG)**

As a result of the delay in the Fairer Funding Review and Business Rate Retention the Council will continue to receive the RSG in 2020/21 of £0.496m (2019/20 £0.488m) for one further year before being removed in 2021/22 (Please note the remaining RSG allocated to B&NES has been rolled into the 100% Business Rate Pilot).

- **New Homes Bonus**

The consultation paper in October 2019 outlined that changes to the funding arrangement for New Homes Bonus were likely to continue for a further year pending consultation for a replacement. The Provisional Settlement has outlined that a payment will be made of £2.039m for new housing growth over the past year, taking the total New Homes Bonus Grant to £5.688m for 2020/21. The settlement announced that the uplift for 2020/21 would only be paid for one year without the further 3 years of legacy payments which are made for growth rewarded in 2019/20 and prior years. The table below shows the likely annual remaining funding. The settlement announced that the national housing growth baseline adjustment would remain at 0.4% for 2020/21.

	<b>Total New Homes Bonus Grant</b>			
<i>Payment relating to:</i>	<b>2020/21 £'m</b>	<b>2021/22 £'m</b>	<b>2022/23 £'m</b>	<b>2023/24 £'m</b>
2020/21	2.039			
2019/20	1.392	1.392	1.392	
2018/19	0.913	0.913		
2017/18	1.344			
<b>Total</b>	<b>5.688</b>	<b>2.305</b>	<b>1.392</b>	<b>0.000</b>

The MTFP also reflects an estimate of the Council's share of the nationally top-sliced funding for NHB being redistributed based on the old relative needs grant formula from 2021/22 onwards.

- **Social Care Grant**

The December 2019 provisional settlement has confirmed a further £1bn Social Care grant funding (£2.68m) which will be combined with the continuation of the existing Social Care Support grant (£1.25m). It has also been confirmed that this will be paid in each year of the new Parliament.

- **Better Care Fund**

The Better Care Fund is intended to incentivise the integration of health and social care, requiring Clinical Commissioning Groups (CCG) and Local Authorities to pool budgets and agree an integrated spending plan. Greater integration is seen as a potential way to

use resources more efficiently and achieve better outcomes for people, in particular by reducing avoidable hospital admissions and facilitating early discharge from hospital.

The Council & B&NES CCG Better Care fund for 2020/21 is anticipated to be £74.5m with the Council contribution of £34.0m and CCG contribution of £40.5m. In addition to the mandated financial amounts for pooling this includes Council and CCG budgets for the Joint Community Services contract with Virgin Care and associated sub-contracts. For planning purposes this assumes that the CCG contribution will increase by 5.3% in line with the previous year but this has yet to be confirmed nationally.

The Council budget assumes that the funding transfer from the estimated £12.3m NHS mandated minimum contribution will remain consistent with prior years with £9.37m transferred in 2020/21 for Council commissioned schemes under the S75 pooled budget arrangements.

The December 2019 provisional settlement has confirmed that the existing £1.837bn improved Better Care Fund social grant will continue and incorporate the £240m Winter Pressures Grant with the same distribution as 2019/20. For B&NES this will mean a continuation of £4.76m protecting the Better Care Fund schemes that have committed this funding on an annual basis.

- **Non-Domestic Rates**

It has been confirmed that the 100% Business Rate Retention Pilot will continue into 2020/21. The estimated benefit is approximately £3.8m in 2020/21 plus a further £1m from a delay in the reset to 2021/22. The plan currently assumes that this benefit will be removed as part of the review of Local Government Financing and Fairer Funding Review and that the Council will be included in the 75% Business Rate Retention Scheme.

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 and growth. Any surplus or deficit on the Business Rate Collection Fund and associated income will be transferred to or from the Business Rates Reserve for consideration as part of the Business Rates calculations for future years. This approach will include any changes that arise from the final settlement announcement relating to Business Rates, the announcement was still awaited at the time this report was finalised.

As part of the 2018 Autumn Budget Statement, the Government announced the introduction of a new relief scheme for retail premises that have a rateable value of below £51,000. Under the scheme, eligible ratepayers receive a one third discount of their chargeable amount. This relief has effect for 2019/20 and 2020/21 requiring delivery through Council's local discretionary relief powers (under s47 of the Local Government Finance Act 1988) and the Council updated its discretionary relief policy to include the new relief. The government compensates Council's for the cost of this relief through a Section 31 grant. The governments recent election manifesto included a proposal to increase the retail relief discount to 50%, further details are awaited and are likely to form part of the Chancellor's Budget announcement in March.

- **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 86% of schools will have converted to academies by April 2020 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 just announced its' response to the DfE consultation on the matter stating 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. The underlying overspend on the High Needs Block is currently forecast to be £3.1m in 2019/20.

The Government announced £700m ongoing additional funding for High Needs DSG 2020/21 and provisionally B&NES has been allocated a further £2.0m. However, this is unlikely to be sufficient to meet current demand. A further national SEND review has now been tasked with looking at how to arrive at a fair and sustainable system of high needs support for the future. Given this late response the budget allocated to support the SEND Reserve will remain at £0.86m pending further clarity around future SEND costs and funding mechanism.

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 £0.55m.

#### **5.2.4. Savings and Income Generation**

Savings plans total £7.26m over the next two years with plans to deliver £4.85m in 2020/21 and a balanced budget, with a further £2.41m planned for 2021/22 leaving a gap of £6.73m. This will be reviewed early in the 2020/21 financial year to ensure that the savings can be delivered.

The proposals for savings and income generation outlined in Annex 2(i) have been linked to each of the Corporate Strategy principles and will be reviewed by the Resources Scrutiny Panel on the 3<sup>rd</sup> February and feedback will be given to Cabinet as part of considering this report.

#### **5.2.5 New Priorities – Ongoing and One-off**

To ensure that the priorities within the new Corporate Strategy can be delivered headroom has been made within the budget to fund new or extend some service areas. New priority spend of £2.25m is included within Annex 2(ii) and one-off £0.64m at Annex 2(iii). These have been linked to each of the three principles within the Corporate Strategy. One-off spend has been funded from the Council Tax surplus.

### **5.2.7 Additional Pressures**

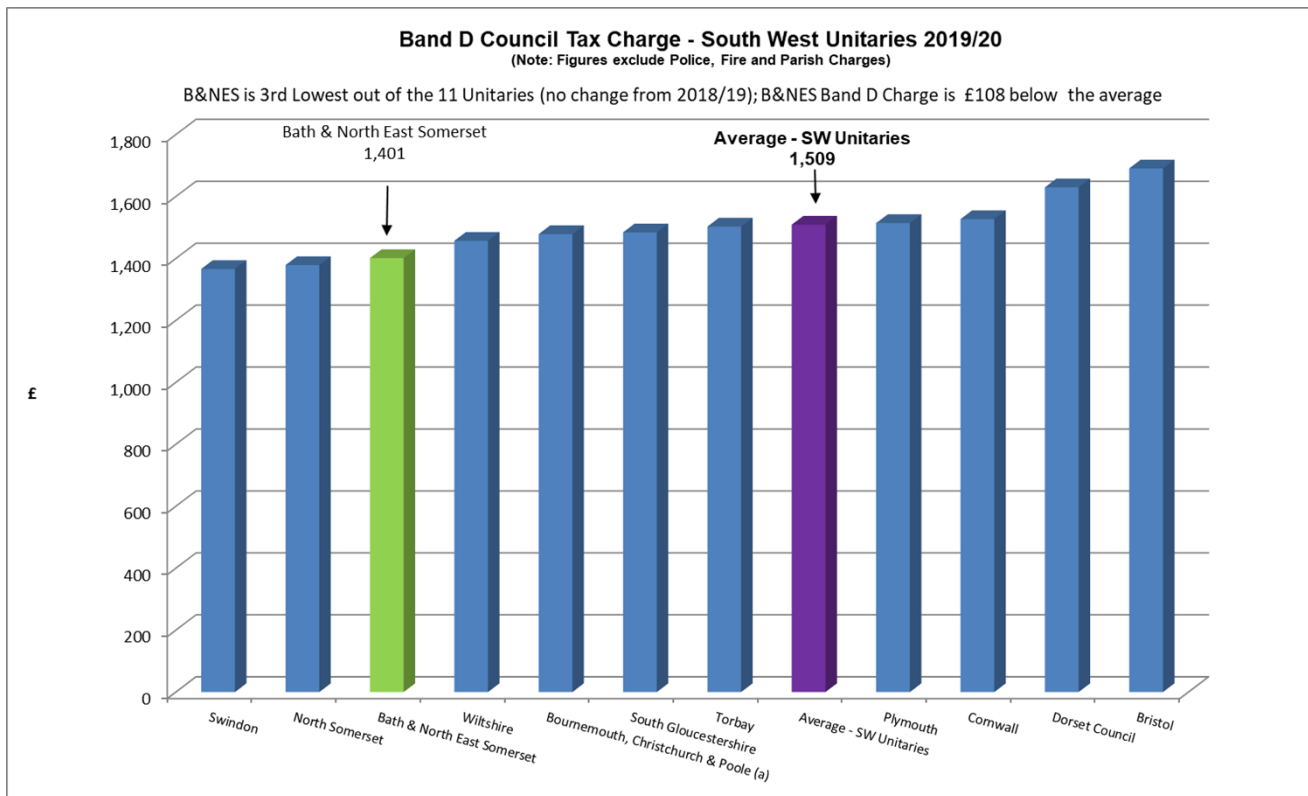
Pressures of £4.55m have been added to ensure that the budget remains robust and to add additional budgets to areas that require rebasing. This does not mean that savings cannot be found from these areas in future once savings plans are put in place but this ensures that spend and budget are aligned especially in high demand areas. Pressures are outlined in Annex 2(iv).

## **5.3 Council Tax**

### **5.3.1 Band D Equivalent Council Tax**

The MTFs included an assumption that general Council Tax (excluding the Adult Social Care Precept) would increase by 3% per annum over the period of the plan. The Provisional Settlement has stated a referendum cap of 2%. The proposal within this report is to increase general Council Tax by 1.99% in 2020/21. This will increase a Band D by £27.88 for 2020/21 to £1,328.16. The overall proposed Band D Council Tax for Bath and North East Somerset Council next year including the Adult Social Care Precept increase of 1.99% is £1,456.88 (£1,401.12 in 2019/20) an increase of 3.98% and £55.76 per Band D (£1.07 per week). The tax base for 2020/21 is 66,879.90, an increase of 1,192.38 (1.8%) from 2019/20.

The diagram below shows that B&NES had the third lowest Council Tax of the South West Unitary Authorities in 2019/20-



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 25th February 2020.

### 5.3.2 Adult Social Care Precept

The Government in recognising the continued pressures facing Adult Social Care (ASC) authorities, has allowed for a further 1.99% increase in 2020/21 (subject to government consultation with Councils). The Council's plans include this for 2020/21 (this would increase the Adult Social Care Precept to £8.61m an increase of £1.98m from 2019/20). The Medium-Term Financial Plan assumes that this only applies to 2020/21 as the Provisional Settlement does not outline any further funding through this source.

### 5.3.3 Estimates for Future Years Band D Council Tax

The current Medium-Term Financial Plan has factored in an annual increase of 1.99% per annum over the period of the plan.

### 5.3.4 Council Tax Support

The Council Tax Support Scheme for 2020/21 was approved in November 2019 and has now been updated to reflect changes to statutory legislation and benefit rates from April 2020 – see link as follows: <http://beta.bathnes.gov.uk/sites/default/files/2020-01/Bath%20%26%20NE%20Somerset%20S13A%20202021%20v3.pdf>. The tax base

currently assumes the same number of recipients as at the end of November 2019 will continue into 2020/21. The budget estimate is £9.6m compared to £9.2m in 2019/20.

The Revenue Support Grant passported to the Town and Parish Councils was reduced to zero in 2019/20, with the exception of Radstock where the grant will be phased out by 2021/22 to take account of their relatively higher dependency on the grant as a result of having a higher proportion of Council Tax Benefit claimants under the old scheme.

## **5.4 West of England Combined Authority (WECA)**

In 2016, three councils in the West of England – Bath and North East Somerset, Bristol and South Gloucestershire – signed a devolution deal worth £1 billion. As a result, significant powers and funding have been transferred to the region through the new West of England Combined Authority (WECA) and West of England Mayor.

WECA has also secured the following additional investment for the region:

- £103M for transport
- £5M to trial superfast 5G networks
- £4M for the Future Bright skills programme
- £46.4M from our business rates retention\*
- £3M to progress housing development and attract additional funding
- £5.7M to improve roads
- £14.7M per annum to invest in adult education
- £2.8M for a new Energy Hub and Low Carbon Fund
- £1.35M to support the region's creative sector
- £3m to run the Combined Authority

*\* 100% of business rates are kept in the region – 5% to WECA, 94% to Unitary Councils and 1% to fire service*

The West of England Local Industrial Strategy looks at how we need to work together to secure clean growth to benefit all residents. Launched in summer 2019, it was developed by the Combined Authority and Local Enterprise Partnership, working with council partners, central government, regional businesses and organisations.

To ensure continued success for the region, it identifies four key priorities:

- Strengthening innovation and driving productivity
- Supporting all residents to contribute to and benefit from economic success
- Providing businesses with the space, networks and skills they need to boost productivity, grow and thrive
- Investing in infrastructure that reduces energy demand, lowers carbon emissions and is resilient to the impacts of climate change.

The Budget for the WECA will be set on 31<sup>st</sup> January 2020 by the WECA Committee – at the time of writing the budget assumptions set out below are based upon the WECA Budget proposals and are subject to the outcome of the above meeting. The following elements of

the WECA Budget and medium-term financial plan have therefore been incorporated within the Council Budget proposal:

- Capital Grant payments in respect of Highways Maintenance and Transport Improvement funding will continue in line with the 4-year allocations provided indicatively by DfT covering 2017/18 to 2020/21. The total allocation for the Council in 2020/21 is £4.829m including £0.632m for the highest level of incentive grants which is automatically provided for Mayoral Combined Authority areas.
- An annual revenue transport levy has been in place for each year between the constituent Unitary Councils and WECA to reflect the cost of the core transport services of:
  - Concessionary Travel
  - Real Time Information for bus services and
  - Community Transport

These will now be directly delivered by WECA through the Transport Integration project and include the following:

- Bus Service Information
- Supported Bus Services (whilst remaining a joint function)
- TravelWest and
- Metrobus operations

The levy charge for 2020/21 is £4.99m. An arrangement is in place for any over or under spending by individual councils to be rectified through either an in-year repayment or a relevant adjustment made to the following year's levy.

- Within the Business Rates Collection Fund to continue to provide for an appropriate share of Business Rates to be allocated to the WECA in accordance with the 100% Business Rate Retention pilot to meet the costs of Highways Maintenance and Transport Improvement Grants (this does not impact on the Council's significant benefits from participation in the Pilot).
- Grants funding expected in 2020/21 from the WECA for feasibility studies and business case development for infrastructure schemes including:
  - A share of £3.9m to help improve the skills of up to 3,000 adults;
  - Investment of £10m in the area to establish a new Institute for Advanced Automotive Propulsion Systems;
  - Keynsham Town Centre Improvements £1.25m (LGF through the Local Enterprise Partnership)
  - Bath Quays £8.5m (LGF through the Local Enterprise Partnership)
  - £2.7m in 2020/21 for site development of the Somer Valley Enterprise Zone

- £3.3m “Love our High Street” initiative.
- These are funded from the additional investment funds received by the WECA 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 WECA Strategy and Assurance Framework and may come forward for inclusion in the capital programme in line with future delivery arrangements.
- The continuation of the reduction of £40K against the Council’s annual contribution of £150K towards the running of the LEP/WoE Office reflecting the efficiencies that have been achieved through integrating these arrangements with WECA including the accountable body role for the significant WoE Growth and City Deal funds.

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

Full details of the WECA Budget proposals are available at [www.westofengland-ca.gov.uk](http://www.westofengland-ca.gov.uk)

## 5.5 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 2020/21 and future years maintaining capital receipts flexibility mainly to fund restructuring and severance costs.

	Estimated Balance 1/4/20 £'m	Estimated Balance 31/3/21 £'m	Estimated Balance 31/3/22 £'m	Estimated Balance 31/3/23 £'m
Revenue Budget Contingency	2.0	2.0	2.0	2.0
Financial Planning and Smoothing Reserve	5.0	5.0	5.0	5.0
Transformation Investment Reserve	2.0	1.0	-	-
Restructuring & Severance Reserve	2.2	2.2	2.2	2.2

### 5.5.1 Revenue Budget Contingency

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 2019 has outlined that there is no expected requirement to utilise this by year end as the budget is expected to be on target with a reduced requirement for Financial Planning and Smoothing Reserve and therefore £0.7m can be transferred into Un-earmarked Balances and maintain a £2.0m provision for 2020/21.

### 5.5.2 Financial Planning and Smoothing Reserve

The Financial Planning Reserve will be used to smooth the delivery of organisational change. No allocations have been planned for 2020/21 and therefore the reserve remains available for future financial planning for 2021/22 and beyond.

### 5.5.3 Transformation Investment Reserve

The reserve facilitates delivery of future savings by providing additional short-term capacity and specialist advice. It is expected that the remaining reserve will have reduced to £0.2m and therefore £0.7m will be transferred from Revenue Budget Contingency and £1.1m as part of budget setting which can be allocated for new initiatives.

### 5.5.4 Restructuring and Severance Reserve

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.

### 5.5.5 Invest to Save Reserve

The Invest to Save Reserve was separated from Un-earmarked Reserves as part of budget setting for 2018/19. The reserve of £1.5m is utilised for new projects that make savings and repay the sum borrowed over an agreed period of time. It is currently fully committed with repayments currently expected to commence in 2022/23.

### 5.5.6 Reserves and Flexible Capital Receipts

Flexible capital Receipts can be used for revenue spend that results in ongoing revenue savings. Estimated usage for 2019/20 is expected to be £1.9m with the remaining £3.0m estimated for 2020/21 as outlined in the Efficiency Strategy attached at Annex 4. Currently £2.1m of capital receipts through estate assets, land holdings etc have been received by the end of December 2019 with a further £11.9m (£4.0m in 2019/20 and £7.9m in 2020/21) identified to meet requirements for flexible capital receipts or to finance the capital programme in those years.

	<b>Actual Usage 2017/18</b>	<b>Actual Usage 2018/19</b>	<b>Estimated Usage 2019/20</b>	<b>Estimated Usage 2020/21</b>	<b>Estimated Usage 2021/22</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>

Flexible Capital Receipts	3.1	3.5	1.9	3.0	-
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### **5.5.7 General Fund Un-Earmarked Reserve**

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 £12.3m and £13.5m to meet those risks. Budget Monitoring for the period April to December 2019 estimated that Un-earmarked Reserves would total £12.3m by 31<sup>st</sup> March 2020 and therefore £1.2m will be added to the reserve within the budget for 2020/21 to increase the total to £13.5m which will provide further resilience to meet those risks.

## **5.6 Robustness of and Risks within the Proposed Budget for 2020/21 Statutory Chief Finance Officer (CFO) Report and Advice on the Robustness of the Budget and Adequacy of Reserves and Balances**

### **5.6.1 Introduction**

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

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

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

This report has been prepared by the Director of Finance to fulfil her duty and gives the required advice relating to the 2020/21 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 2020/21 budget to inform the advice.

### **5.6.2 CIPFA's Financial Resilience Index**

CIPFA has published its 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 2018/19) B&NES to be medium to low risk within the CIPFA family group of Unitary Authorities.

The areas highlighted as higher risk include reserve sustainability, changes in reserves, and the ratio of costs of Social Care compared to the net budget. In terms of a response to these risks:



Reserve sustainability and changes in reserves – the level of reserves have been outlined as low or mid-risk however the indicators show a higher use of reserves in 2017/18 (note these were in line with budget plans). The budget for 2019/20 recognised this and provision was made to increase reserves by £1.6m as well as the continued use of flexible capital receipts to fund the one-off costs associated with the delivery of savings. A further £4.6m has been added to reserves as part of the 2020/21 budget to ensure they remain sufficient to meet the Council's financial risks.

The high Social Care ratio in part reflects the fact that B&NES has a relatively low net budget reflecting the net income stream from Heritage and the Commercial Estate. The Council has embarked on an ambitious savings programme of service transformation in adult services, much of this integrated with local health service provision. The programme, being delivered in partnership with Virgin Care, will focus on:

- Managing the Councils budget to meet demand needs without overspending through robust needs assessment and care planning.
- Strengthen brokerage and contract monitoring to ensure payments to providers are made in a consistent and fair manner.
- Learn from our neighbours in improving services delivery whilst delivering savings.

Within Childrens Services whilst we recognise the need to provide appropriate care and placements to meet the needs of children and young people we will continue to review the models of care, opportunities to bring in external investment and good practice, and to scrutinise individual needs and placement costs in order to mitigate these financial pressures as far as possible.

### **5.6.3 Executive Summary of the Director of Finance (CFO) on the budget position**

For 2020/21 the total gap before savings is £4.85m after the inclusion of council tax increases. The assessment of the plans to close the gap do not require funds from the Financial Planning Reserve to smooth the delivery of savings in 2020/21 as they are expected to be delivered by the 1<sup>st</sup> April. As there is no utilisation of the Financial Planning Reserve it is prudent to hold a Revenue Budget Contingency sum of £2.0m to reflect the assessed level of risk associated with delivery of the savings and further unknown pressures and demographics in 2020/21. There is an expectation however, that these will be managed within the budget envelope approved by Council.

In addition to this putting forward a balanced budget for 2020/21 additional funding has been added to reserves to increase overall resilience and reduce the Council's dependency on the flexible use of capital receipts to fund redundancies and one-off costs such as transformation to deliver the savings required.

### **5.6.4 Consequences of Failing to Deliver a Budget**

If the Council is unable to produce a budget or a plan for reducing the budget requirement for future years or finds it cannot deliver the budget in year, the CFO (under s151 of the Local Government Act) would be required to produce a Section 114 report. (Note the conclusion under 5.6.5 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.

### **5.6.5 Report of the Director of Finance (CFO) in Respect of Statutory Duties**

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

In respect of the robustness of estimates, estimates have been prepared by Directors and their staff supported by appropriate finance staff reviewing pressures, priorities, savings, demographics, inflation and contractual obligations, and income generation. Each Director has completed a Robustness Statement outlining savings and delivery risk that have been incorporated into a corporate wide assessment. A £2.0m Budget Contingency Reserve has been allocated to mitigate unforeseen risks, and the risk of savings not being realised in 2020/21. This contingency includes a general provision as well as allowances against various specific savings and is intended to increase confidence in the deliverability of the overall budget.

The total known pressures of £4.55m have been included 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 Corporate Management Team and the Directors as part of the regular budget monitoring process in 2019/20 as well as need for additional resources to deliver the new Corporate Strategy.

Given the over budget position in 2018/19 and difficulty maintain spend within budget for 2019/20, it has been critical to review those pressures as well as demographic demand and inflation (a total of £4.17m) to prepare a robust budget for 2020/21. Monitoring of the budget especially around demand pressures in Adult and Children's Services will be critical to identifying any emerging issues as quickly as possible.

A shortfall of £6.73m has been identified for 2021/22 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, a further increase of £1.2m has been made to increase the level of General Fund Un-earmarked Reserve to £13.5m (within the required range of £12.3m to £13.5m) in addition to £1.1m has been added through the budget to the Transformation Reserve and £2.3m to the Business Rates Reserve to give additional resilience.

**The conclusion of the CFO is that the estimates for 2020/21 are robust and the budget is lawful, levels of balances have improved and are adequate and reasonable in meeting the Council's risks.**

## **5.71 Capital Strategy, Programme and Capital Receipts 2020/21 to 2024/25**

### **5.7.1 Capital & Investment Strategy**

Production of a Capital and Investment Strategy was a new Government requirement for 2019/20 and 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 property, 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.

### **5.7.2 Overall Capital Programme & Financing including New Capital Schemes**

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

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

The Council follows this approach through:

- Continuing to review all existing schemes and simplify, reduce, pause or stop as necessary;
- Minimising new schemes except those that meet corporate priorities;
- Agreeing an affordable limit for new schemes requiring corporate borrowing;
- Ensuring adequate investment in assets supporting key service provision (including meeting health and safety requirements or replace obsolete or inefficient assets/equipment);and

- Delivering or working with partners to deliver high priority government funded programmes and WoE programmes where they meet corporate priorities.
- 

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

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

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

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

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

**A summary of the proposed capital programme and it's financing for 2020/2021 – 2024/2025 is shown below-**

#### Capital Schemes for Approval

<b>Cabinet Portfolio: Capital Schemes</b>	<b>Budget 2020/2021 £'m</b>	<b>Budget 2021/2022 £'m</b>	<b>Budget 2022/2023 £'m</b>	<b>Budget 2023/2024 £'m</b>	<b>Budget 2024/2025 £'m</b>	<b>Total £'m</b>
Resources & Deputy Leader	22.538	0.121	0.110	0.670	0.000	<b>23.439</b>
Adult Services	0.388	0.000	0.000	0.000	0.000	<b>0.388</b>
Children's Services	3.667	0.047	0.000	0.000	0.000	<b>3.714</b>
Climate Emergency & Neighbourhood Services	6.595	0.000	0.000	0.000	0.000	<b>6.595</b>
Transport Services	10.548	0.110	0.000	0.000	0.000	<b>10.658</b>
Housing, Planning & Economic Development	58.208	15.112	2.071	0.131	0.000	<b>75.522</b>

Community Services	6.662	0.252	0.154	0.04	0.000	<b>7.116</b>
Corporate Capital Contingency	0.900	0.000	0.000	0.000	0.000	<b>0.900</b>
<b>Total</b>	<b>109.507</b>	<b>15.642</b>	<b>2.335</b>	<b>0.849</b>	<b>0.000</b>	<b>128.333</b>

#### Capital Schemes for Provisional Approval (Subject to)

<b>Cabinet Portfolio: Capital Schemes</b>	<b>Budget 2020/2021 £'m</b>	<b>Budget 2021/2022 £'m</b>	<b>Budget 2022/2023 £'m</b>	<b>Budget 2023/2024 £'m</b>	<b>Budget 2024/2025 £'m</b>	<b>Total £'m</b>
Resources & Deputy Leader	34.349	4.315	2.200	0.000	0.000	<b>40.864</b>
Children's Services	20.450	0.000	0.000	0.000	0.000	<b>20.450</b>
Climate Emergency & Neighbourhood Services	35.224	0.458	1.007	0.855	2.607	<b>40.151</b>
Transport Services	11.089	8.415	5.704	4.924	0.025	<b>30.157</b>
Housing, Planning & Economic Development	23.071	13.637	2.955	2.610	0.615	<b>42.888</b>
Community Services	2.596	2.289	1.401	0.683	0.657	<b>7.626</b>
<b>Total</b>	<b>126.779</b>	<b>29.114</b>	<b>13.267</b>	<b>9.072</b>	<b>3.904</b>	<b>182.136</b>

<b>Grand Total</b>	<b>236.286</b>	<b>44.756</b>	<b>15.602</b>	<b>9.921</b>	<b>3.904</b>	<b>310.469</b>
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#### Funded By

<b>Financing</b>	<b>Budget 2020/2021 £'m</b>	<b>Budget 2021/2022 £'m</b>	<b>Budget 2022/2023 £'m</b>	<b>Budget 2023/2024 £'m</b>	<b>Budget 2024/2025 £'m</b>	<b>Total £'m</b>
Grant	86.605	20.437	6.899	6.469	1.158	<b>121.569</b>
Capital Receipts/RTB	9.593	1.410	1.685	5.700	0	<b>18.388</b>
Revenue	0.114	0.000	0.000	0.000	0.000	<b>0.114</b>
Borrowing	130.266	20.763	6.055	-3.344	2.632	<b>156.371</b>
3rd Party (inc S106 & CIL)	9.707	2.146	0.963	1.096	0.114	<b>14.027</b>
<b>Total</b>	<b>236.286</b>	<b>44.756</b>	<b>15.602</b>	<b>9.921</b>	<b>3.904</b>	<b>310.469</b>

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, 5(iii) the Transport Improvement Programme, and at 5(iv) the Corporate Estates Planned Maintenance Programme for approval. Once approved implementation is delegated subject to internal authorisation of Project Initiation Documents.

### **5.7.3 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. This was updated in March 2016 which outlined a simpler approach to allow authorities to utilise receipts if the spend resulted in an ongoing saving. The guidance is clear however that expenditure should be once-off and the flexibility cannot be utilised for ongoing expenditure. The flexibility was due to end in March 2019, but the Government has extended this in the settlement for a further three years to March 2022.

Council approved the current Efficiency Strategy in November 2019. 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 reflect the requirement of £3m in capital receipts to fund proposed savings plans in 2020/21. The Strategy must be approved by Full Council.

### **5.7.4 Review of the Capital Programme**

A review of provisional schemes within the capital programme was carried out as part of preparing the budget to ensure that schemes continued to meet key priorities. The review deferred or removed £6.7m of projects resulting in revenue saving relating to those schemes which were supported by corporately funded borrowing of £0.1m. This has been reported as part of the 3<sup>rd</sup> quarter Budget Monitoring Report.

### **5.7.5 Capital Risk Contingency**

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

- Individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;
- The capital programme includes a funded corporate risk contingency of £2.4m;
- 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.

### **5.7.6 Capital Invest to Save**

A process for small “Invest to Save” schemes requiring capital funding is currently being investigated with proposals being brought forward once completed.

## 5.7.7 Minimum Revenue Provision (MRP) Policy

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

## 5.7.8 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	2018/19 Actual	2019/20 Forecast Outturn	2020/21	2021/22	2022/23
<b>Estimate of Capital Expenditure (£'000s)</b>					
Actual/estimates of capital expenditure	88,043	116,018	236,286	44,756	15,602
<b>Net Increase in Council Tax (band D per annum) Figures in £'s (not £'000's)</b>					
The implied estimate of incremental impact of the new capital investment decisions on the Council Tax			£10.60	£8.22	£0.91
Cumulative totals:			£10.60	£18.82	£19.74
<b>Capital Financing as % of Net Revenue Stream</b>					
Actual/estimates of the ratio of financing costs to net revenue stream			14.10%	18.49%	19.43%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			4.66%	6.11%	6.50%
<b>Borrowing Limits (£m)</b>					
Operational boundary – borrowing			£427m	£434m	£432m
Operational boundary – other long-term liabilities			£4m	£4m	£4m
<b>Operational boundary – total</b>			<b>£431m</b>	<b>£438m</b>	<b>£436m</b>
Authorised limit – borrowing			£457m	£465m	£461m
Authorised limit – other long-term liabilities			£4m	£4m	£4m
<b>Authorised limit – total</b>			<b>£461m</b>	<b>£469m</b>	<b>£465m</b>
<b>Capital Financing Requirement (£'000s) (as at 31 March)</b>					
Actual/estimate of capital financing requirement	300,712	340,507	457,381	464,519	461,409

## 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.

### 5.7.9 Community Infrastructure Levy (CIL) Spend Proposals 2020/21

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.

### 5.8 Care & Support Charging Framework and Direct Payments Policy

The Care and Support Charging and Financial assessment Framework is attached at Annex 10 and the Direct Payment Policy is attached at Annex 11. The Framework and the Policy have undergone extensive specific public consultation and a separate Equalities Impact Assessment with the results of consultation reported to the Children, Adults, Health and Well-being PDS panel in January, including the rationale for the limited changes made in the final framework document. Forecast savings of £500K are anticipated for 2020-21 through ensuring that service users claim benefits (where available) from the correct source - ie Pension Guarantee Credit will be claimed via the welfare benefit system thus reducing the need for Council funding. This has been made explicit throughout the consultation and should not impact financially on those individuals affected by this particular change. The Framework and Policy are presented here for formal approval as part of the wider budget framework.

## 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
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Further demands on service continue to escalate beyond current estimates	Possible	High	Ongoing regular monitoring of spend and controls with agreed actions. Ensure reserves are sufficient to manage in-year pressures
Pay awards will be higher than estimated	Unlikely	Medium	An allocation has been made for 2.75% in 2020/21 of which 0.75% will be retained centrally pending the outcome of the national agreement. This has been included in our robustness assessment of reserves for 2020/21 and would have an ongoing impact on future budgets
Interest rates reduce further impacting on investment income	Unlikely	Low	Rates are predicted to stay low over the long term although the impact on interest rates post Brexit remains a risk. A prudent view has been taken within the MTFP and cash is being utilised for purchase of assets while rates are low
Interest rates increase	Likely	Medium	It is likely that rates will stay low however the Council will need to monitor PWLB rates closely (an increase of 1% was added in October 2019) to ensure that business plans reflect this increase. A reserve is available to manage market risk and long-term borrowing costs have been factored into the longer-term MTFS
Volatility and uncertainty around business rates	Likely	High	Ensure business rate income and appeals are monitored and that specific reserve is sufficient to manage in-year volatility
The Business Rates 100% pilot ceases	Unlikely in 2020/21	High	It has been confirmed that Combined Authorities will retain 100% of business rates in 2020/21. An estimated £3.8m pressure has been added to the MTFS for 2021/22
Anticipated savings not delivered	Possible	High	Ensure delivery plans are monitored and continue to assess on a regular basis. Ensure Budget Contingency Reserve is sufficient to meet in-year issues.

Capital projects not delivered resulting in revenue reversion costs, liabilities from underwriting agreements, or missing grant deadlines	Likely	High	The Council has a few 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. LGF funding will require close monitoring in 2020/21 as the deadline for claiming the grant is currently 31/3/21
Changes to Government Policy that affects future funding	Likely	High	Need to monitor and continue to highlight impact
Economic downturn impacts on commercial income	Possible	High	Budget has been rebased for 2020/21 and portfolio is currently under review. A reserve will be set up to smooth fluctuations.
Brexit risks	Likely	Medium	Parliament has now agreed to leave the EU on the 31 <sup>st</sup> January. The risk remains as to how much progress can be made before the transition period ends on the 31 <sup>st</sup> December 2020. A need to continue to highlight the demand pressures to central Government regarding Adult Social Care and Children's Services. Review reserves to manage any short-term impact. Monitor any economic impact.
Funding pressures through WECA, CCG and other partners	Possible	Medium	Ensure good communication links with partner organisations
The additional income from Heritage may not be sustained	Possible	Medium	Continue to monitor income levels and impact on business plan
Capital receipts in the areas identified are insufficient to meet flexible use target	Possible	Low	Currently £2.8m of further receipts are required to meet the flexible use target and £11.9m is expected.

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 Change is one of the two core policies within the new Corporate Strategy. Annex 2 links the key budget changes to each of the three principles within the policy framework.

## 8 OTHER OPTIONS CONSIDERED

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

## 9 CONSULTATION

Planned public consultation took place in November and December 2019. Planned scrutiny of the savings proposals, priorities, one-offs, pressures and capital bids took place on the 3<sup>rd</sup> February 2020 through the Resources and Policy Development and Scrutiny Panel.

<b>Contact person</b>	Donna Parham, Director of Finance (01225) 477468
<b>Background papers</b>	<i>February Resources PDS Panel</i> <i>CIL Infrastructure List (Reg 123 List):</i> <a href="http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Planning-and-Building-Control/Apply-for-Planning-Permission/bnes_reg_123.pdf">http://www.bathnes.gov.uk/sites/default/files/sitedocuments/Planning-and-Building-Control/Apply-for-Planning-Permission/bnes_reg_123.pdf</a> <i>Children, Adults, Health and Well-being PDS panel in January</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	