

# Bath & North East Somerset Council

MEETING:	<b>Corporate Policy Development &amp; Scrutiny Panel</b>
DATE:	<b>14<sup>th</sup> January 2025</b>
TITLE:	<b>2025/26 Budget and Financial Outlook – Draft proposals</b>
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<b>List of attachments to this report:</b>	
Annex 1: 2025/26 Draft Savings & Income Generation Proposals	
Annex 2: 2025/26 Draft Funding Requirements	

## 1 THE ISSUE

1.1 This report will present the draft revenue budgets together with proposals for increases in Council Tax and the Adult Social Care Precept for 2025/26.

## 2 RECOMMENDATION

The Panel is asked to;

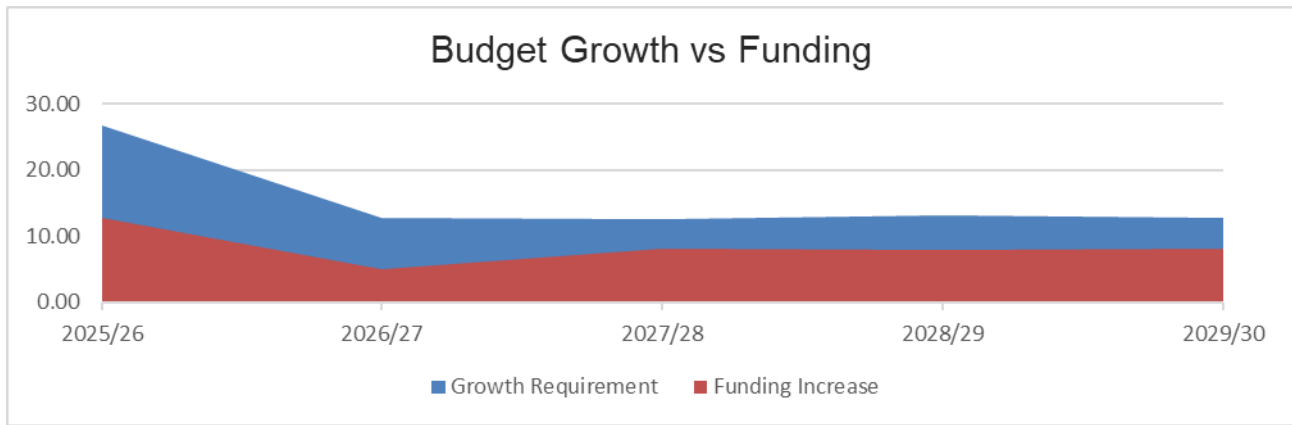
2.1 Note and discuss the proposals that impact the Council's 2025/26 revenue budget.

## 3 THE REPORT

3.1 The Council's 2025/26 Budget and Council tax proposal will be considered by Cabinet on 13<sup>th</sup> February 2025 and presented to Council on 25<sup>th</sup> February 2025. This report includes the draft proposals that are relevant to the Corporate PDS panel, the scrutiny of these plans will provide assurance on the completion of the Council's 2025/26 budget plans.

3.2 The draft budget funding and savings requirement over the next five years is as follows:

Budget Planning	Future years assumptions £m					Total
	2025/26	2026/27	2027/28	2028/29	2029/30	
Growth Requirement	26.78	12.81	12.52	13.19	12.81	78.11
Funding Increase	12.77	5.08	8.12	7.87	8.13	41.97
<b>Annual Funding gap</b>	<b>14.01</b>	<b>7.73</b>	<b>4.40</b>	<b>5.31</b>	<b>4.68</b>	<b>36.14</b>
Savings Proposals	14.01	2.34	0.85	0.10	0.10	17.41
<b>Remaining Funding Gap</b>	<b>0.00</b>	<b>5.39</b>	<b>3.55</b>	<b>5.21</b>	<b>4.58</b>	<b>18.73</b>



## Indicative Budget Forecast

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

Budget Planning	Future years assumptions £m				
	2025/26	2026/27	2027/28	2028/29	2029/30
<b>Budget Requirement (Previous Year)</b>	<b>135.85</b>	<b>148.63</b>	<b>153.71</b>	<b>161.83</b>	<b>169.70</b>
Budget Adjustments	5.51	0.00	0.00	0.00	0.00
Pay & Pension	5.80	3.37	3.31	3.39	3.48
Demographic Growth	5.78	3.56	3.69	3.81	3.87
Contract Inflation	5.15	2.82	2.78	2.82	2.86
New Homes Bonus Pressure	(0.52)	0.00	0.00	0.00	0.00
Capital Financing	1.93	1.29	1.57	1.57	1.00
Settlement grant funding	(1.96)	0.00	0.00	0.00	0.00
Budget pressure / rebasing	5.09	1.77	1.16	1.59	1.61
<b>Funding Requirement Sub Total</b>	<b>26.78</b>	<b>12.81</b>	<b>12.52</b>	<b>13.19</b>	<b>12.81</b>
<b>Draft Budget Before Savings</b>	<b>162.64</b>	<b>161.44</b>	<b>166.22</b>	<b>175.01</b>	<b>182.51</b>
Proposed Savings Plans	(14.01)	(2.34)	(0.85)	(0.10)	(0.10)
Estimated Savings Required	(0.00)	(5.39)	(3.55)	(5.21)	(4.58)
<b>Savings Requirement Sub Total</b>	<b>(14.01)</b>	<b>(7.73)</b>	<b>(4.40)</b>	<b>(5.31)</b>	<b>(4.68)</b>
<b>Budget Requirement</b>	<b>148.63</b>	<b>153.71</b>	<b>161.83</b>	<b>169.70</b>	<b>177.83</b>
<b>Funding of Budget Requirement</b>					
Council Tax	129.63	135.76	142.58	149.76	157.17
Business rates retention*	26.42	18.55	19.24	19.94	20.65
Reserve transfers From	0.00	0.00	0.00	0.00	0.00
Reserve transfers (To)	(7.42)	(0.60)	0.00	0.00	0.00
<b>Funding of Budget Requirement Total</b>	<b>148.63</b>	<b>153.71</b>	<b>161.83</b>	<b>169.70</b>	<b>177.83</b>

The forecast includes the following cost pressures and assumptions:

- **Pay Inflation** – Estimated 4.00% in 2025/26 and 3% thereafter.
- **Council tax** – General assumed at 2.99% in 2025/26 and 1.99% in future years and Adult Social Care precept 2% in 2025/26 and future years.
- **Pension Costs** – Have been revised in line with the current revaluation no increase up to 2026/27.

- **Demographic Growth** – Additional demand from new placement and market pressures in Adult & Children Social Care.
- **Interest Rates** - Interest rate reductions to follow movement in Bank of England base rate currently 4.75% for treasury management cash investments. The Council will fix budget interest rates following the provisional settlement.
- **Inflation** – CPI projections modelled on current rates of 2%, with up to 5% provision for Social Care.
- **Budget Pressures / Rebasing** – 2025/26 budget rebasing takes into account current pressures identified in Quarter 2 monitoring where emerging pressures cannot be directly mitigated.
- **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.
- **Reserves** – The Council's earmarked reserves have been reviewed with new allocations made for the implementation of the Being our Best programme and transformation and system improvement projects.

### 3.3 Savings and Income Generation

To deliver a balanced budget in 2025/26, savings and income generation plans total £14.01m, with income and savings to find of £7.73m in 2026/27. The Council has a good track record of delivering proposed savings. In relation to the Cabinet Portfolios being scrutinised by the Corporate PDS Panel there are savings to find and income generation proposals totalling £5.95m.

The proposals for savings and income generation for this panel's attention are outlined in Annex 1.

The material areas of income generation or savings are:

- Update to projected surplus from Heritage Services to reflect visitor projections, updated income forecasts and service efficiencies (£2m).
- Year two savings relating to the organisation's Being Our Best Programme (£2m).
- Increase income from the City Region Deal Business Rates Pool (£1m).
- Reducing Corporate Estate size and holdings and reduce energy costs through investment in renewables and retrofit (£0.3m).

### 3.4 Budget Funding Requirements

Budget growth and additional pressures across all portfolios of £26.78m 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. In relation to the Cabinet Portfolios being scrutinised by the Corporate PDS Panel, there is growth from inflationary pressures and new funding requests totalling £2.03m.

Growth and pressures to bring to this panel's attention are outlined in Annex 2.

The material items requiring additional funding on top of annual budget adjustments are listed below:

- Cyber Security Improvements and Artificial Intelligence (AI) investment - £0.155m
- Improved Customer Contact Technology - £0.251m
- Rebasings of existing staffing savings targets that have been incorporated into the Being Our Best Programme savings - £0.425m

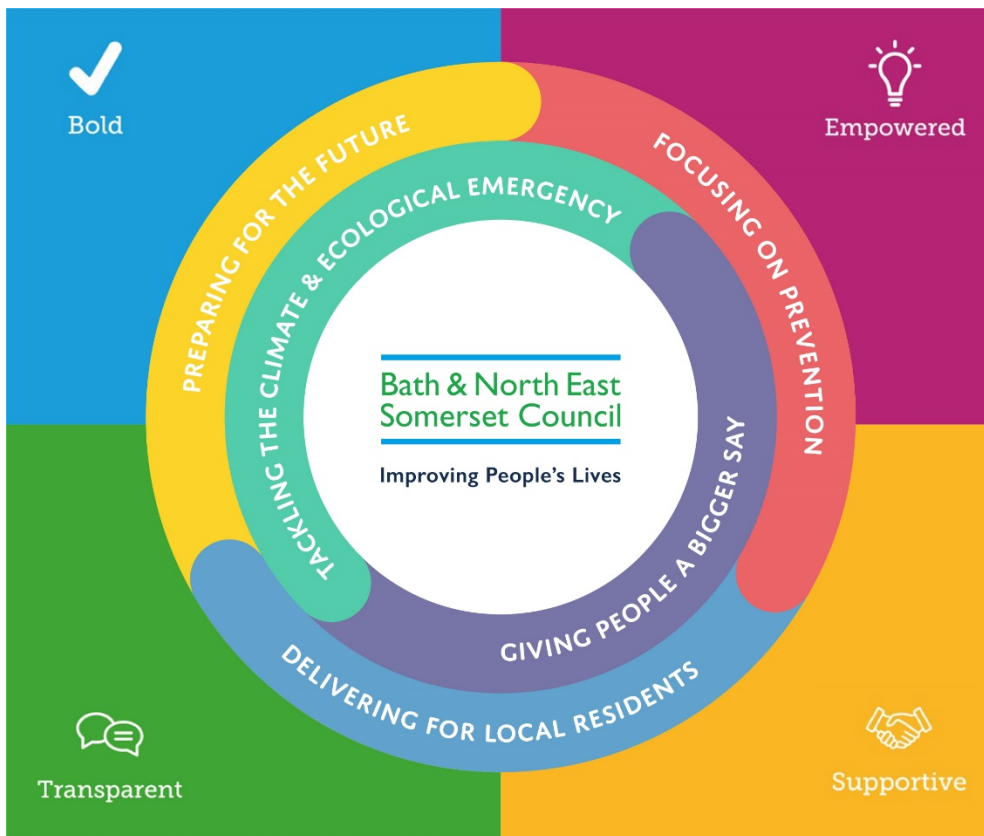
When developing these proposals, the budget setting principles below have been followed:

### **Budget Setting Principles**

- New policy or service demand funding requirements need to be evidenced with robust and realistic estimates for future years.
- For additional budget funding, unavoidable growth only – other growth will require a defined funding source / saving.
- New savings will need to be material and over £50k per item. Savings below this value will not be accepted (no use of one-off service reserves).
- The focus needs to be on high value strategic areas of change enabled by Business Change delivering multi-year savings.
- Stop doing will need to demonstrate how risk is appropriately managed.
- Savings with reputational / political implications need early engagement with Cabinet portfolio holders, with early, proportionate equality impact assessments completed.
- Savings proposals will need to have a budget profile in line with delivery plans that span multiple years.
- Delivery cost and timescale for implementation needs to be fully understood and captured in the budget proposal.

### **3.5 Corporate Strategy and Council priority areas**

The Budget Proposal sets out the financial framework for allocating resources across the Council. How this is achieved will require close alignment to the Council's Corporate Strategy as set out in the diagram below:



<https://beta.bathnes.gov.uk/document-and-policy-library/corporate-strategy-2023-2027>

Alignment to the strategy creates 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.

### Prioritising and allocating resources

To address longer-term financial planning and ensure corporate priorities shape our financial planning. For the 2026/27 and future years’ budgets we are developing a more strategic approach built around:

- Identification of key scenarios, particularly in the light of central government fiscal policy and approach to local government funding.
- Agreeing key priorities which will support delivery of our Corporate Strategy, in the light of the resources available to the council over the medium term.
- Establishing a longer-term approach to budget planning, including investing in prevention to address budget pressures and reduce costs.
- Introducing a new operating model which delivers the council’s purpose through innovation in our ways of working.

## **4 STATUTORY CONSIDERATIONS**

4.1 The preparation of the Council’s budget proposals meet the relevant statutory requirements including Section 25 of the Local Government Act 2003 that requires each local authority, when setting its annual General Fund budget and

level of Council Tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves.

## 5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 These are contained throughout the attached report and appendices.

## 6 RISK MANAGEMENT

A risk assessment related to the issue and recommendations will be undertaken, in compliance with the Council's decision making risk management guidance and included in the final budget papers.

## 7 CLIMATE CHANGE

7.1 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 capital items to explore and implement renewable energy schemes.

## 8 OTHER OPTIONS CONSIDERED

8.1 None

## 9 CONSULTATION

9.1 The Cabinet Member for Resources has been consulted on the drafting of this report as well as the Chief Executive, Section 151 Officer and Monitoring Officer.

<b>Contact person</b>	Will Godfrey, Chief Executive
<b>Background papers</b>	<p>2025/26 Medium Term Financial Strategy <a href="https://democracy.bathnes.gov.uk/documents/s83690/E3564%20-%20Appendix%201%20-%20Medium%20Term%20Financial%20Strategy%202025-26.pdf">https://democracy.bathnes.gov.uk/documents/s83690/E3564%20-%20Appendix%201%20-%20Medium%20Term%20Financial%20Strategy%202025-26.pdf</a></p> <p>2024/25 Quarter 2 Revenue and Capital Budget Monitoring <a href="https://democracy.bathnes.gov.uk/documents/s84582/E3577%20-%20Revenue%20and%20Capital%20Budget%20Monitoring%20Cash%20Limits%20and%20Virements%20-%20April%202024%20to%20September%202024.pdf">https://democracy.bathnes.gov.uk/documents/s84582/E3577%20-%20Revenue%20and%20Capital%20Budget%20Monitoring%20Cash%20Limits%20and%20Virements%20-%20April%202024%20to%20September%202024.pdf</a></p> <p>2025/26 Budget Consultation <a href="https://www.bathnes.gov.uk/budget-consultation-2025-2026">https://www.bathnes.gov.uk/budget-consultation-2025-2026</a></p>
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