Appendix 1 - Bath & North East Somerset – Medium Term Financial Strategy 2026/27 - 2030/31

1. Purpose of the Strategy

The Medium Term Financial Strategy (MTFS) provides a budget setting framework which details the available resources for strategic financial planning, articulating the organisation's key aims and ambitions and guiding our activities with medium term budget setting and planning.

The MTFS will model the future years funding requirement for the Council's revenue budget and identify where there are income shortfalls that require new savings plans. The strategy will set out the approach to address funding gaps prior to budget setting and the associated risks. Due to the current financial challenges the Council faces the MTFS sets out strategic management options based on the high-level planning assumptions in section 9.

One of our key priorities in preparing this strategy is on understanding the impacts of Fair Funding on the Council, which is the new government mechanism allocating grants to local government through a new funding formula. At the time of writing the MTFS the government have not yet published the results of the fair funding consultation exercise and their final plans for how the new model will be implemented. We have therefore based the MTFS on the initial government proposals which we have attempted to model and then validate externally.

The MTFS therefore assumes fair funding will be implemented as proposed over the medium term and that it will have a significant negative impact on the Council's financial position. Along with prior years cuts to funding, constraints will continue and budget options will therefore be guided by the priority areas of service delivery as set out in the Corporate Strategy.

2. Expected Outcomes from the Strategy

The objective of this document is to publish existing Council agreed plans and set the future years strategic resourcing plan; recognising the resourcing requirement to meet the administration's priorities to deliver the 2023 – 2027 Corporate Strategy for the Council, whilst maintaining a balanced budget over the next five years.

A balanced budget requires the financial plan to set out how income will equal spend over the short and medium term. Plans will take into account cost savings alongside income growth strategies as well as useable reserves.

Operating and funding the Council in the current economic environment with constrained national public finances due to continued low economic growth continues to be challenging, the Council is impacted due to services being exposed to either people or contract inflation, alongside the additional demands on Children's and Adult Social Care. The Council has responded to this challenge over the past three years and in 2024/25 ended the financial year in a balanced position after transfers from reserves of **£0.21m**. The strategy therefore focusses on how this approach can be adopted in the current and future years addressing the short, medium and long-term financial planning requirements whilst implementing the Fair Funding mechanism.

3. Executive Summary and recommendations from the MTFS for consideration

The overall aim of the Medium Term Financial Strategy is to:

- Set out and deliver the Council's priorities within affordable and sustainable financial constraints;

- Ensure that the administration's (Council's) strategic priorities are reflected in its capital programme and also that the capital programme is affordable;

- Ensure that cash flows are adequately planned so that cash is available when required and the Council can meet its capital spending obligations; and

- Set a sound financial planning framework to underpin the effective financial management of the Council.

This MTFS update is taking place at a time of great uncertainty in respect of government funding for the period from 2026/27 onwards. The government launched a consultation on it's "Fair Funding Review" over the Summer which detailed the direction of travel for Local Government funding and its distribution.

The Core principles of the Fair Funding Review as set out by government include:

- **Funding Simplification**: Last updated in 2013/14. Aim is to streamline the system by consolidating multiple grants into fewer, more predictable funding streams.
- **Needs-Based Allocation**: Using updated Relative Needs Formulas to assess local demand for services like adult social care, children's services, and fire and rescue.
- **Area Cost Adjustment**: Recognising regional differences in the cost of delivering services, such as higher wages or transport costs in rural or urban areas.
- **Resources Adjustment**: Factoring in each authority's ability to raise revenue locally, especially through council tax.
- **Business Rates Reset**: Overhauling the Business Rates Retention Scheme to reflect current economic conditions and ensure fairer distribution.
- **Devolution and Local Empowerment**: Reducing central government micromanagement and giving councils more control over spending decisions.
- **Ending Competitive Bidding**: Phasing out short-term, competitive grant applications in favour of multi-year settlements that offer stability.
- **Transitional Protection**: Gradually implementing changes over three years (2026–2029) to avoid sudden funding shocks.

The government has not provided exemplifications to show how the range of funding changes will impact on individual Councils. In the absence of such information the Council has used modelling undertaken by sector experts alongside our own funding information to forecast potential impacts. It must be noted that the potential outcomes of the Fair Funding Review should be treated with a degree of caution given that we are still awaiting the government's response to the consultation process. Additionally the implementation of the mechanism and final decisions and specific allocations will not be known until the Provisional Local Government Finance Settlement is announced. This is currently anticipated around Christmas although no specific date has currently been announced. This uncertainty and lack of exemplifications makes financing planning extremely challenging.

The modelling undertaken forecasts that the Council will be a net loser from the proposed changes. The main reasons are due to the relative needs of the Council being assessed as lower than other areas who have greater levels of deprivation, the assessment that the Council has a relatively higher ability to generate resources through Council Tax (having a relatively higher Taxbase) and the redistribution of Business Rate income arising from the proposed Business Rate Reset.

For financial planning and updating the MTFS, which was previously based on a largely cash flat roll forward of grant funding, the estimated impact is an estimated reduction in funding at an overall level of £13m over the next 3 years. This is profiled with estimated reductions of £4m in 2026/27, £4m in 2027/28 and £5m in 2028/29.

The following section provides details of the main grants the Council currently receives at 2025/26 levels. It is not currently possible to estimate individual impacts of the Fair Funding Review on each grant as these are subject to the outcomes of the review and finalisation of which grants will be rolled into core funding.

Despite this uncertainty the Council still needs to plan its finances for the medium to longer term and therefore the Strategy is based on best estimates at this stage. The Council has a good track record in savings delivery, in 2024/25 the budget had a savings requirement of £16.42m, of which 77% (£12.66m) were delivered in full, 17% (£2.78m) were mitigated through savings, contingency or income elsewhere in the respective service, with the remaining 6% (£0.98m) delayed until 2025/26 or addressed through the budget setting proposals. As a result of the ongoing budget challenge the 2025/26 budget requires the delivery of £14.01m in savings and income generation plans.

The MTFS base case as set out in the report (section 9) estimates that the Council will need to find up to £40.74m (including the £2.11m already identified) in savings over the next five years. This is based on the assumption that Council tax increases are capped at 4.99% for the five year period 2026/27 to 2030/31. This consists of a general increase of 2.99% and an Adult Social Care Precept increase of 2%.

The main contributing factors that are driving the budget gap is the new fair funding model along with sustained inflation and higher than expected interest rates due to cost-of-living, these impact the Council's running costs as well as the supply chain for external provision. In addition, the Council continues to see demand and activity rise for essential Social Care services, which is compounded by high market costs and a reliance on out of area provision.

In the shorter term the profile of the savings shows a requirement of £9.87m next year, of which there are confirmed planned savings of £0.96m.

To manage this risk section 10 of the report sets out the savings range and the level that has been used for planning purposes.

To manage financial risk the Council holds £12.58m of unearmarked reserves, this is reviewed annually as part of the Council's budget proposal where the S151 Officer carries out an assessment of budget risk and reserve levels to manage these risks.

The Council holds Revenue Budget Contingency and Financial Planning / Smoothing reserves that enable one-off transitional funding to meet revenue costs. Over the life of the MTFS these reserves when drawn down will be replenished to ensure financial resilience and availability for future years budgets. These reserves are replenished within the five year MTFS period. Flexible capital receipts will continue to be utilised to fund the one off costs of transformation that result in delivering ongoing savings, this use will be in line with government guidance.

Capital spending will focus on the delivery of priority schemes within affordability levels, the 2026/27 Capital programme is being reviewed to ensure the most accurate delivery timetable, resulting in a more accurate budget profile.

As part of delivering this strategy plans are being put in place to engage with all elected members, partners and the public as part of the budget process for 2026/27 and the following years.

4. The Medium Term Financial Strategy

The MTFS outlines the factors which are expected to drive future costs and sets out the funding projections and our strategy for addressing the funding gap. It supports the medium term policy and financial planning process at the heart of setting revenue and capital budgets.

The core principles underlying the MTFS are as follows:

- That the Council will seek to maintain a sustainable financial position over the course of the five year planning period of the MTFS;

- That the Council will make provision for pressures, demographic changes, and inflation where appropriate with new priorities added only if “headroom” is achieved;

- The deployment of the Council’s limited resources will be focused towards essential services and those that contribute to the delivery of the Corporate Strategy, tackling the Climate Emergency and giving residents a bigger say.

- Council tax increases have been included within the term of the MTFS to support essential services.

- New sustainable income opportunities are to be identified and maximised wherever possible while maintaining current income streams through current economic uncertainty.

5. The Current Financial Position

2024/25 Outturn

The Council delivered an adverse outturn position after carry forwards of £0.21m as follows:

Portfolio	Revised Budget £m	Outturn £m	Variance Over / (Under) £m
Leader of Council	(0.27)	(0.44)	(0.16)
Climate Emergency and Sustainable Travel	1.52	1.46	(0.07)
Council Priorities and Delivery	6.28	5.94	(0.34)
Resources - Services	6.36	5.72	(0.63)
Resources - Corporate	3.19	(2.09)	(5.29)
Economic and Cultural Development	(5.87)	(4.47)	1.40
Adult Services	62.88	62.95	0.07
Children's Services	46.41	52.59	6.18
Highways	(0.95)	(2.20)	(1.25)
Neighbourhood Services	27.09	28.30	1.21
Built Environment and Sustainable Development	2.92	2.79	(0.13)
Portfolios Total	**149.56**	**150.55**	**0.99**
Partial Release of Provision	0.00	(0.99)	(0.99)
Total (before Carry Forwards)	**149.56**	**149.56**	**0.00**
Carry Forward Requests (underspends)	0.00	0.21	0.21
Total (including Carry Forwards)	**149.56**	**149.77**	**0.21**

The £0.21m overspend was funded by a transfer from the Revenue Budget Contingency Reserve, which is used to fund unbudgeted revenue pressures which are unable to be mitigated by management and recovery actions.

Budget 2025/26

The 2025/26 net budget of £151.71m was approved by Council in February 2025. Quarter 2 budget monitoring to the end of September, shows a projected overspend of £2.42m against the revised budget of £152.10m as shown below.

Current monitoring highlights the continued impact of demand pressures on Council services, which have continued to increase since budgets were approved in February 2025.

Portfolio	Revised Budget £'m	Year End Forecast £'m	Variance Over / (Under) £'m
Leader of Council	(1.00)	(1.00)	0.00
Sustainable Bath and North East Somerset	3.43	3.46	0.03
Resources - Services	32.45	33.71	1.26
Resources - Corporate	5.15	3.50	(1.65)
Resources - Corporate Contingencies	9.83	0.00	(9.83)
Resources - Being Our Best Programme	(4.00)	(0.03)	3.97
Economic And Cultural Sustainable Development	(9.21)	(5.75)	3.46
Adult Services	64.08	65.07	0.99
Children's Services	42.74	48.75	6.00
Communications and Community	5.20	5.73	0.53
Sustainable Transport Strategy	(8.73)	(9.10)	(0.37)
Sustainable Transport Delivery	8.16	8.02	(0.15)
Built Environment and Sustainable Development	3.99	3.66	(0.33)
Total	**152.10**	**156.01**	**3.91**
Job Evaluation and Pay Structure Reserve	*0.00*	*(1.49)*	*(1.49)*
Quarter 2 Forecast Outturn Variance	**152.10**	**154.52**	**2.42**

Children's Services are forecasting the largest cost pressure of £6m, primarily due to high-cost packages required to support the most vulnerable and complex young people in the area. Adult Services and Corporate Estate are also forecasting significant expenditure pressures, while staffing costs across the organisation have increased because of the pay and grading review associated with the Being Our Best programme. Income is lower than budgeted for both the Roman Baths and the Commercial Estate, however Parking Services are seeing income exceed expectations. Lower borrowing costs and strong treasury management performance are also helping offset the adverse financial position.

The £2.4m forecast over budget position includes the use of £9.8m budgeted contingencies and the use of the Job Evaluation and Pay Structure reserve (£1.5m).

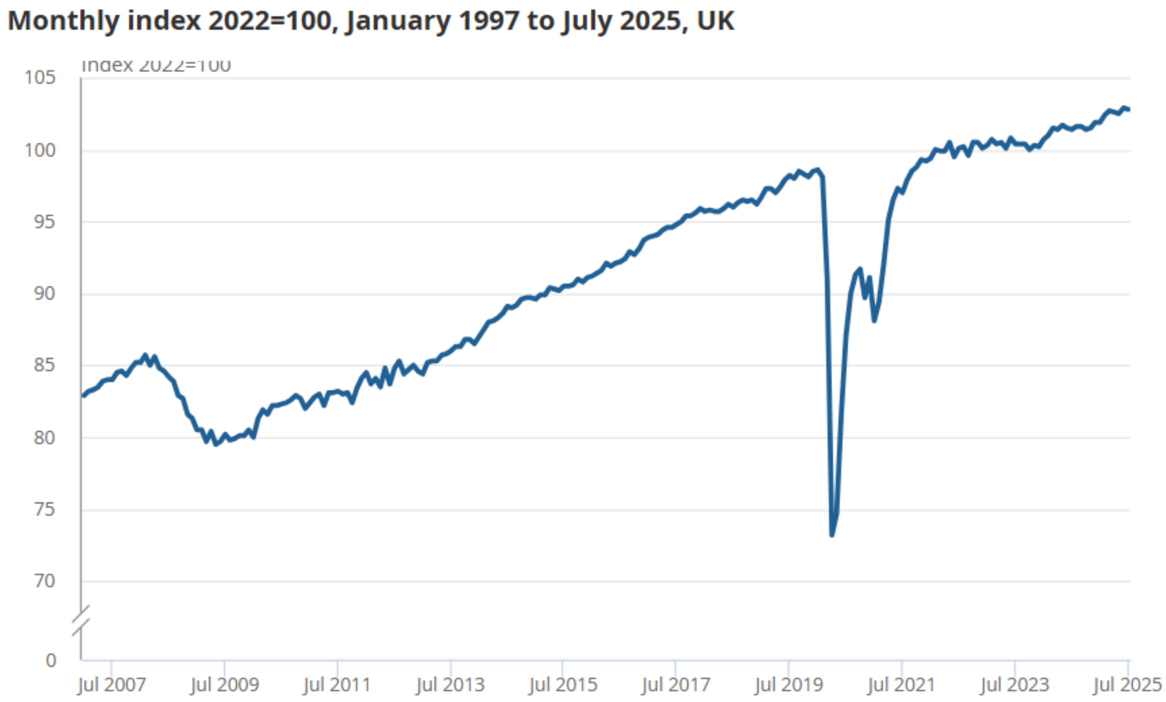
Directors are actively developing mitigation plans for the service areas which are in an over budget position, identified above, to manage this position in year and bring the Council back into a balanced position. Mitigations will be reported through the quarterly monitoring reports to Cabinet. In the event the above budget position cannot be fully mitigated the Council's Revenue Budget Contingency Reserve and unearmarked reserves will need to be utilised, subject to approval. Should this be required there would be a requirement to replenish these reserves in future years, putting further pressure on meeting the medium-term budget gaps.

6. Drivers of Demand

The Economic outlook

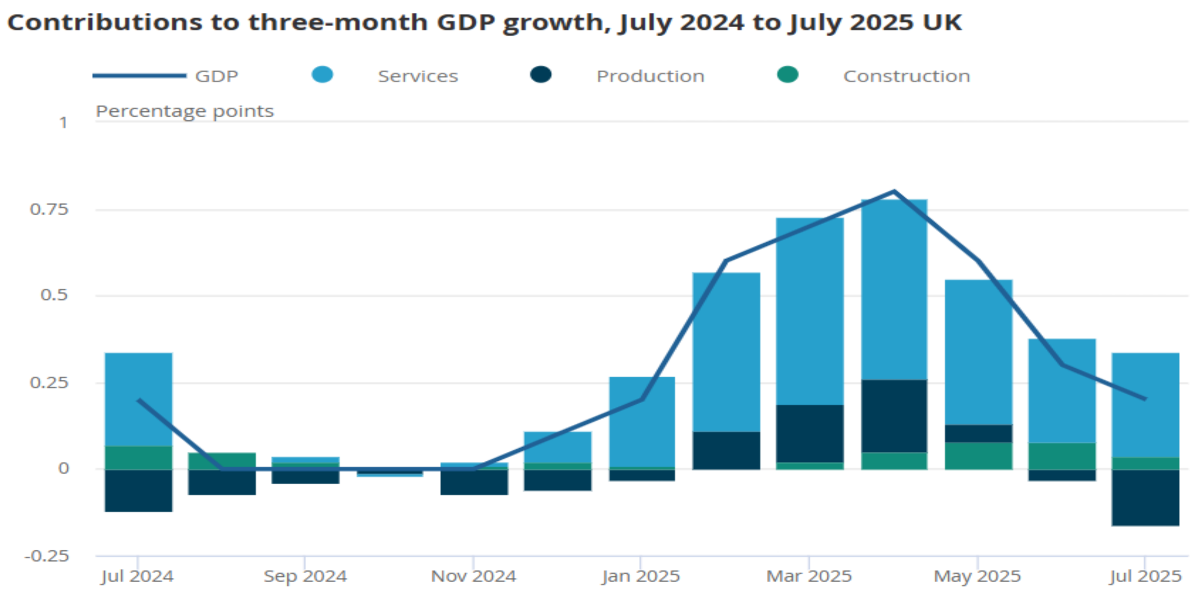
The post pandemic UK economy made a good recovery leading to an increase in activity, this created a shortage of supply at an international level resulting in a rise in inflation. In addition, the war in Ukraine impacted on energy supply and price that drove inflation to its highest level since the 1970's. Since 2022 growth has been sluggish and well below the pre pandemic range of 1.8% - 2% achieved between 2010 and 2019.

The diagram below shows that real Gross Domestic Product (GDP) is estimated to have grown by 0.2% in the three months to July 2025, compared with the three months to April 2025. This rate of growth has slowed since the peak of 0.8% growth in the three months to April 2025.



Source: Office for National Statistics - Monthly GDP

The chart below shows the monthly sector movements contributing to the changes in UK GDP with overall monthly movements ranging between +0.75% and 0% over the past year.



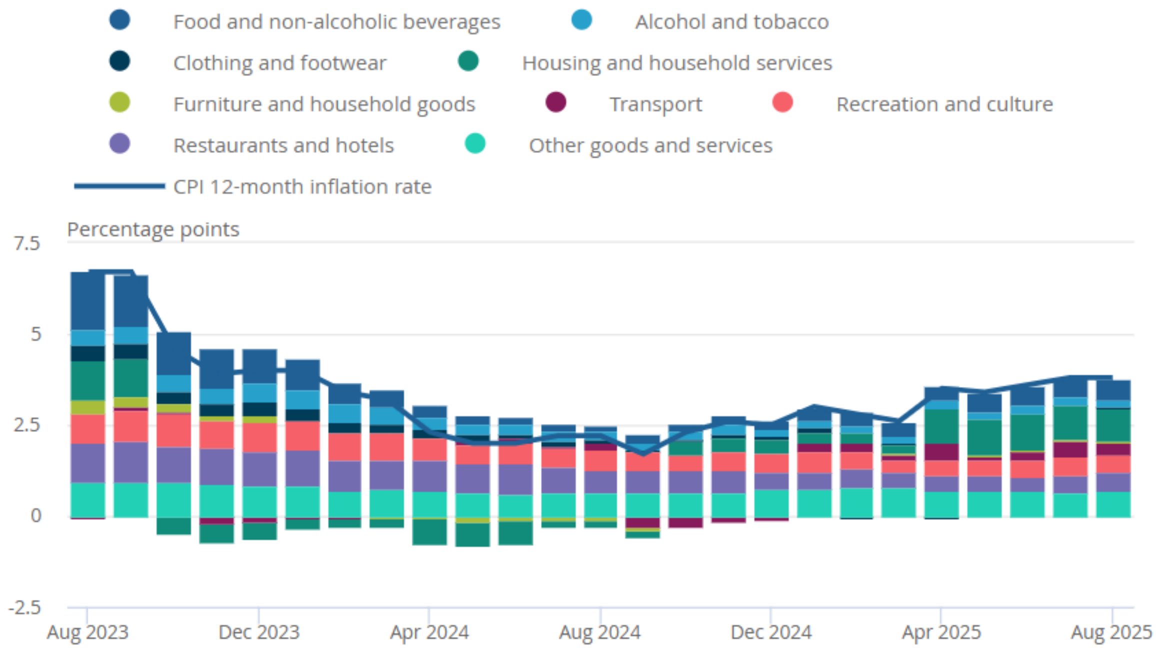
Source: GDP monthly estimate from the Office for National Statistics

The Consumer Prices Index (CPI) rose by 3.8% in the 12 months to August 2025, in line with the same increase in the period to July. On a monthly basis, CPI rose by 0.3% in August 2025, the same rise when compared with August 2024.

These levels of inflation have impacted on the cost of running the Council and its budgets resulting in an increase in staffing costs for employed and contracted employees, also on its supplies and services provided through contracts. Pay and contract inflation estimates have been refreshed to take into account the economic outlook.

The make up by sector in the movement in CPI can be found in the graph below.

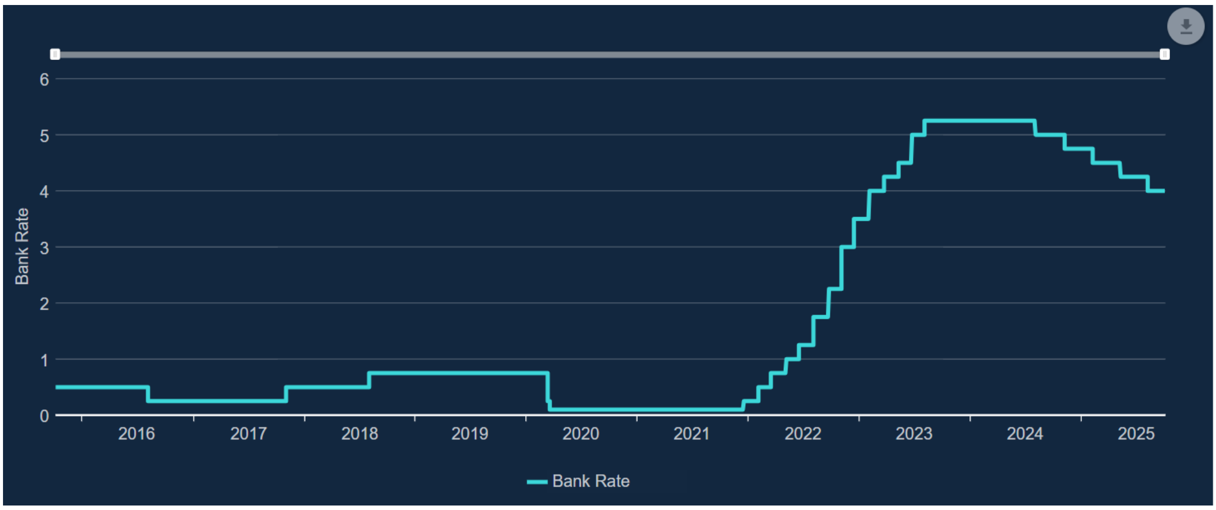
Contributions to the CPI annual inflation rate, UK, August 2023 to August 2025



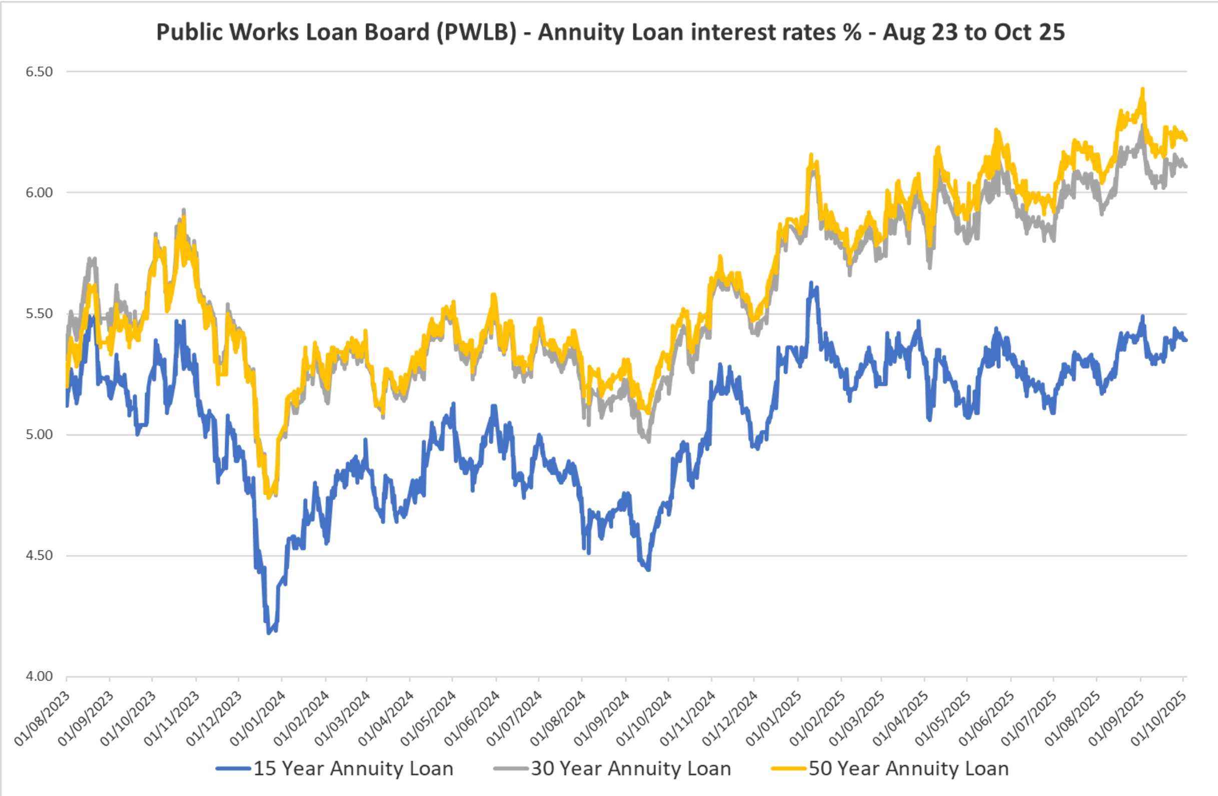
Source: Consumer price inflation from the Office for National Statistics

The Bank of England base interest rate reached a low of 0.10% in March 2020 before rising to 5.25% through the period to September 2023, where it remained until a 0.25% rate cut to 5.00% was agreed in August 2024. There has since been four further 0.25% reductions giving a rate of 4% agreed at the August 2025 Monetary Policy Committee meeting. This has an impact on the interest earned on the Council's cash balances and on the short term borrowing rates from the public works loan board (PWLB) for borrowing required to fund the Council's capital programme. The medium to longer term PWLB borrowing rates remain elevated and are driven by investor expectations on inflation, economic growth and central bank monetary policy.

Official Bank of England Interest rate



The graph below shows the latest PWLB interest rates trend for 15 year, 30 year and 50 year loans:



For new Capital borrowing scheme affordability is being calculated with a 5% cost of capital rate with borrowing likely to target the short to medium term maturity range if longer term rates remain elevated.

Economic impact on the Councils income budgets

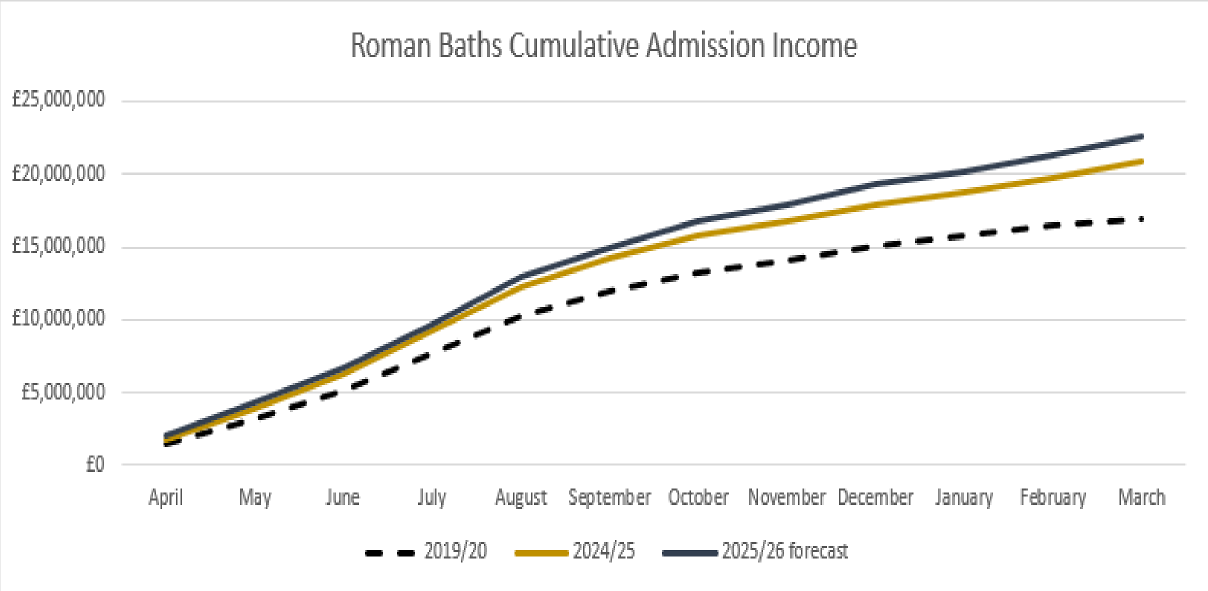
Current performance for the Council's main income generating services are below:

Culture & Heritage Services Income

Culture and Heritage Services income budgets are largely driven by visitor numbers to the Roman Baths. The budget for 2024/25 was set at 1,100,000 visitors, 92% of the pre-pandemic footfall.

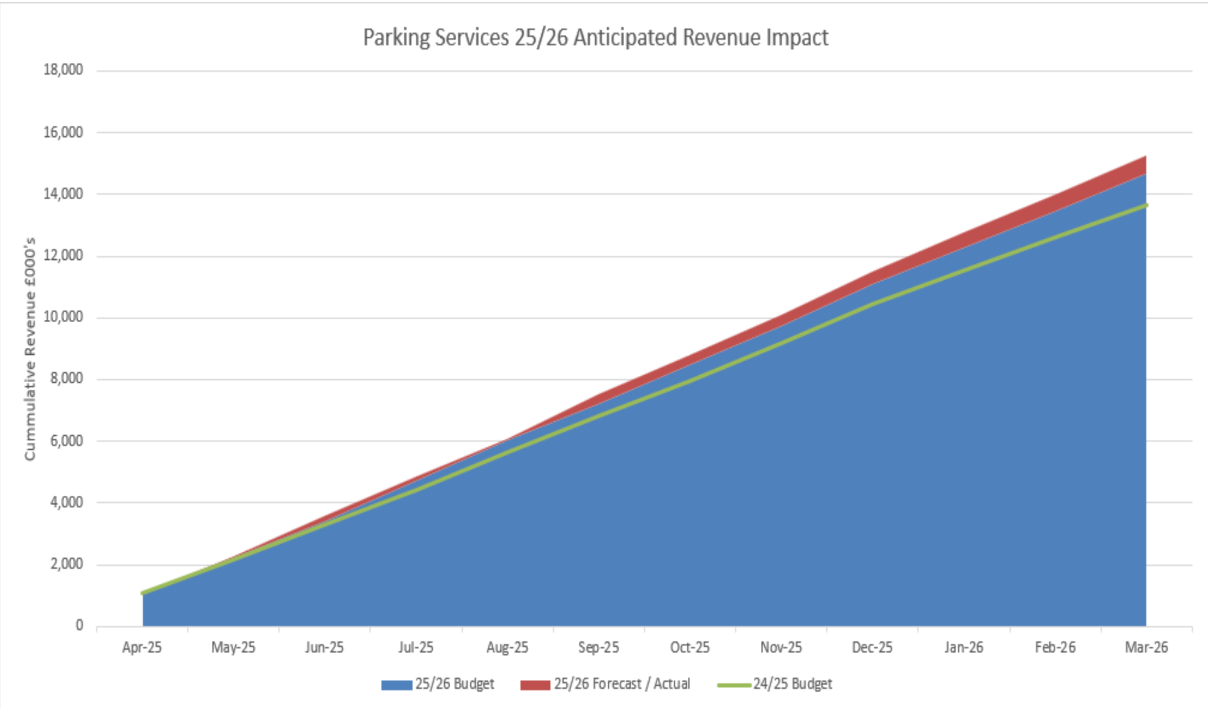
In 2024/25 Culture and Heritage Services significantly exceeded pre-COVID income and the chart below shows that the Service anticipates 2025/26 surpassing this total and delivering the highest income and surplus that the Service has ever returned to the Council.

However, footfall over the first half of the financial year was down on budget. This has been driven by an unanticipated reduction in US visitors, an increase in the numbers of domestic visitors taking overseas holidays and continued inflation pressures constraining disposable incomes.



Parking Services Income

Prior to the pandemic, the Parking Services income budget was c£12m. This has increased to £13.7m in 2024/25, and £14.7m in 2025/26. These increases reflect continued increase in parking use and planned parking price rises but also built in additional revenue associated with new Residential Parking Zones and emissions-based charging, which in 2024 was deployed across all car parking. Strong income is supported by changes in the national job market which have enabled the team to fill all vacant Civil Enforcement Officer posts, from a position during the pandemic where 50% of posts (15 in total) were vacant. The service is currently projecting an overall year end £0.5m favourable position due to the continued strong performance of all parking locations, with a positive performance during the first half of 2025/26.



Demand Led Services - Social Care

Adult Social Care

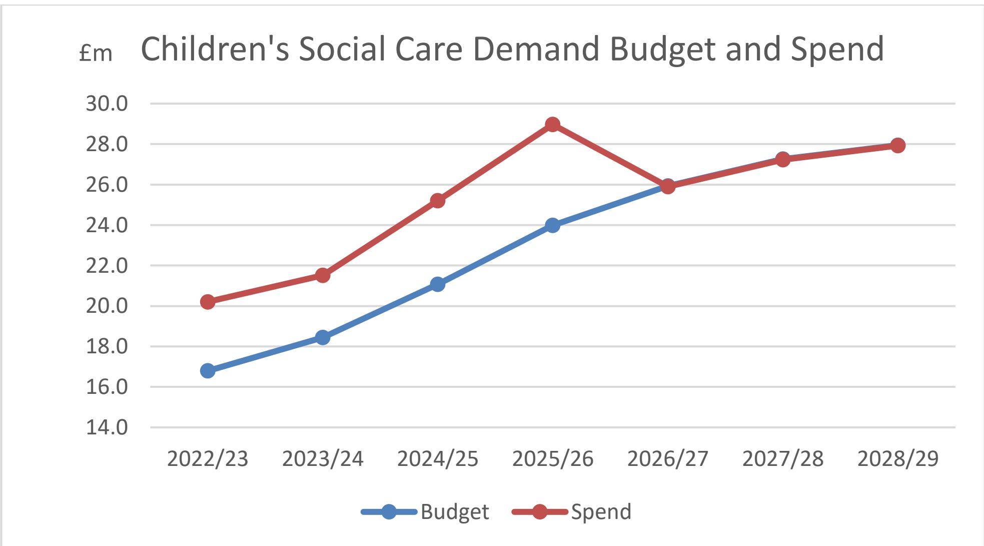
The Council has sought to set realistic and deliverable budgets through the MTFS and budgeting process. Significant resource has been added to Adult and Children's services over the last few years whilst both services have delivered other savings and efficiency gains.

The challenges facing Adult Social Care (ASC) nationally as well as locally continue. It is predicted that demand for adult social care is projected to increase significantly in future years, largely due to an ageing population. The cost of care is also increasing and those entering care generally need higher levels of care and support. The capacity to deliver required care is impacted by recruitment and retention issues within the provider market. Inflationary pressures and market stability issues continue in the independent sector. These challenges are impacting all ASC users and carers. Funding for Market Sustainability of £3.2m was again received in 2025/26 from the Market Sustainability and Improvement Fund and this has been used to support the market challenges mentioned.

The MTFS allocates £19.5m for demographic and contract inflation pressures within ASC over the next five years, service demand levels are being reviewed and the current trend has shown that caseload is back to activity levels previously seen. Complexity of need and provider costs are continuing to increase.

Children's Social Care

As demonstrated from the graph below Children's Services expenditure has not been manageable within the current budget envelope. The service continues to see increasing cost in the numbers of children in care, in addition to the increasing costs of supporting disabled children at home. The number of children looked after (LAC) by the Council is currently 233. This number includes 23 that are classed as Unaccompanied Asylum Seeking Children (UASC). The MTFS allocates £6.2m for demographic and contractual inflationary pressures within Children's Services over the next five years.



A further area of pressure within Children's Services is the significant increases in children and young people with Special Educational Needs and Disability (SEND). This is adding to the pressure on the Dedicated Schools Grant (DSG) managed by the Council. The 2024/25 outturn resulted in a DSG cumulative overspend of £32.79m. The overspend of the DSG in year in 2024/25 was £10.53m. The historical deficit and in year overspends are being addressed via the Safety Valve project in conjunction with the Department for Education (DfE) over a 6 year period.

In 2022/23, the first payment from the DfE of £7.68m was received and a further payment in 2023/24 of £0.55m has been received. A revised plan was requested by the DfE during 2023/24, this has been submitted and is awaiting agreement. The overspend is recorded as a specific unusable reserve in the Local Authority (LA) accounts.

Children’s Services are very cognizant of the continued financial pressure that is resultant from the expense of providing appropriate care and placements to meet the needs of our children and young people. To mitigate these pressures Children’s Services are delivering a targeted response through an enhanced Transformation Programme and detailed scrutiny of all areas of activity and spend. This has included a focused placements taskforce responsible for cost assurance and ensuring that young people’s needs are met through the most effective and sustainable means possible.

2025/26 & 2026/27 has been deemed as a transformational period for the implementation of The Families First Partnership (FFP) Programme. This is a new national programme set up in the Department for Education (DfE) and supported by the Ministry of Housing, Communities and Local Government, Department of Health and Social Care and the Home Office. Through the programme, government is working in partnership with local areas (local authorities, police, health, education, childcare settings and other relevant agencies) to improve their local services and systems that help and protect children and families. The reforms include the introduction of Family Help, strengthening multi-agency child protection, and improving engagement with family network

7. Outlook for Government Grant Funding

As detailed above this MTFS update is taking place at a time of great uncertainty in respect of government funding for the period from 2026/27. The government launched a consultation on it’s “Fair Funding Review” over the Summer which detailed the direction of travel for Local Government funding and its distribution.

The Funding Review will update the methodology for distributing a fixed amount of funding between local authorities. The underlying data used in the current grant distribution system hasn’t been updated since 2013 when the Business Rate Retention system was introduced.

The Core principles of the Fair Funding Review as set out by government include:

- **Funding Simplification**: Last updated in 2013/14. Aim is to streamline the system by consolidating multiple grants into fewer, more predictable funding streams.
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<u>Revenue Support Grant (RSG)</u>

The Council received Revenue Support Grant (RSG) in 2025/26 of £1.256m (2024/25 £0.831m). The increase of £0.425m reflected the transfer into RSG of £0.411m in respect of the specific grants listed below, based on 2024/25 grant amounts, and an inflationary uplift of £0.014m on the core RSG:

- Extended Rights for Home to School Transport Grant - £0.379m
- Electoral Integrity Grant - £0.017m
- Transparency Code Grant - £0.013m
- Tenant Satisfaction Measures Grant - £0.002m

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.

<u>New Homes Bonus</u>

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 Settlement has outlined that the New Homes Bonus would continue in its current format for a final year in 2025/26. This resulted in a 2025/26 New Homes Bonus grant payment of £0.913m for new housing growth over the past year, an increase of £0.586m from 2024/25.

Social Care Grant

The 2025/26 settlement confirmed a further £2.2m Social Care grant funding which was combined with the continuation of the existing Social Care Support grant to give a revised total of £15.45m.

Adult Social Care Market Sustainability & Improvement Fund Grant

The Local Government Finance Settlement included grant funding for 2025/26 of £3.193m through the Market Sustainability & Improvement Fund Grant.

Local Authority Better Care Fund Grant

The 2025/26 Settlement included the Adult Social Care Discharge Fund Grant, previously received as a separate grant. The total grant for 2025/26 was £6m.

Better Care Fund

The Better Care Fund is intended to incentivize the integration of health and social care, requiring Integrated Care Boards (ICBs) 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, by enabling people to stay well, safe and independent at home for longer and to provide the right care in the right place at the right time.

The Council and ICB's Better Care Fund has a minimum funding contribution of £18m in 2025/26, a 3.9% uplift on 2024/25. The Strategy currently estimates that funding will continue at current levels with inflationary uplift given annually to help fund the known pressures on both the Council and the ICB.

Children's Social Care Prevention Grant

The final 2025/26 settlement announced a new Children's Social Care Prevention grant with total funding of £270m. The grant is to fund the national rollout of "Family Help" a whole family preventative service. Conditions placed on the grant were published in the final settlement. The Council's share of the grant for 2025/26 was £0.401m and it is assumed that this is ring-fenced to cover the costs of implementing the Family Help service.

Children's & Families Grant

The government announced proposals to consolidate 6 children's social care programmes into a new Children's & Families Grant. The programmes are as follows:

- Supporting Families
- Supported Accommodation Reforms - New Burdens to LAs
- Staying Put
- Virtual School Heads Extension for previously looked after children
- Leaving Care Allowance uplift
- Personal Advisors

Funding for each component maintained 2024/25 funding levels and the Council's total of the consolidated funding is £0.982m.

Public Health Grant

The 2025/26 Public Health Grant allocations were announced on the 7th February 2025. The Council's grant for 2025/26 is £10.901m, an increase of £0.627m over the 2024/25 grant. The grant is ring-fenced to public health activity.

Extended Producer Responsibility for Packaging Funding

2025/26 is the first year of the Extended Producer Responsibility for Packaging (pEPR) scheme. The extra funding announced at the Autumn Budget included a guarantee that local authorities in England will receive at least £1.1 billion in total in 2025/26 from the new Extended Producer Responsibility for packaging (pEPR) scheme, with each local authority guaranteed at least the level of income indicated in provisional local payment figures for the first year. The payment for the Council in 2025/26 is £2.7m, which was incorporated into the budget reflecting the cost pressures and investment made into waste services in this and previous years budgets. Future years funding will be based on data submitted by the Council to the scheme administrators, and this is currently included at the same level for future years.

Employers National Insurance Increase

The government announced that £515 million of new funding would be provided in 2025/26 to support councils and mayoral combined authorities with the costs associated with the increase in employer National Insurance Contributions (NICs). Individual allocations were based on 2023/24 Revenue Outturn data and were published at the final settlement. The 2025/26 grant allocation was £1.3m.

Business Rates

There will be a series of changes to the Business Rate Retention System coming into effect from 2026/27. These include:

- A full reset of the Business Rate baseline, where Business Rate growth above baseline achieved since 2013 will be redistributed based on the updated needs assessments as part of the Fair Funding proposals.
- A Business Rate revaluation with the changes to properties Rateable Values implemented with effect from 1st April 2026.
- Proposals to introduce new lower business rate multipliers for Retail, Hospitality and Leisure properties, funded by increasing the multipliers for businesses with rateable values of more than £500,000.
- Consideration by government on whether the multipliers are increased with inflationary uplifts or frozen.
- Reviewing whether the current 100% pilot schemes, including the West of England scheme, continue to operate after the reset.

The estimated impacts of the business rate reset have been included within the Fair Funding reductions referred to in the sections above.

The MTFS includes assumptions for the estimated levels of future Business Rate income, together with making specific provisions for appeals, changes in reliefs and growth and deletions. These assumptions will be kept under review as the final budget is developed, and system changes are finalised. 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.

Business Rates collection fund

The MTFS factors in the reduced 2024/25 actual Business Rates collection fund outturn position of £1.16m which requires funding in 2026/27. This will be funded by a transfer from the Business Rate Reserve which is earmarked to smooth Business Rate income over the medium term. This forecast will be reviewed and updated to take account of the 2025/26 in year performance of the Collection Fund as part of finalising the Business Rates income forecasts for the 2026/27 budget.

Schools Funding

Schools are funded through 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.

For the 2026/27 financial year the DfE have yet to provide the provisional allocations of DSG increases. Normally these are provided in July but, due to the timing of the national budget, the DfE have delayed any announcements on the DSG allocations. It is anticipated that the information will be made during November. The DfE have made announcements of how specific grants allocated to schools in 2025-26 will be passported to schools in a formulaic approach and the grant is usually rolled into the National Funding Formula (NFF) allocations for schools in 2026-27

With the introduction of the NFF the DSG was ring-fenced for schools from 2018/19 making the local authority responsible for the demographic pressures being observed in the SEND / High Needs element of the DSG. In 2022/23 the local authority signed a safety valve agreement with the DfE to agree a plan to recover the deficit in the High Needs Block of the DSG with support from the DfE. During 2023/24 due to continued pressure on the finances of the High Needs Block the DfE placed the LA in enhanced monitoring and required the LA to develop a revised plan to recover the deficit. In September 2025 the LA was informed that DFE officials had recommended to ministers that B&NES should be returned to the normal monitoring process, though we await formal feedback. Once approved, the DFE will resume payments of the safety plan funding totalling £11.2m over the remainder of the plan

The deficit recovery plan shows our proposals to review our processes to encourage schools to develop early support for pupils with SEND thus limiting the need for Education, Health and Care Plans (EHCPs). We are also creating more localised provision to limit expenditure on expensive non maintained special school places. The Education Capital Programme has been utilised to direct resources to provide additional SEND places in mainstream schools and extend special school provision.

We successfully bid for a new Special School, to be built under the free school programme, though both these new schools are currently pending national decisions in relation to the planned SEND reforms which may direct capital funding away from specialist provision and into mainstream provision.

As part of the recovery, the schools were asked to contribute resources from schools allocations to support the SEND expenditure. Regulations allow up to 0.5% of the schools block to be transferred to the high needs block to support the SEND expenditure providing approval of schools through the Schools forum is obtained. The Schools forum has agreed this transfer every year up to 2025/26.

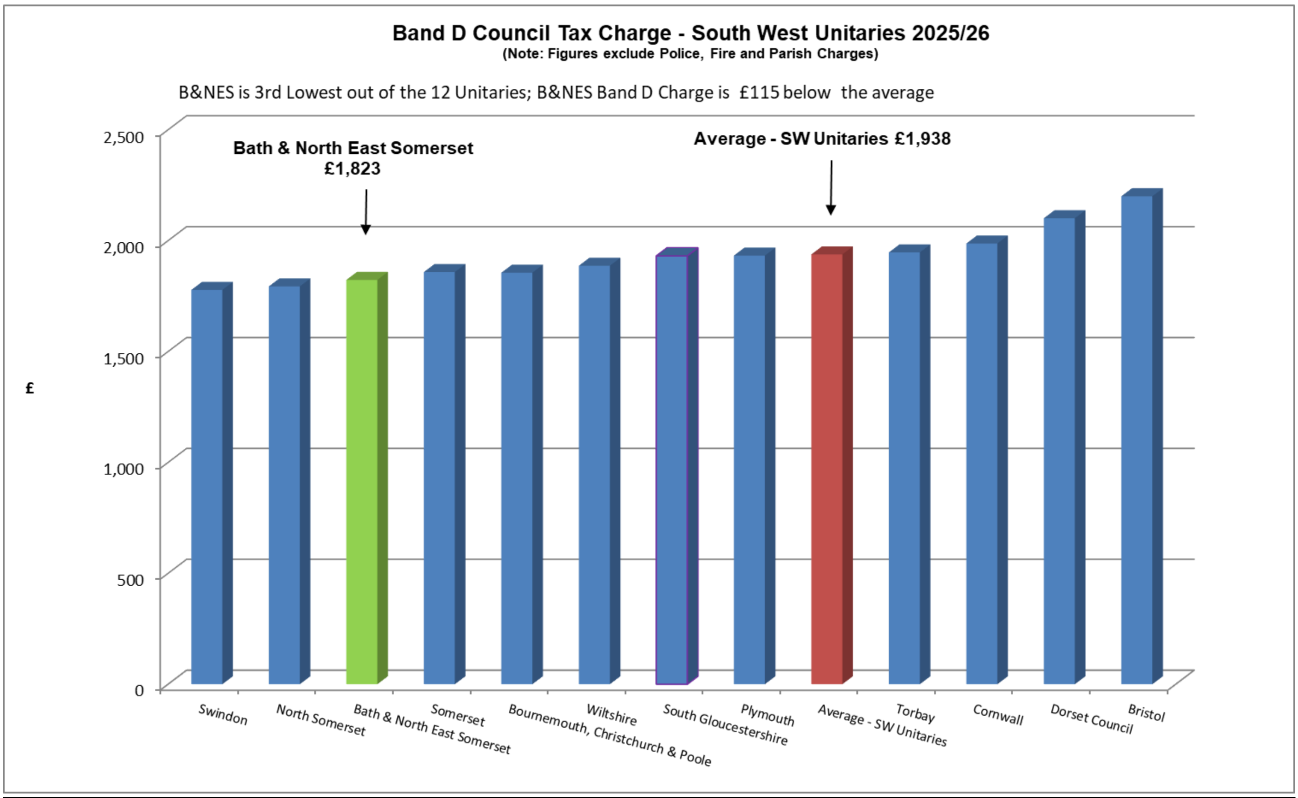
The school's contributions are limited to 1 year under the NFF regulations and therefore further consultation is currently underway to gain a transfer from the schools block in 2026/27. This continues the transfers that have occurred in prior years and would amount to approx. £720k.

When schools convert to academies their reserves transfer to them and therefore school reserves have reduced significantly as a result reflecting that only 5 schools (1 Secondary and 4 Primary) remain as maintained schools. We anticipate the last remaining secondary school will convert to academy in the coming 18 months.

8. Council Tax

Comparison of 2025/26 Council Tax

The chart below shows how B&NES compares (3rd lowest) to other South West unitary authorities:



Council Tax collection fund

The MTFS factors in the negative 2024/25 actual Council Tax collection fund outturn position of £0.34m which requires funding in the 2026/27 Budget. It is proposed that this one-off impact is funded from the financial planning earmarked reserve. This forecast will be reviewed and updated to take account of the 2025/26 in year performance of the Collection Fund as part of finalising the Council Tax base and income forecasts for the 2026/27 budget.

Council Tax Precept

The current funding gap in the MTFS assumes a **2.99% increase** in council tax in 2025/26 and future years. This assumes that the Government's referendum principles in respect of general Council Tax will allow increases of up to 3% in 2026/27 and future years. In addition, the MTFS assumes that the Council tax base will grow with incremental growth of 1% per annum from 2026/27 onwards.

Adult Social Care Precept

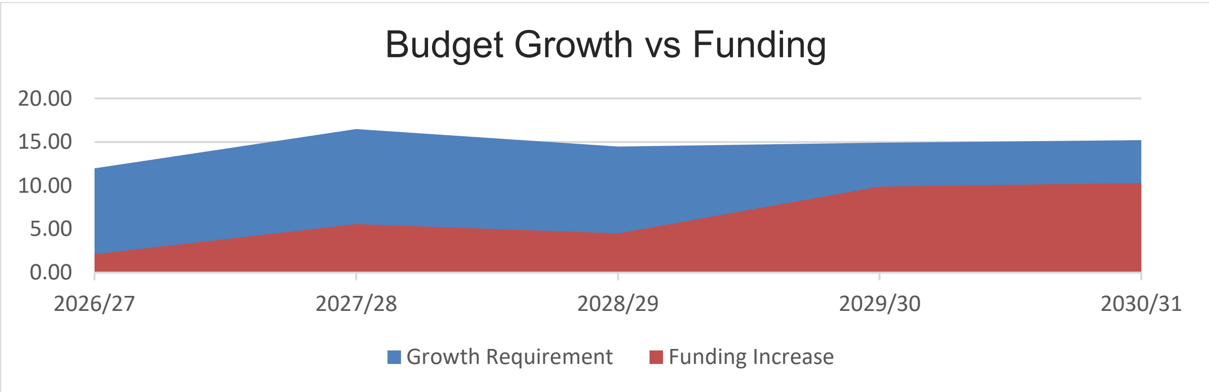
The MTFS assumes that the Government will recognise the continued pressures facing Adult Social Care (ASC) authorities, and continue to allow for a further 2% increase per annum for 2026/27 and future years.

9. Financial Outlook

Following the updating of assumptions including the projected impacts of the Fairer Funding reforms the current MTFS shows a budgets gap of £8.9m for 2026/27 with projected budget gaps in each year of the period covering 2027/28 to 2030/31 as follows:

Budget Planning	Future years assumptions £m					
	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Growth Requirement	11.97	16.49	14.49	14.92	15.21	73.08
Funding Increase	2.10	5.58	4.49	9.88	10.29	32.34
Annual Funding gap	**9.87**	**10.91**	**10.00**	**5.04**	**4.92**	**40.74**
Savings Proposals	0.96	0.85	0.10	0.10	0.10	2.11
Remaining Funding Gap	**8.91**	**10.06**	**9.90**	**4.94**	**4.82**	**38.63**

The funding gap over the medium term can be analysed further to identify additional pressures on expenditure and the impact of funding reductions in income as follows:



The MTFS has been updated to reflect changes in service demographic, inflation and ongoing pressures highlighted through the 2025/26 Quarter 2 budget monitoring report which are unable to be directly mitigated on an ongoing basis. These increases in growth are partly mitigated by releasing £6.8m of the corporately held contingency which form part of the 2025/26 base budget, favourable pension contribution rates arising from the latest triennial pension fund revaluation estimates.

Key changes are highlighted in the following table:

Change in Financial Assumptions	2026/27 Movement £'000
Fair Funding Estimated Impact	4,000
Demographic Growth	1,158
Inflation	2,313
Rebasing In Year Pressures	7,206
Children's 2026/27 Savings Rebasing	1,383
Grant Income	(0.716)
Council Tax	(1.307)
Employers Pension Contributions	(4.000)
Increase Corporate Contingency release to £6.8m	(6.515)
Total Changes	**3.522**

Indicative Budget Forecast

The detail of the budget gap is shown in the table below and outlines additional cost pressures and changes in funding:

Budget Planning	Future years assumptions £m				
	2026/27	2027/28	2028/29	2029/30	2030/31
Budget Requirement (Previous Year)	**151.71**	**153.81**	**159.39**	**163.88**	**173.76**
Budget Adjustments	(6.80)	0.00	0.00	0.00	0.00
Pay & Pension	3.57	5.71	4.49	5.28	5.46
Demographic Growth	4.72	3.82	3.59	3.72	3.92
Contract Inflation	5.13	4.13	3.24	3.31	3.38
New Homes Bonus Grant	0.00	0.00	0.00	0.00	0.00
Capital Financing	1.81	1.97	2.02	1.21	1.05
Settlement grant funding	(0.02)	0.00	0.00	0.00	0.00
Budget pressure / rebasing	3.55	0.85	1.14	1.40	1.40
Funding Requirement Sub Total	**11.97**	**16.49**	**14.49**	**14.92**	**15.21**
Draft Budget Before Savings	**163.68**	**170.30**	**173.88**	**178.80**	**188.97**
Proposed Savings Plans	(0.96)	(0.85)	(0.10)	(0.10)	(0.10)
Estimated Savings Required	(8.91)	(10.06)	(9.90)	(4.94)	(4.82)
Savings Requirement Sub Total	**(9.87)**	**(10.91)**	**(10.00)**	**(5.04)**	**(4.92)**
Budget Requirement	**153.81**	**159.39**	**163.88**	**173.76**	**184.04**
Funding of Budget Requirement					
Council Tax	136.86	145.49	154.28	163.45	173.02
Business rates retention	20.09	21.90	22.60	23.31	24.03
Fair Funding - Estimated Impact	(4.00)	(8.00)	(13.00)	(13.00)	(13.00)
Reserve transfers From	1.46	0.00	0.00	0.00	0.00
Reserve transfers (To)	(0.60)	0.00	0.00	0.00	0.00
Funding of Budget Requirement Total	**153.81**	**159.39**	**163.88**	**173.76**	**184.04**

The forecast includes the following cost pressures and assumptions:

- **Pay Inflation** – Estimated 3.00% in 2026/27 and future years.
- **Council tax** – General assumed at 2.99% and Adult Social Care precept 2% in 2026/27 and future years.
- **Pension Costs** – Projected reduction in Employer's Pension Contributions of 3 to 3.5% anticipated with effect from 2026/27 from the triennial revaluation and the associated improvement in the funding levels of the Avon Pensions Fund.
- **Demographic Growth & Increase in Service Volumes** – Additional demand from new placement and market pressures in Adult & Children Social Care;
- **Interest Rates** – Short Term Interest rate reductions to follow movement in Bank of England base rate currently 4% for treasury management cash investments with borrowing rates estimated at 5%. The Council will fix budget interest rates following the provisional settlement;
- **Inflation** – Impacts of Contract and Commissioning inflation across services.
- **Budget Pressures / Rebasing** – 2026/27 budget rebasing currently informed from the 2025/26 Q2 Council monitoring position 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 MTFS includes a £1.1m transfer from the Business Rate Reserve to fund the Business Rate Collection Fund deficit carried forward from the 2024/25 outturn position, £0.3m from the financial planning reserve to fund the carried forward Council Tax Collection Fund Deficit and a transfer of £600k to the Revenue Budget Contingency Reserve in line with the planned replenishment of the reserve following use to mitigates the impact of Covid in prior years.

10. Managing the Medium Term Financial Strategy

Current estimates are that £40.7m savings will now be required over the next five years including savings already approved.

The strategy has outlined that due to the current uncertainties with government funding allocations, the focus of savings plans will be on achieving a balanced budget in 2026/27 with work to develop a transformation plan over the medium terms continuing over the next 12 months. The current projected savings requirement for 2026/27 is £9.87m, including the rebased savings plans of £0.96m already identified. Due to the budget impact of rising demand, inflation and government funding changes this puts 75% of the 5 year MTFS savings in the next 3 years.

Budget management plan

The following approach is recommended to create a robust plan of action, manage change and balance the budget.

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, un-avoidable 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 multiyear savings.

- Stop doing will need to demonstrate how risk is appropriately managed.

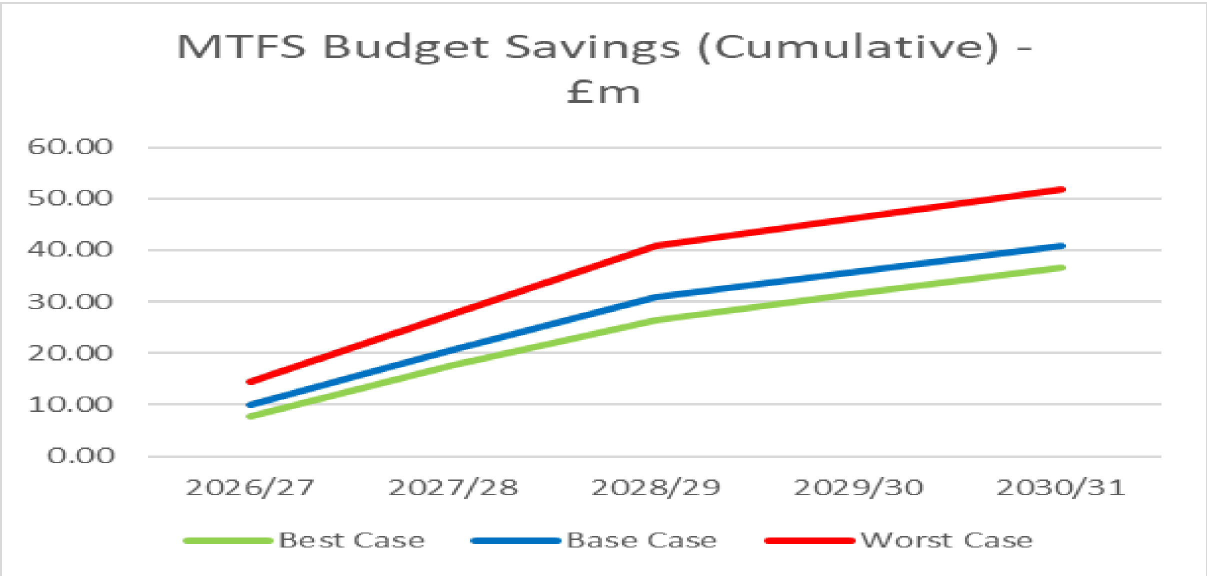
- Savings with reputational / political implications need early engagement with Cabinet portfolio holders, with early, proportionate equality impact assessments completed.

- 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.

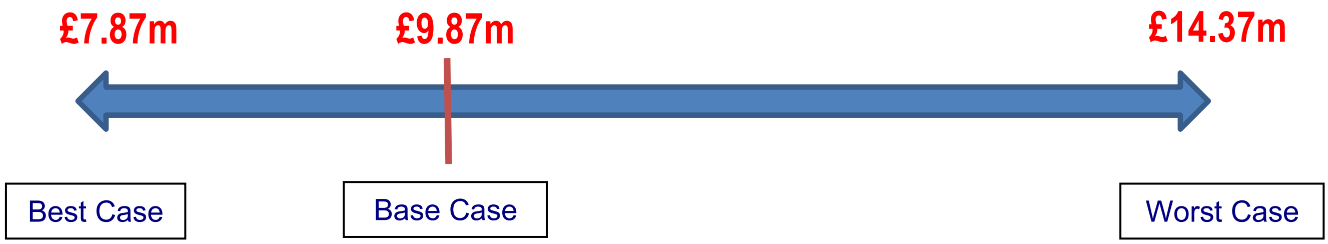
To manage the strategy financially and over a longer term there will need to be transformational changes to the organisations operating model and ways of working to support the way we approach budget planning to ensure a fully achievable set of proposals can be taken forward across the life of the strategy.

The chart below show's how the MTFS base case presented in this report may change due to the ongoing uncertainty over future funding and risks with managing current service demand and delivering savings.



Over the 5 year MTFS period the worst case scenario has a saving requirement of £51.7m, £11m higher than the base case and the best case scenario has a savings requirement of £36.5m, £4.2m lower than the base case.

The savings scale below shows how the range of savings requirement for 2026/27 may change based on these risks:



The base case is based on the budget assumptions and figures in section 9 of this report.

The worst-case scenario builds in allowance for the following potential adverse variations against the base case assumptions:

- Fair Funding Changes 50% worse than currently assumed impact - £2m
- Risk allowance for increased Service Demographic and Demand Pressures - £1.5m
- Risk Allowance on Council key Service income streams - £1m

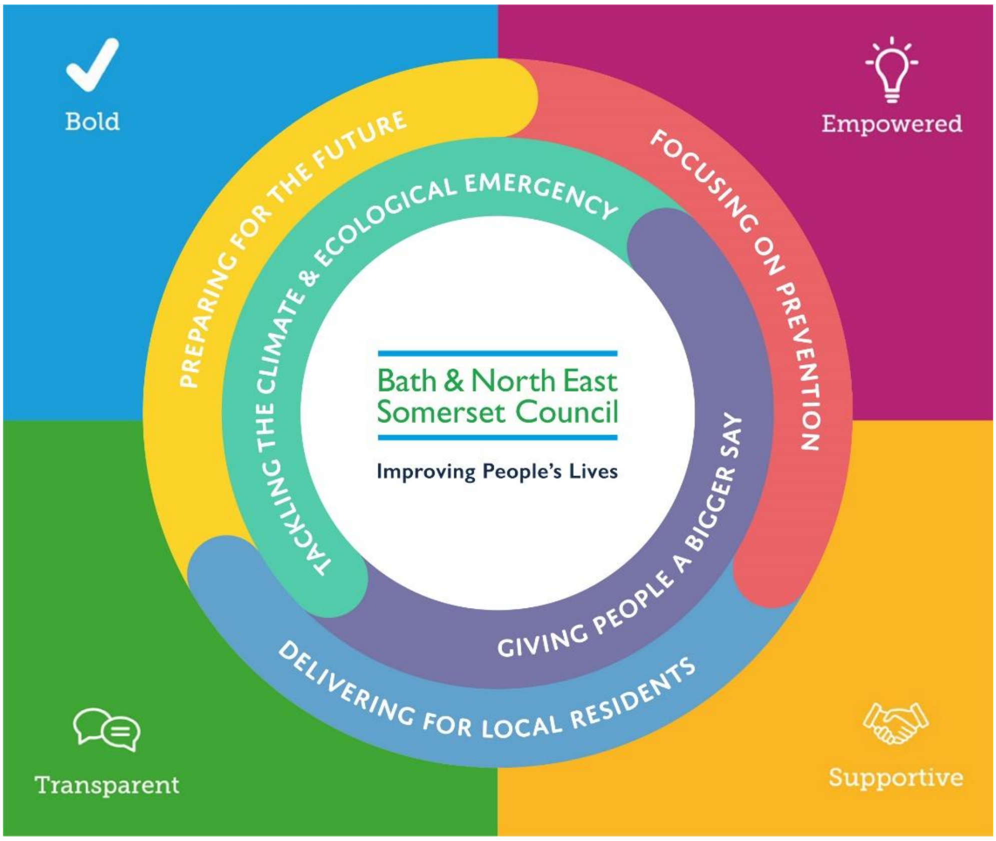
The best case scenario builds in allowance for the following potential favourable variations against the base case assumptions:

- Fair Funding Changes 25% better than currently assumed impact - £1m
- Additional Funding included in LG Financial Settlement recognising key demand service pressures - £1m

For financial planning purposes the base case is the most realistic assessment that recognises that numbers may move between now and the end of December. In the event that the local government funding position moves to the worst case the Council will need to consider further mitigations from the revenue budget.

11. Corporate Strategy and Council priority areas

The Medium Term Financial Strategy 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

12. Capital Programme

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 to simplify, challenge deliverability and put forward a more accurate funding and expenditure profile over multiple years;
- 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 replacing 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.

The following shows the capital programme approved in February 2025 as part of budget setting:

Capital Schemes for Approval

Cabinet Portfolio: Capital Schemes	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Budget 2029/2030 £'m	Total £'m
Resources	17.701	9.767	0	0	0	**27.468**
Economic & Cultural Sustainable Development	11.932	16.786	14.557	1.792	0.050	**45.117**
Leader	0	0	0	0	0	**0**
Climate Emergency & Sustainable Travel	5.395	0.032	0.008	0	0	**5.435**
Built Environment & Sustainable Development	5.314	1.500	0	0	0	**6.814**
Adult Services	2.270	1.909	1.789	1.839	1.789	**9.597**
Children's Services	12.631	1.351	0	0	0	**13.982**
Neighbourhood Services	4.054	0.050	0.050	0.050	0.050	**4.254**
Highways	17.116	2.901	0	0	0	**20.017**
Total	**76.413**	**34.296**	**16.404**	**3.681**	**1.889**	**132.683**

Capital Schemes for Provisional Approval (Subject to)

Cabinet Portfolio: Capital Schemes	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Budget 2029/2030 £'m	Total £'m
Resources	7.650	9.889	41.500	28.500	9.500	**97.038**
Economic & Cultural Development	14.589	11.776	6.677	26.802	8.835	**68.679**
Leader	0.214	0	0	0	0	**0.214**
Climate Emergency & Sustainable Travel	18.905	18.196	1.065	0.600	0.550	**39.316**
Built Environment & Sustainable Development	7.191	9.387	21.230	3.635	3.635	**45.077**
Adult Services	1.317	0.080	0.080	0.080	0.050	**1.607**
Children's Services	15.071	5.914	0	0	0	**20.985**
Neighbourhood Services	10.900	11.672	12.311	1.919	3.465	**40.267**
Highways	8.708	24.789	9.012	9.762	8.997	**61.268**
Total	**84.545**	**91.703**	**91.875**	**71.298**	**35.032**	**374.453**

Funded By

Financing	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Budget 2029/2030 £'m	Total £'m
Grant	73.309	42.809	14.500	8.836	8.786	**148.241**
Capital Receipts/RTB	2.745	8.400	0.635	0.635	0.202	**12.617**
Revenue	2.292	3.570	0.050	0.050	0.050	**6.012**
Borrowing	73.705	66.400	92.315	65.456	27.883	**325.759**
3rd Party (inc S106 & CIL)	8.907	4.820	0.778	0.003	0	**14.508**
Total	**160.957**	**125.999**	**108.279**	**74.980**	**36.921**	**507.136**

Note this does not include slippage from 2024/25 which totalled £16.2m.

An allocation of £1.3m revenue budget to support new schemes has been factored into 2026/27, this is fully committed to the schemes and maintenance programmes added in the 2025/26 and previous years budgets. Any further capital investment requiring funding from corporately supported borrowing will require either the reduction of existing schemes or for the additional costs of borrowing to be incorporated in the 2026/27 and future years revenue budgets. The more detailed capital strategy will be updated for approval as part of the budget in February 2026.

Capital receipts will be used flexibly on appropriate revenue expenditure and further adjustments may be made as part of setting the budget for 2026/27 subject to any revision to government guidance being published. The current programme will continue to be reviewed to ease this financial impact.

The intention is to take a measured approach between borrowing in the current market climate and the utilisation of internal cash flow wherever possible. Borrowing has been factored into the strategy to ensure that the authority can meet its future borrowing obligations. The decision on the timing of new borrowing will still be driven by market factors, particularly movements in interest rates to provide overall value for money to the Council.

New capital schemes will be considered on a priority basis to minimise the impact on Council funded borrowing, and where appropriate maximise the use of external funding including the application of grants.

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 2025/26 capital programme included a funded corporate risk contingency of £3.8m;

- 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.

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 a MRP Policy in advance each year, or if revisions are proposed during the year they should be put to the Council at that time.

11. Earmarked and Non-Earmarked Reserves

Earmarked Reserves are set aside for specific purposes whereas Non-Earmarked Reserves are retained to meet unforeseen risks. A regular review of financial risks to assess the optimum levels of balances and reserves will be reported to members annually. This ensures that the authority has sufficient funds to meet its key financial risks. The strategy remains that balances remain at a level that covers these key risks.

To manage financial risk the Council holds £12.58m of unearmarked reserves.

The following table shows each of the key earmarked reserves held for financial planning, the expected opening balance for 2026/27 and anticipated closing balance after the projected use:

	Estimated Balance 31/03/2026 £'m	Proposed Transfers £'m	Projected Use in Year £'m	Current Estimated Balance 31/3/27 £'m
Revenue Budget Contingency	2.18	0.60	0.00	2.78
Financial Planning and Smoothing Reserve	3.61	(0.34)	(0.54)	2.73
Transformation Investment Reserve	3.19	0.00	(1.00)	2.19
Job Evaluation & Pay Structure Reserve	1.25	0.00	(0.25)	1.00
Restructuring & Severance Reserve	3.33	0.00	(1.50)	1.83

Flexible use of Capital receipts

The strategy requires flexibility around capitalising costs and the flexible use of capital receipts to fund redundancy, transformation, and ICT costs where appropriate to free up reserves in line with the availability of capital receipts.

12. Reviewing the Strategy

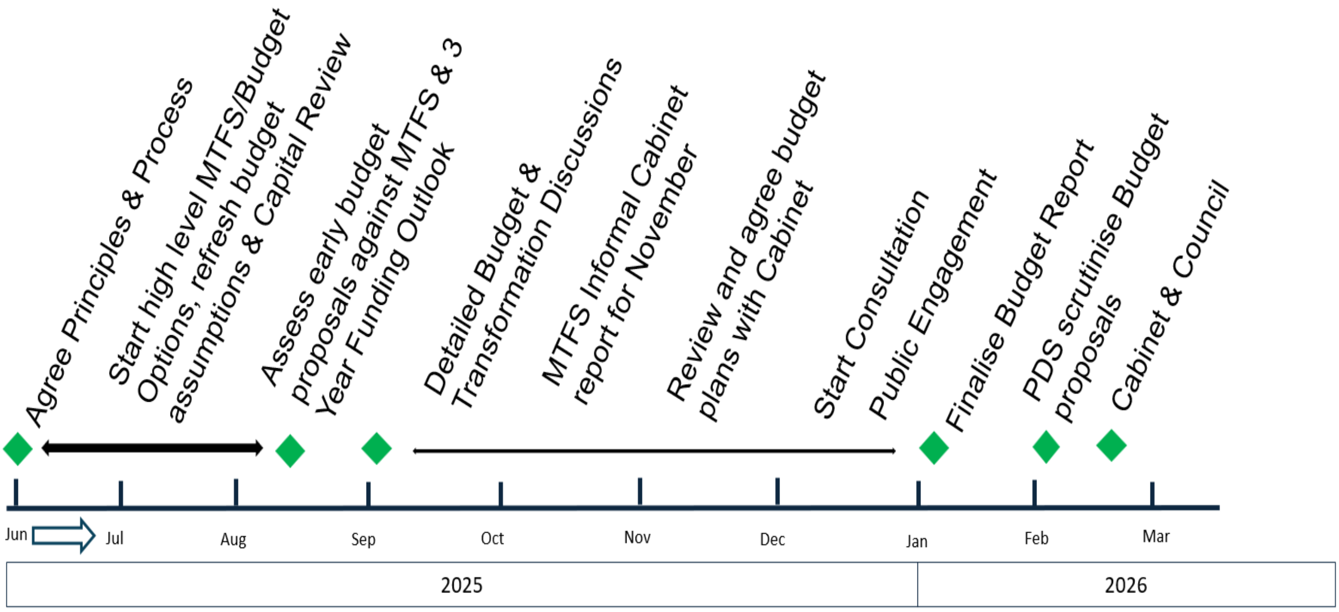
This strategy will naturally span the life of the Council Plan but will be reviewed annually to take into account changes within and external to the organisation. In more uncertain times the strategy will be reviewed more frequently.

13. Public/Stakeholder Engagement

Subject to the timing of central government funding announcements we plan to engage on more detailed budget proposals in December 2025 / January 2026, this will also be subject to scrutiny by Policy Development and Scrutiny Panels.

14. Budget Setting Timetable

The diagram below sets out the budget planning timetable.



15. Risks to the Medium Term Financial Strategy

The Strategy and Plan make regular risk predictions. The key risks to the plan are currently seen as:

Risk	Likelihood	Impact	Risk Management Update
Operational budget pressures due to rising demand	Likely	High	There is the risk of unplanned and unbudgeted growth in demand on Council services, particularly in Adult & Children's Social Care.
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. Changes in the charges for Retail, Leisure and Hospitality businesses are planned to be introduced by the government for 2026/27. We continue to monitor arrears, CVAs, and liquidations with a specific reserve held to manage in-year volatility.

Changes to Government Policy that affects future funding	Likely	High	New government policy and funding reforms that are planned for implementation from 2026/27 are likely to have an impact on resourcing of Council services and priorities. The MTFS includes an estimate of the potential impact on funding. This will continue to be assessed once further details are announced and the government confirms funding allocations.
Contract inflationary pressure	Possible	High	With increase in wage, energy and fuel costs, Council contracted services are at risk of above budget price increases. Capital Schemes may need to be paused due to unfunded viability gaps due to increased supply chain costs.
Viability risk on the Councils Commercial Estate assets held for income generation.	Possible	High	Current asset reviews have identified that due to the age and complexity of the Councils Commercial Estate, some assets operating costs and capital investment needs may exceed annual rental income values. This will be managed through a detailed asset review that informs a programme of prioritisation for investment in the estate.
Reinstated government restrictions in the event of a new pandemic.	Possible	High	This is certainly a material risk, whilst not one the Council has direct control over, every step would be put in place to follow government guidance following the recommendations of our Director of Public Health.
Impact on Reserves	Possible	High	Without additional government grant funding in recognition of unfunded pressures there is the risk that Council reserve levels are not enough to manage in-year and future years risk.
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.
Interest rates increase	Possible	Medium	A reserve is available for borrowing to manage market risk and long-term borrowing costs have been factored into the longer-term MTFS. Long term borrowing rates remain

			elevated due to market concerns around fiscal stability both in the UK & the US.
Funding pressures through WECA, ICB and other partners	Possible	Medium	Ensure good communication links with partner organisations.

The key risks will continue to be monitored throughout the budget setting process and subsequently outlined in each budget setting report to Council and will be reviewed regularly, and reported through budget monitoring to Cabinet.