

# Bath & North East Somerset Council

MEETING:	Climate Emergency and Sustainability Policy Development and Scrutiny Panel
DATE:	Thursday 11th January 2024
TITLE:	Budget 2024/25 and Financial Outlook – Draft proposals
WARD:	All
<b>AN OPEN PUBLIC ITEM</b>	
<p><b>List of attachments to this report:</b></p> <p>Annex 1: 2024/25 Draft Savings and Income proposals          Annex 2: 2024/25 Draft Funding Requirements          Annex 3: 2024 - 2029 Draft Emerging Capital Schemes</p>	

## 1 THE ISSUE

1.1 This report will present the draft revenue and capital budgets together with proposals for increases in Council Tax and the Adult Social Care Precept for 2024/25.

## 2 RECOMMENDATION

The Panel is asked to:

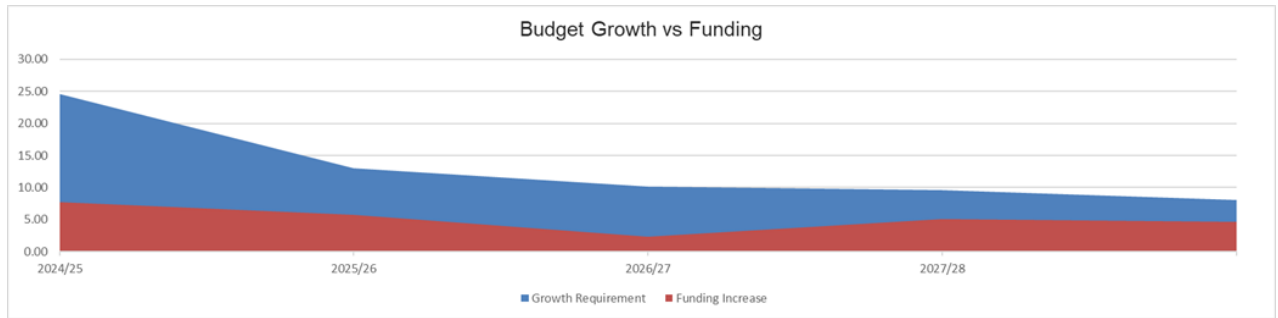
2.1 Note and discuss the proposals that impact the Council's 2024/25 revenue and capital budget.

## 3 THE REPORT

3.1 The Council's 2024/25 Budget and Council tax proposal will be considered by Cabinet on 8<sup>th</sup> February 2024 and presented to Council on 20<sup>th</sup> February 2024. This report includes the draft proposals that are relevant to the CES panel, the scrutiny of these plans will provide assurance on the completion of the Council's 2024/25 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
	2024/25	2025/26	2026/27	2027/28	2028/29	
Growth Requirement	24.53	13.03	10.15	9.65	8.08	65.44
Funding Increase	7.71	5.80	2.30	5.12	4.65	25.58
<b>Annual Funding gap</b>	<b>16.82</b>	<b>7.23</b>	<b>7.85</b>	<b>4.53</b>	<b>3.43</b>	<b>39.87</b>
Savings Proposals	16.82	6.57	2.05	1.10	1.33	27.87
<b>Remaining Funding Gap</b>	<b>0.00</b>	<b>0.66</b>	<b>5.80</b>	<b>3.43</b>	<b>2.10</b>	<b>12.00</b>



## Indicative Budget Forecast

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

Budget Planning	Future years assumptions £m				
	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Budget Requirement (Previous Year)</b>	<b>131.03</b>	<b>138.73</b>	<b>144.53</b>	<b>146.83</b>	<b>151.96</b>
Budget Adjustments	3.00	2.00	0.00	0.00	0.00
Pay & Pension	4.54	3.64	3.37	3.23	3.23
Demographic Growth	3.63	3.00	1.74	2.41	2.02
Contract Inflation	5.00	4.35	2.36	2.34	0.60
New Homes Bonus Pressure	0.42	0.00	0.00	0.00	0.00
Capital Financing	2.01	1.78	0.99	1.21	1.21
Settlement grant funding	(2.54)	0.00	0.00	0.00	0.00
Budget pressure / rebasing	8.47	(1.74)	1.70	0.44	1.02
<b>Funding Requirement Sub Total</b>	<b>24.53</b>	<b>13.03</b>	<b>10.15</b>	<b>9.65</b>	<b>8.08</b>
<b>Draft Budget Before Savings</b>	<b>155.55</b>	<b>151.77</b>	<b>154.68</b>	<b>156.48</b>	<b>160.04</b>
Proposed Savings Plans	(16.82)	(6.57)	(2.05)	(1.10)	(1.33)
Estimated Savings Required	(0.00)	(0.66)	(5.80)	(3.43)	(2.10)
<b>Savings Requirement Sub Total</b>	<b>(16.82)</b>	<b>(7.23)</b>	<b>(7.85)</b>	<b>(4.53)</b>	<b>(3.43)</b>
<b>Budget Requirement</b>	<b>138.73</b>	<b>144.53</b>	<b>146.83</b>	<b>151.96</b>	<b>156.60</b>
Business Rate Relief Adjustment*	0.00	0.00	0.00	0.00	0.00
<b>Revised Budget Requirement</b>	<b>138.73</b>	<b>144.53</b>	<b>146.83</b>	<b>151.96</b>	<b>156.60</b>
<b>Funding of Budget Requirement</b>					
Council Tax	119.65	123.60	127.32	131.15	135.10
Business rates retention*	22.58	22.63	20.11	20.80	21.50
Reserve transfers From	0.00	0.00	0.00	0.00	0.00
Reserve transfers (To)	(3.50)	(1.70)	(0.60)	0.00	0.00
<b>Funding of Budget Requirement Total</b>	<b>138.73</b>	<b>144.53</b>	<b>146.83</b>	<b>151.96</b>	<b>156.60</b>

The forecast includes the following cost pressures and assumptions:

- **Pay Inflation** – Estimated 5.00% in 2024/25, 4% 2025/26, 3% thereafter.
- **Council tax** – General assumed at 2.99% in 2024/25 then 1.99% thereafter, Social Care precept 2% until 2024/25.
- **Pension Costs** – Have been revised in line with the recent revaluation no increase up to 2026/27.
- **Demographic Growth & Increase in Service Volumes** – Additional demand from new placement and market pressures in Adult & Children Social Care;
- **Interest Rates** - Higher interest rate to follow movement in Bank of England base rate currently 5.25% for treasury management cash investments. The Council will fix budget interest rates following the provisional settlement;
- **Inflation** – CPI projections modelled on a higher rate between 5-8% this will be refreshed for the detailed budget proposal based on ONS data.
- **Budget Pressures / Rebasing** – 2024/25 budget rebasing takes into account current pressures identified in Q2 monitoring on demand driven services including Children's Services.
- **Capital Spending** – an allowance has been made to fund previously agreed provisional schemes requiring borrowing.
- **Borrowing** – longer term borrowing costs have been factored into the MTFs however the authority will continue to optimise the use of cash balances subject to market conditions and the overriding need to meet cash outflows;
- **New Priorities** – from April 2024 these will be developed with the administration as part of the Corporate Strategy and at this stage have not yet been factored into the budget figures.
- **Reserves** – In recognition of inflation pressures commitment against un-earmarked general reserve for unbudgeted in year risks.

### 3.3 Savings and Income Generation

To deliver a balanced budget in 2024/25 savings and income generation plans total £16.82m, with income and savings to find of £7.23m in 2025/26. The Council has a good track record of delivering proposed savings. In relation to the Cabinet Portfolios being scrutinised by the CES Panel there are savings to find of £0.58m and income generation plans of £1.49m.

The proposals for savings and income generation are outlined in Annex 1.

### 3.4 Budget funding requirements

Budget growth and additional pressures across all portfolios of £24.53m 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 CES Panel there is budget growth from demand and inflationary pressures, and new funding requests of £4.17m.

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:

- Neighbourhood Services Contract Inflation £1.05m
- Highways Contract Inflation £0.33m
- Additional Recurrent Funding for Clean and Green Initiative £0.29m
- Council House Building Resource £0.15m
- Line Painting Programme £0.08m
- Developing Walking and Cycling Routes £0.05m

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

### **Budget Setting Principles**

- New policy and service demand funding requirements need to be understood with robust and realistic estimates for future years.
- For new budget items 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 facilitated by Business Change delivering multiyear savings.
- Stop doing will need to demonstrate how risk is appropriately managed.
- Savings with reputational / political implications need early discussion with portfolio holders, with early, proportionate equality impact assessments completed.
- Savings proposals will need to have a budget profile in line with delivery plans.
- Cost and timescale for implementation needs to be fully understood and captured in the budget proposal.

### **3.5 Capital Programme 2024/25 to 2028/29**

The new and emerging Capital schemes can be found in Annex 3, illustrated by source of funding, with details outlined within the narrative descriptions. It is noted these reflect additions and savings from the current published programme.

All capital items have been considered and supported by the Capital Strategy Group in consultation with Portfolio holders with due consideration to revenue funding requirements.

### 3.6 Corporate Strategy and Council priority areas

The Budget proposal out the framework and allocation financial resources across the Council. How this is achieved will require close alignment to the Corporate Strategy as set out below.

**One:** We have one overriding purpose – to improve people’s lives.

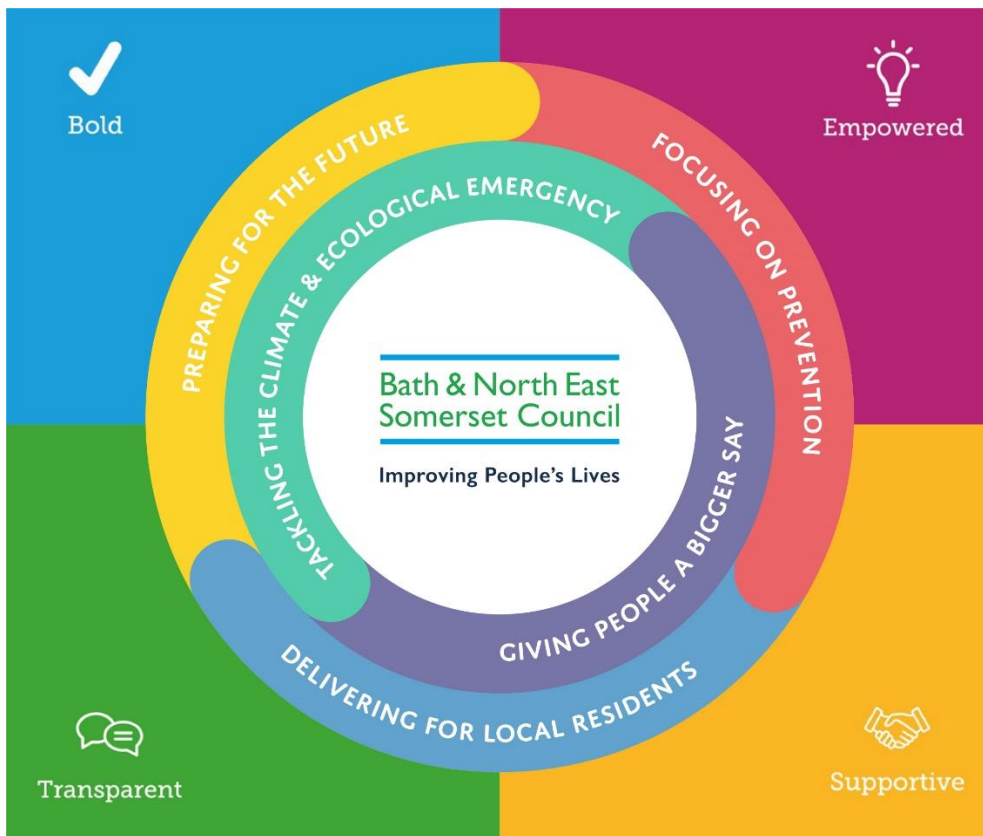
**Two:** We have two core policies – tackling the climate and ecological emergency and giving people a bigger say. These will shape everything we do.

**Three:** To translate our purpose into commitments, we have identified three principles. We want to prepare for the future, deliver for local residents and focus on prevention.

Our four values - bold, empowered, supportive and transparent - continue to underpin all of our work.

Our Corporate Strategy to 2027 builds on our achievements and reflects the ambitions and priorities of the council’s administration elected in May 2023. It provides a clear and ambitious framework for delivery, it also sets out how shared outcomes will be embedded through partnerships such as our Future Ambition Board and Health and Wellbeing Board.

This is all set out clearly in the diagram below:



This is the “golden thread” which drives what we do ensuring that setting budgets and managing our people - our most valuable resource - are guided by the council’s priorities. It also means that our commitments are realistic and achievable.

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Areas of overarching strategic priority and focus over the next two years will include:

- Delivery of the Council's Being Our Best programme to enable a joined up organisational structure that meets the objectives of providing the Council with Great Jobs, Smarter Structures and a Culture of Excellence.
- Develop a new strategy and service provision of Adult Social Care services to the residents of Bath and North East Somerset.
- Focus on ensuring financial sustainability in Children's services. This recognises the increased demand and complexity of caseload which creating more effective financial and information management which are key to creating a modern and resilient service.
- Delivery against an ambitious new Economic Strategy for Bath and North East Somerset, prioritising green growth, good jobs and affordable housing.
- Manage the Council's operational assets through the introduction of a Corporate Landlord model that ensure the best use for the Council's services and its communities.
- Continued investment to support the most vulnerable people in our communities.
- Continued commitment to secure action to address the climate and ecological emergency.
- Continue to focus on council wide business change programmes which balance service improvement within a clear return on investment framework.
- Deliver new ways for our residents, businesses, partner organisations, visitors and internal service teams to interact and receive council information and services, using digital channels.
- Ensuring that we are able to manage labour market demands and fluctuations across our workforce but particularly in operational roles in both social care and neighbourhood services.

Within the budget proposals budget has been allocated to revenue and capital schemes at a Portfolio level to take forward the following initiatives that will contribute to the delivery of the Corporate Strategy:

### **Place Management Directorate**

Further changes to how we deliver our services have been identified to focus on the corporate strategy priorities of addressing the climate and ecological emergency and delivering for local residents throughout the budget setting process. This includes:

- Clean and Green Team
  - We will deliver for local residents with an uplift in base budget funding for the Clean and Green initiative to £750k per annum. This will result in increases in weed clearance, maintenance of highway gullies to prevent flooding, cutting back vegetation and removing litter on main roads.
- Line painting
  - We will deliver for local residents through additional funding for highway line painting to ensure the safety and understanding for all road users.
- Home to school transport
  - We will deliver for local residents by providing additional funding to transport children, including our most vulnerable, to and from school in a way that matches their needs.
- Waste Services staff investment
  - We will deliver for local residents ensuring that funding commitments made through Union engagement and negotiation previously are honoured with our staff, ensuring high quality services.
- City town centre management
  - We will develop and deliver a new strategy and operating model for Parks services to ensure that the service delivers against our Climate and Nature Emergency commitments.
- Highways
  - We will ensure that we are using all tools available to us as a Highway Authority to ensure that we deliver the service in line with our Climate and Nature Emergency commitments and deliver on the commitments contained within the Journey to New Zero Policy adopted in 2023.
  - This includes implementing changes to help manage parking demand by widening the use of emission-based charges and making small changes to fees in both Bath and North East Somerset as well as implementing charges of motorbikes and rebasing streetwork permit income.
- Neighbourhood services
  - We will deliver for local residents by implementing operational and contract efficiencies through the use of the new depot at Pixash Lane that will be fully operational from the start of 2024. This includes operating model changes to how we run services as well as the increased ability to offer MOTs to the public.

## **Sustainable Communities Directorate**

- Green Transformation
  - Overall funding levels will be maintained over the next three years (2024-27) to deliver the Corporate Strategy priority to address the climate and ecological emergency.
  - We will prepare for the future by developing a pipeline of renewable energy projects in support of our net zero goals, developing plans to deliver a doubling of woodland cover by 2050 and strengthening our approach to climate resilience and adaptation, as part of our wider ongoing work towards net zero, nature positive by 2030.
  - We will continue to deliver for local residents through our green infrastructure programme, with additional investment from the Community Infrastructure Levy for projects including Bathscape, Somer Valley Rediscovered, Chew Valley Reconnected, Bath Riverline, Waterspace and Keynsham Memorial Park.

- A £150k reduction in the base budget for Green Transformation will be offset through draw down from a policy reserve to fund individual time-limited projects supporting Corporate Strategy priorities. Policy reserve funding will be used for projects where external funding is likely to be secured, to maximise investment in strategic priorities whilst reducing the ongoing demand for recurring revenue funding. Projects will demonstrate a sustainable external funding source before reserve funding is agreed.
- Strategic Transport
  - Overall funding levels will be maintained over the next three years (2024-27) to deliver the Corporate Strategy priority to address the climate and ecological emergency.
  - The development of effective policy and strategy framework will continue to guide investment in future transport schemes which will deliver the most significant progress towards the Council's priorities. This programme of work also includes the completion of business cases to direct the investment of the City Region Sustainable Transport Settlement funding.
  - Additional top-up payments to the Transport Levy paid to the West of England Combined Authority will cease on account of an underspend in the core levy. Underspend in other Levy components will mitigate impact.

#### **4 STATUTORY CONSIDERATIONS**

- 4.1 The preparation of the Council's budget proposals meets 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**

- 6.1 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 has also introduced new capital items to explore and implement renewable energy schemes. It therefore does not include any decisions that have a direct impact on Climate Change.

#### **8 OTHER OPTIONS CONSIDERED**

- 8.1 None



## 9 CONSULTATION

9.1 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>	<i>Sophie Broadfield, Director of Sustainable Communities</i>
<b>Background papers</b>	<p>2024/25 Medium Term Financial Strategy</p> <p><a href="https://democracy.bathnes.gov.uk/documents/s79189/E3485%20-%20Medium%20Term%20Financial%20Strategy%20-%20Appendix%201.pdf">https://democracy.bathnes.gov.uk/documents/s79189/E3485%20-%20Medium%20Term%20Financial%20Strategy%20-%20Appendix%201.pdf</a></p> <p>2023/24 Quarter 2 Revenue and Capital Budget Monitoring.</p> <p><a href="https://democracy.bathnes.gov.uk/documents/s79190/E3468%20-%20Revenue%20and%20Capital%20Budget%20Monitoring%20Cash%20Limits%20and%20Virements%20-%20April%202023%20to%20September%202.pdf">https://democracy.bathnes.gov.uk/documents/s79190/E3468%20-%20Revenue%20and%20Capital%20Budget%20Monitoring%20Cash%20Limits%20and%20Virements%20-%20April%202023%20to%20September%202.pdf</a></p>
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