

Bath & North East Somerset Council		
MEETING:	Council	
MEETING DATE:	20th February 2024	EXECUTIVE FORWARD PLAN REFERENCE:
		E3500
TITLE:	Budget and Council Tax 2024/25 and Financial Outlook	
WARD:	All	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report</p> <p>Annex 1: Revenue Budget 2024/25 – individual service cash limits Annex 2: (i) 2024/25 to 2026/27 Budget Savings and Income proposals & (ii) 2024/25 to 2026/27 Funding Requirements. Annex 3: Equalities Impact Assessment of 2024/25 to 2026/27 Savings Proposals Annex 4: Efficiency Strategy Annex 5: Draft Capital Programme 2024/25 to 2028/29 Annex 5 (i): New and Emerging Capital Schemes Annex 5 (ii): Highways Maintenance Programme Annex 5 (iii): Transport Improvement Programme Annex 5 (iv): Corporate Estate Planned Maintenance Programme Annex 5 (v): Community Infrastructure Levy (CIL) Allocations Annex 6: Capital & Investment Strategy Annex 7: MRP Policy Annex 8: Council Pay & Reward Policy 2024/25 Annex 9: Advice of Monitoring Officer on the Budget Setting Process Annex 10: Budget 2024/25 Consultation Report Annex 11: Fees & Charges Brochure 2024/25 Annex 12: Formal Council Tax Setting Resolutions (incorporating precepts from Parishes, Fire, and Police) – TO FOLLOW</p>		

1. THE ISSUE

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

2. RECOMMENDATIONS

2.1 The Council approves-

- The General Fund net revenue budget for 2024/25 of **£135.85m** and the individual service cash limits for 2024/25 as outlined in Annex 1.

- The savings and income plans outlined in Annex 2(i), funding requirements 2(ii), in conjunction with the Equalities Impact Assessment Report in Annex 3.
- An increase in Council Tax of 2.99% in 2024/25 (an increase of £49.45 per Band D property or 95p per week).
- An increase of 2% to Council Tax for the Adult Social Care Precept in recognition of the current demands and financial pressures on this service. This is equivalent to an increase of £33.07 on a Band D property (64p per week).
- The movement in reserves outlined in section 5.6 and the adequacy of Un-earmarked Reserves at £12.58m within a risk assessed range requirement of £12.3m - £13.6m.
- To note the Children's Services management plan set out in section 5.2.7 of the report.
- The Efficiency Strategy attached at Annex 4.
- The Capital Programme for 2024/25 of £71.91m including new and emerging capital bids outlined in Annex 5(i), planned sources of funding in 5.8.3, and notes the programme for 2025/26 to 2028/29 and that any wholly funded projects coming forward during the year will be added to the Capital Programme in line with the Budget Management Scheme.
- The delegation of implementation, subject to consultation where appropriate, of the capital programmes set out in Annex 5(i) to Annex 5(iv) to the relevant Director in consultation with the appropriate Cabinet Portfolio Holder.
- The schedule of asset disposals as set out in section 5.8.2 and delegates the final disposal decision to the Head of Commercial and/or Corporate Estate in consultation with the S151 Officer and appropriate Cabinet Portfolio Holder.
- The Community Infrastructure Levy (CIL) allocations and amendments outlined in Annex 5(v).
- The Capital & Investment Strategy attached at Annex 6.
- The MRP Policy attached at Annex 7.
- The Capital Prudential Indicators outlined in 5.8.7.
- The Annual Pay Policy Statement at Annex 8.
- The Community Contribution Fund extension outlined section 5.5.
- The Council Tax Support Scheme for 2024/25 shown in the following link: <https://beta.bathnes.gov.uk/sites/default/files/2024-01/Bath%20%26%20NE%20Somerset%20S13A%20202425%20FINAL.pdf> and referred to in 5.3.5
- The Fees and Charges schedule for 2024/25 at Annex 11 and support its publication following approval of the budget, with delegation to amend individual

costs within the schedule in line with market needs, to the Director of Place Management, in consultation with the appropriate Cabinet Portfolio Holder.

- 2.2 That the Council approves the technical resolutions that are derived from the budget report, and all the figures in that report, including the precepts for towns, parishes and other precepting bodies as set out in Annex 12.
- 2.3 That the Council note the S151 Officer's report on the robustness of the proposed budget and the adequacy of the Council's reserves outlined in 5.7.
- 2.4 That the Council note the budget consultation responses in Annex 10.

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

The resource implications are contained within the body of the report.

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSALS

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

Members must have regard to the impact on specific groups in their decision making. The Equalities Team has reviewed savings plans to ensure that any impact the saving will have on diversity and equality has been assessed and to ensure that any issues are highlighted to members before a decision is made. The analysis is attached at Annex 3.

5. THE REPORT

5.1 The 2024/25 Budget Summary

The Medium-Term Financial Strategy (MTFS) was approved in November 2023 and outlined how the budget would be delivered over the medium to long-term. This considers the current economic outlook together with the ongoing inflationary pressures from the 'Cost-of-Living crisis'. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that Council one-off cash balances (reserves) are not being used to fund recurrent expenditure. The updated plan shows a balanced budget for 2024/25 and 2025/26 with a future years budget gap from 2026/27 although this is expected to reduce to a balanced position once the impacts of income growth and further efficiencies are factored in to budget planning. The figures include all estimates for future pay awards, pension costs, Council Tax, business rates, Government grant, and inflation. The revenue budget contingency includes £3m for general budget risk and £1m for inflationary pressures for new unbudgeted contract risk in 2024/25.

The budget has been developed considering how to operate with a higher cost base and lower income levels whilst delivering the Corporate Strategy to meet our key

principles and commitments. After taking account of ongoing service cost pressures and new funding requirements, the starting point for the 2024/25 budget is a funding gap of £16.42m. The proposed budget meets this funding gap in two ways:

- 1) Income generation plans of £6.51m.
- 2) Cost reduction plans of £9.91m.

The ongoing impact of high inflation and high demand for Social Care has created an imbalance in how the Council funds its services, Council tax and Business rates alone do not fully fund the Council's services. To balance the budget the Council needs to grow its commercial and fees and charges income and also reduce its running costs. The Council revenue support grant has reduced from £31m in 2013/14 to £0.83m per annum in 2024/25 and as a result we have become more reliant on external income to help fund core Council services. After considering demands on services and inflationary pressure the Council revenue budget requires £24.94m in budget growth. This is funded through increases in Council tax, Business rates, income and savings plans and grant adjustments. This is highlighted in more detail in section 5.2.5 of the report and supporting annexes.

The budget includes a recommendation that general Council Tax is increased by 2.99% in 2024/25 (an increase of £49.45 per Band D property) and the Adult Social Care Precept is increased by 2% (an increase of £33.07 per Band D property). This results in a total proposed Band D Council Tax for Bath and North East Somerset Council next year of £1,736.42 (£1,653.90 in 2023/24) an overall increase of 4.99% or £82.52 per Band D (£1.59 per week).

The proposed net revenue budget for Bath and North East Somerset for 2024/25 is £135.85m.

5.1.1 Corporate Strategy and the Councils' Priorities

The Budget proposal sets out the framework and allocation of 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.

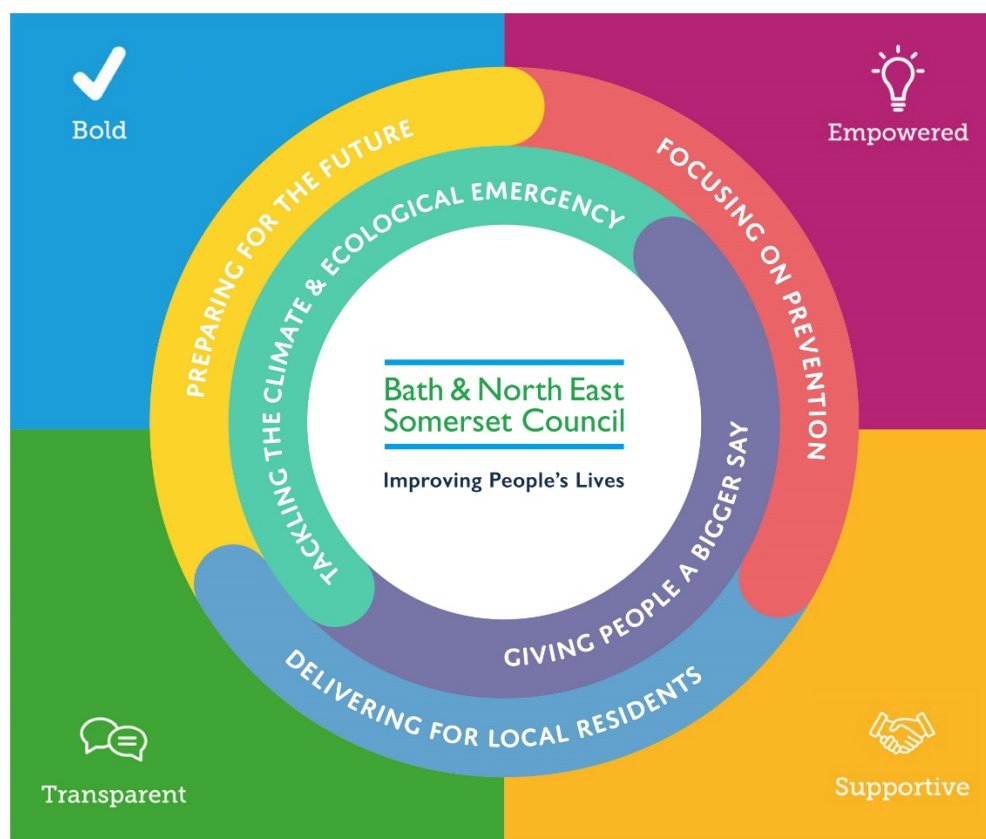
Three: To translate our purpose into commitments, we have identified three principles. We want to prepare for the future, deliver for local residents and focus on prevention.

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.

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. We continue to work on improving our financial and management information 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 Councils operational assets through the introduction of a Corporate Landlord model that ensures 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.

5.2 The Revenue Budget 2024/25

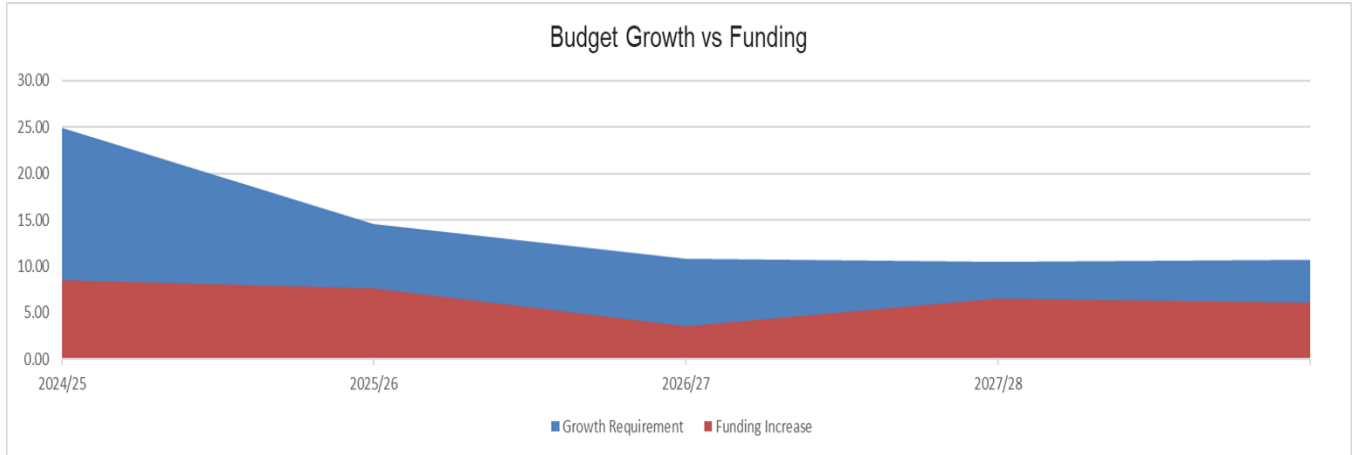
5.2.1 2023/24 Current Budget Position

The Council is currently forecasting an over budget position at Quarter 3 of £1.84m at year end. Cost pressures have arisen due to significant inflationary and demand pressures, this has had a material impact on Children's services, which like many councils, has meant this year has been financially challenging. However, increases in interest rates have had a positive impact on our cash balances, the borrowing requirement for the capital programme has been reprofiled forward, whilst strong visitor recovery in Bath has meant increased income for our Heritage and Parking services. In addition, services have been required to mitigate the over budget position through vacancy management and reducing discretionary spend where possible. All of which has partly mitigated the aforementioned pressures. Financial recovery actions continue to be put in place to further mitigate the over budget position to bring the Council back into budget by year-end. Recurrent service budget pressures that cannot be mitigated have been incorporated into the funding requirement for 2024/25.

5.2.2 The Budget and Medium-Term Financial Outlook

The budget summary is set out below showing the demand and funding changes over the next five years:

Budget Planning	Future years assumptions £m					Total
	2024/25	2025/26	2026/27	2027/28	2028/29	
Growth Requirement	24.94	14.58	10.86	10.45	10.74	71.57
Funding Increase	8.52	7.61	3.61	6.52	6.14	32.40
Annual Funding gap	16.42	6.97	7.25	3.93	4.60	39.17
Savings Proposals	16.42	6.97	2.05	1.10	1.33	27.87
Remaining Funding Gap	0.00	0.00	5.20	2.83	3.27	11.30



This illustrates a balanced budget for the next two years with a forecast budget gap of £11.3m from 2026/27 to 2028/29.

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
Budget Requirement (Previous Year)	131.03	135.85	143.46	147.07	153.59
Budget Adjustments	3.00	3.00	0.00	0.00	0.00
Pay & Pension	4.54	3.64	3.37	3.23	3.23
Demographic Growth	4.19	3.00	3.07	3.83	3.51
Contract Inflation	5.25	4.52	2.36	2.34	2.37
New Homes Bonus Pressure	0.10	0.33	0.00	0.00	0.00
Capital Financing	2.01	1.78	0.99	1.21	1.21
Settlement grant funding	(3.02)	0.00	0.00	0.00	0.00
Budget pressure / rebasing	8.88	(1.67)	1.08	(0.17)	0.42
Funding Requirement Sub Total	24.94	14.58	10.86	10.45	10.74
Draft Budget Before Savings	155.96	150.44	154.32	157.52	164.34
Proposed Savings Plans	(16.42)	(6.97)	(2.05)	(1.10)	(1.33)
Estimated Savings Required	(0.00)	(0.00)	(5.20)	(2.83)	(3.27)
Savings Requirement Sub Total	(16.42)	(6.97)	(7.25)	(3.93)	(4.60)
Budget Requirement	139.54	143.46	147.07	153.59	159.73
Business Rate Relief Adjustment*	(3.69)	0.00	0.00	0.00	0.00
Revised Budget Requirement	135.85	143.46	147.07	153.59	159.73
Funding of Budget Requirement					
Council Tax	120.01	125.09	130.12	135.35	140.79
Business rates retention*	19.35	20.07	17.55	18.24	18.94
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
Funding of Budget Requirement Total	135.85	143.46	147.07	153.59	159.73

*Gfv * Budget adjustment realigns s31 grant income for 2024/25 from government funded business rate relief compensation.*

The forecast includes the following cost pressures and assumptions:

- **Pay Inflation** – Estimated 5% in 2024/25, 4% 2025/26, 3% thereafter.
- **Council tax** – General assumed at 2.99% in 2024/25 and future years, 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 c5% for 2024/25 falling to the Bank of England target of 2% for future years;

- **Budget Pressures / Rebasing*** – 2024/25 budget rebasing takes into account current pressures identified in budget 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** – the budget proposal for 2024/25 has incorporated revenue budget growth that will enable the Council to take forward priorities from its Corporate Strategy.
- **Reserves** – the Council’s reserve balances have been reviewed to ensure an appropriate level of general unearmarked reserve for budget risk and specific earmarked reserves that will enable the Council to fully deliver the budget proposal.

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

5.2.3 The Government Settlement

The Final Settlement was received on 5th February 2024 and final grant allocations have been reflected in this report.

- **Revenue Support Grant (RSG)**

As a result of a further delay in the Fairer Funding and Business Rate Retention Review, the Council will continue to receive the Revenue Support Grant (RSG) in 2024/25 of £0.831m (2023/24 £0.779m). The increase reflects an inflationary uplift of £0.052m.

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

- **Services Grant**

The Services Grant has been reduced from £0.958m to £0.165m in 2024/25, the reduction of £0.793m reflects the use of this grant by government to fund other grants within the finance settlement.

- **New Homes Bonus**

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

The Provisional Settlement has outlined continuation of the changes made to the funding arrangements for New Homes Bonus since 2020/21, pending the delayed announcement on the future position of the scheme, which is now expected ahead of the 2025/26 local government finance settlement. This results in a 2024/25 New

Homes Bonus grant payment of £0.327m for new housing growth over the past year, a reduction of £0.098m from 2023/24. The settlement announced that the grant would only be paid for one year and that the national housing growth baseline adjustment would remain at 0.4% for 2024/25.

- **Social Care Grant**

The December 2023 provisional settlement included an increase of £1.66m in Social Care grant funding taking the grant for 2024/25 to £11.73m. This increase is allocated to fund Children's Social Care demand pressures in line with previous years use of the Social Care grant. The final settlement provided an additional £500m nationally to top up the Social Care Grant, increasing the Council's grant allocation by £1.520m taking the total grant for 2024/25 to £13.250m. This additional funding is allocated to fund a £1.101m Adult Social Care contingency and a £0.419m Children's Services contingency for managing in year budget risk. This funding is assumed as recurrent in the base budget.

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

The Local Government Finance Settlement includes grant funding for 2024/25 of £3.193m through the Market Sustainability & Improvement Fund Grant. This includes the transfer in of the Workforce Fund grant which was paid separately in 2023/24. Taken together this represents an increase of £0.374m. This funding is assumed as recurrent in the base budget.

- **Adult Social Care Discharge Fund Grant**

The Local Government Finance Settlement includes an increase in the ring-fenced Adult Social Care Discharge Fund grant funding for 2024/25 of £0.458m taking the total grant for 2024/25 to £1.146m. This funding is assumed as recurrent in the base budget.

- **Better Care Fund**

The Better Care Fund is intended to incentivise the integration of health and social care, requiring Integrated Care Boards (ICBs) and Local Authorities to pool budgets and agree an integrated spending plan, owned by the health and wellbeing board. Greater integration is seen as a potential way to use resources more efficiently and achieve better outcomes for people, in particular by reducing avoidable hospital admissions and facilitating early discharge from hospital.

The Council & B&NES ICB Better Care fund for 2024/25 is anticipated to be £26m with the Council contribution of £9m and ICB contribution of £17m. The ICB contribution is expected to rise in line with planned NHS uplifts once confirmed. For 2023-24 this increase was 5.66%.

The Council budget assumes that the funding transfer of £14.9m NHS mandated minimum contribution will remain consistent with prior years; with £10.7m of this funding transferred in 2023/24 for Council commissioned schemes under the S75 pooled budget arrangements.

The Local Government Finance Settlement has confirmed that the existing improved Better Care Fund social grant will be maintained at the same value as 2023/24, for B&NES this is £4.9m. This will protect the Better Care Fund schemes that have committed this funding on an annual basis.

- **Business Rates**

It has been confirmed that the 100% Business Rate Retention Pilot will continue into 2024/25. The estimated benefit is approximately £3.2m. The MTFs currently reflects the risk that this benefit could be removed as part of the 2026/27 financial settlement, with the Council reverting to the national funding scheme following the Local Government Financing and Fairer Funding review by the government. The government confirmed in the December 2022 Local Government Finance Policy Statement that these reforms would not take place in the current parliament. Therefore, it is unlikely that these reforms will take place before 2026/27 due to the time needed to develop and review options for change and also to carry out the necessary consultation on the impacts of any proposals.

As part of the proposed budget, reasonable assumptions have been made for likely levels of future Business Rate income, together with specific provisions for appeals, increase in reliefs and growth and deletions. Any surplus or deficit on the Business Rate Collection Fund and associated income will be transferred to or from the Business Rates Reserve for consideration as part of the Business Rates calculations for future years. This approach will include any changes that arise from the final settlement announcement relating to Business Rates, the announcement was still awaited at the time this report was finalised.

As part of the Autumn Budget Statement, the Chancellor announced that for 2024/25:

- the small business multiplier (for properties with a Rateable Value below £51k) will be frozen at 49.9p
- the standard multiplier (for properties with a Rateable Value of £51k and above) will be updated in April by September's CPI figure (6.7%), increasing the multiplier from 51.2p to 54.6p
- the Retail, Hospitality and Leisure (RHL) scheme will be extended for a fifth year into 2024/25, retaining the existing scope and providing eligible properties with 75% relief, up to a cap of £110,000 per business

The government has confirmed that the Council would be compensated for the loss of Business Rates for granting the reliefs and the freezing of the small business multiplier through section 31 grants paid to the revenue account.

2023/24 Business Rate Collection Fund Deficit

The forecast for the Business Rate element of the collection fund in 2023/24 is for a deficit of £0.061m. The Council's share of the estimated deficit, after allowing for amounts due from Avon Fire Authority and the West of England Combined Authority, is £0.057m. The deficit is due to a forecast in year deficit of £0.721m, partly offset by the surplus carried forward from 2022/23 of £0.660m.

- **Schools Funding**

Schools are funded by the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education (DfE). The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools. It does not cover the statutory responsibilities the Council has towards parents. These responsibilities are funded through the Councils main revenue funding and included as part of the proposed budget.

As schools convert to academies the DfE take back the element of DSG payable to the local authority in order to make payments direct to the academies. It is estimated that 92% of B&NES schools will have converted to academies by April 2024 and a number of other schools will develop plans to convert in the coming years.

With the introduction of the National Funding Formula for schools the DSG for schools (the Schools Block) was ring-fenced for schools from 2018/19 leaving it unclear as to which body was responsible for the demographic pressures being observed in the other Blocks, in particular the SEND / High Needs element of the DSG. The Government has confirmed in legislation that local authorities cannot support High Needs costs through their General Funds unless they obtain Secretary of State approval. In addition, it states that the local authority must carry forward the whole of the overspend to the schools budget in future years. This legislation is time limited and it is anticipated that further legislation will be included within the SEN review due to be published soon.

The DfE invited B&NES to participate in the national DSG Safety Valve programme where the DfE require the LA to produce a recovery plan and if agreed the DfE will support the eradication of the on going cumulative deficit. An agreement was signed with the DfE in February 2023 but due to difficulties with the overall position of the plan a new plan is to be submitted by March 2024. Officers have been working on the revision and are having ongoing discussions with the DfE about the details of that plan. It is anticipated that the outcome will be known during March 2024.

As part of this agreement the DfE have agreed to make payments to the LA of £19.2m over a 6 year period. To date payments of £8.1m have been received but further payments will be reliant on approval of the revised plan.

The underlying overspend on the DSG including the High Needs Block (having taken account of the additional payments) was £13.4m in 2022/23 and that balance was carried forward to 2023/24. The estimated forecast in 2023/24 (including the carry forward from 2022/23) is £21.4m.

Schools through the Schools Forum agreed to support the High Needs pressures to the full extent of their delegated powers with a contribution of 0.5% of the schools budget amounting to £0.7m.

5.2.4 Savings and Income Generation

To deliver a balanced budget in 2024/25 and 2025/26 savings and income generation plans total £16.42m for 2024/25 and £6.97m for 2025/26. The Council has a good track record of delivering proposed savings. In relation to the 2023/24

approved savings of £14.38m, 72% (£10.33m) have been delivered in full, 4% (£0.51m) have been mitigated by one-off underspends in year, with the remaining 24% delayed until 2024/25 or addressed through the budget setting proposals.

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

5.2.5 Budget Funding Requirements

Budget growth and additional pressures across portfolios of £24.94m have been added to ensure that the budget remains robust and to add additional budget funding to areas that require rebasing. This does not mean that savings cannot be found from these areas in future once savings opportunities are identified, but this ensures that spend and budget are aligned especially in high demand areas. Growth and pressures are outlined in Annex 2.

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

- Adult Services budget growth £5.7m
- Children’s Services budget growth £7.3m
- Highways budget growth £1.6m
- Neighbourhood Services budget growth £2.1m

5.2.6 Adult Social Care Delivery Changes 2024/25

Adult Social Care services are currently delivered as part of the existing contract with HCRG Care Group. This contract is now in the final year of the initial seven-year term, and ends on the 31 March 2024.

B&NES Council approved the in-house transfer of ASC services, in line with the standard operating model seen nationally for these services, via a Strategic Outline Business Case (SOC) by Cabinet on 10 November 2022.

The transfer in of the ASC service will create a budgetary pressure of c.£1 million in the first year when it transfers back to the Council. Mitigations have been proposed and the practice framework that will support the management of these cost pressures is already in place.

At the point of transfer there is overhead funding for corporate support services of £1.1m to transfer back to the Resources portfolio from Adult Services. This value will be passed to the appropriate corporate resources functions that will be supporting the service on going. The table below illustrates the original make up of the value of the overhead and the services that it will be passed to.

Support Services	Admin & Management	Information Mgt & Technology	Finance & Resources	Fleet	HR (including Training)	Property	Total
Available 01.4.24	£145,196	£289,051	£198,582	£11,485	£301,789	£112,187	£1,058,290

A Local Government Association (LGA) Peer Review of adult social work was carried out during September 2023. The Peer Challenge Review team congratulated the Council on its excellent leadership and cited the Council as 'a well led organisation with a positive workforce culture built upon mutual respect and values.'

It also highlighted opportunities to strengthen areas of the service and these are being taken forward to ensure that we provide assurance over the provision of adult social work for the B&NES population.

5.2.7 Children's Services Management Plan

B&NES Children's services were rated as "Good" in all categories by Ofsted in 2022. An independent assessment by CIPFA (Chartered Institute of Public Finance & Accountancy) in late 2022 found that whilst services remain Good they were under stress. Children's services remains under significant pressure due to a number of contributing factors including: a significant increase in demand and complexity of need across Children Social Care and Special Needs and Disability (SEND), increase in the number of looked after children, to include Unaccompanied Asylum Seeking Children (UASC), high cost of placements and a shortage of local residential placements. The service has introduced incentives to attract and retain a skilled workforce, reduce staff turnover and reduce use of agency staff. The service has also experienced significant demand and increased cost of home to school transport.

The Children's Transformation Programme which has cross council support, has successfully delivered in year savings in 2023/2024.

Its key priorities for 2024 include:

- Enhancing some elements of early help and prevention, to include further strengthening family group conferencing and reunification
- Continued recruitment of our own in house foster carers and supported lodgings providers
- Provision of local residential accommodation and education arrangements, linked to the Dedicated Schools Grant Safety Valve Programme
- Develop our arrangements for young people as they move from children to adult services
- Refresh our workforce strategy
- Improving financial management, decision making, controls and governance across teams and functions

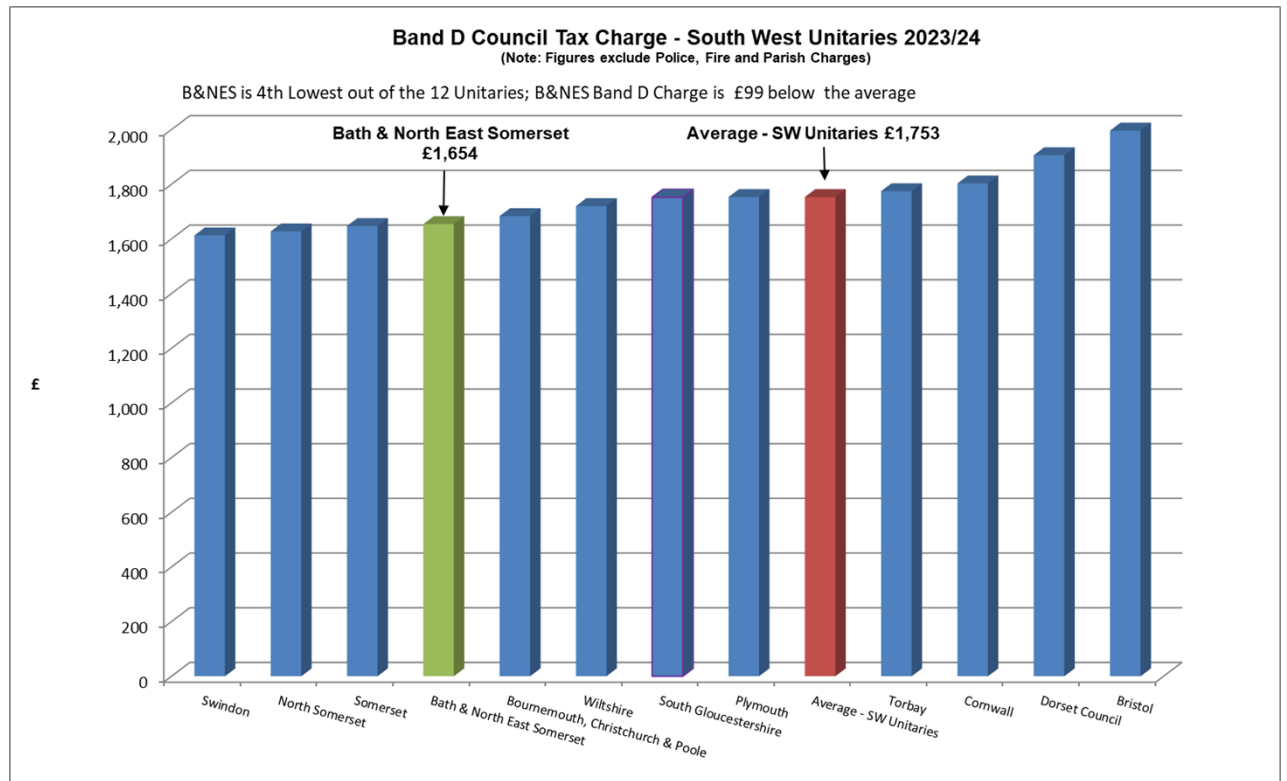
The council commissioned EY in late 2023 to work with Children's Services to identify opportunities for efficiency and savings, in the short to medium term so that the service can move to a balanced budget position.

5.3 Council Tax

5.3.1 Band D Equivalent Council Tax

The government has announced the same referendum cap of 3% will be in place for 2024/25. The proposal therefore within this report is to increase general Council Tax by 2.99% in 2024/25. This will increase a Band D by £49.45 for 2024/25 to £1,484.14. The overall proposed Band D Council Tax for Bath and North East Somerset Council next year, including the Adult Social Care Precept increase of 2.00%, is £1,736.42 (£1,653.90 in 2023/24) an increase of 4.99% and £82.52 per Band D (£1.59 per week). The tax base for 2024/25 is 69,255.88, an increase of 645.94 (+0.94%) from 2023/24.

The diagram below shows that B&NES had the fourth lowest Council Tax of the South West Unitary Authorities in 2023/24:



As billing authority, B&NES calculates a basic level of tax based on its own spending plans, to which is added the precepts from, Adult Social Care, Avon Fire Authority, Avon and Somerset Police Authority, and any town/parish Council. The actual total of Council Tax for Bath and North East Somerset residents will be calculated once all precepting authorities have notified B&NES of their proposals to be approved at Full Council on 20th February 2024.

5.3.2 Adult Social Care Precept

The Government, in recognising the continued pressures facing Adult Social Care (ASC) authorities, has allowed for a further 2% increase per annum through the final two years of the current spending review period to 2024/25. The Council's plans include this for 2024/25 (this would increase the Adult Social Care Precept to £17.47m an increase of £2.43m from 2023/24) with any future years increases subject to further government announcement.

The funding requirement for Adult Social Care before savings and grant funding is £4.6m (Annex 2i) which will be part funded from the Adult Social Care Precept increase.

5.3.3 2023/24 Council Tax Collection Fund Deficit

The forecast for the Council Tax element of the collection fund in 2023/24 is for a deficit of £0.300m. The Council's share of the estimated deficit, after allowing for amounts due to Avon Fire Authority and Avon & Somerset Police, is £0.249m. The deficit is due to Collection Fund position carried forward from 2022/23, partly offset by a forecast in year surplus of £0.109m.

5.3.4 Estimates for Future Years Band D Council Tax

The current Medium Term Financial Plan has factored in an annual increase of 2.99% for 2025/26 and future years for general Council Tax, with no further Adult Social Care precept increases included until future policy is announced. Projections will be adjusted accordingly in line with any future referendum limits set by the new Government after the next general election.

5.3.5 Council Tax Support

The base Council Tax Support Scheme was approved in November 2019 and has been updated to reflect annual changes to statutory legislation and benefit rates from April 2024. The Council also agreed, at its November 2023 meeting, to make some changes to the rules of entitlement for households who receive Universal Credit. This includes the following:

- The disregard of the Housing and Childcare elements of Universal Credit and Housing Benefit as income.
- The introduction of 100% support for the poorest households.
- Changes to the amount of support provided for each income band.
- Setting the lowest income band in line with the standard allowance of Universal Credit.

The 2024/25 Scheme is available at the following link:

<https://beta.bathnes.gov.uk/sites/default/files/2024-01/Bath%20%26%20NE%20Somerset%20S13A%20202425%20FINAL.pdf>

The tax base currently assumes the same number of recipients as at the end of November 2023 will continue into 2024/25 and incorporates the scheme changes agreed at November Council. The budget estimate is £10.8m compared to £10.3m in 2023/24 reflecting Council Tax increases, schemes changes and changes in claimants since the previous year's taxbase calculations.

The Government have announced that from April 2024, most working age Welfare Benefits rates, including Universal Credit, will be increased by 6.7%. We are proposing to set the lowest income band in line with the standard allowance for

Universal Credit. This will allow the poorest households to keep more of their benefit income and receive more support towards their council tax.

The proposed new income band values would take effect from April 2024.

5.4 West of England Combined Authority (WECA)

The West of England Combined Authority was formed in 2017. Since its formation, the West of England Combined Authority has successfully secured over £1.7bn of new funding, ensuring the region has strong foundations in place to deliver on the ground transformation that will have a positive impact on the lives of people right across the West of England for our region.

The strength of the West of England Combined Authority in securing significant new funding directly supports improvements for our region and adds value to the work the region's councils. With this funding, we are able to work in partnership to invest in and deliver services and programmes that would not have been possible otherwise. Our delivery includes significant changes to our public transport services following our successful proposals for £540m investment from the City Region Sustainable Transport Settlement. This funding allocation is the highest amount of funding per head awarded anywhere in England. On top of this, we are also delivering significant bus reform, using the £57.5m Bus Service Improvement funding that we have secured for the region.

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

- £693m for major transport schemes
- £15m of Active Travel funding.
- £47.5m for MetroWest Phase 1 and 2
- £24m for a Future Transport Zone
- £4m for the Multiply Programme
- £10m from the UK Shared Prosperity Fund
- £95m for Bristol Temple Quarter from Homes England
- £75m from our business rates retention*
- Around £16m per annum to invest in Adult Education
- £46m for Net Zero and Retrofit projects
- £15m for Business Skills and Delivery
- £10m for Skills Bootcamps
- £2m for UK Community Renewal Fund
- £5m to run the Combined Authority

** 100% of business rates growth are kept in the region – 5% to the West of England Combined Authority*

Operating the West of England Combined Authority incurs no additional costs to our constituent councils, because it is entirely funded through government grants and a

small element of regional business rates retention growth (which would not have been available without forming the West of England Combined Authority).

The West of England is an economic leader. We have a strong and diverse economy, where people have access to amazing jobs and we continue to attract new employers and industry to the region, further strengthening the opportunities available to people who live here. However, challenges remain in our economy. We need to widen opportunities for people from deprived parts of the region or disadvantages groups. And we need to have the conditions in place for living standards across the region to raise against a backdrop of challenging national economic circumstances. And while we have taken significant action to tackle the climate and nature emergencies we all face – we will not hit our net zero ambitions without redoubling our efforts.

The West England Combined Authority is working with its constituent councils, other regional partners and government, to ensure people and businesses across the region are getting the support they need.

The West of England Combined Authority and its partner authorities agreed five strategic investment priorities, which the budget will support as listed below:

1. Climate and ecological emergency
2. Sustainable communities and places
3. Jobs and training
4. Strategic infrastructure
5. Putting the region on the map for national and global success.

The Budget for the Combined Authority will be set on 26 January 2024 by the West England Combined Authority Committee – at the time of writing the budget assumptions set out below are based upon the Combined Authority Budget proposals and are subject to the outcome of the above meeting. The following elements of the West England Combined Authority Budget and medium-term financial plan have therefore been incorporated within the Council Budget proposal:

- An annual revenue transport levy to reflect the cost of the core regional Integrated Transport services of:
 - Concessionary Travel
 - Real Time Information for bus services
 - Community Transport
 - Bus Service Information
 - Supported Bus Services (whilst remaining a joint function with the constituent councils)
 - TravelWest and
 - Metrobus operations

The levy charge for 2024/25 is £5.194m. Unitary Authority levies are pooled by the West of England Combined Authority's Transport Integration Team and managed on a regional basis. Projected surpluses or deficits are managed on a regional basis and a transport smoothing reserve has been created to help manage financial risk.

Within the City Region Sustainable Transport Programme, the West of England

Combined Authority will passport £25m per annum of capital funding to the West of England Unitary Authorities to provide Highways Maintenance and Transport Improvement Grants. The Council's share is £6.997m per annum.

An additional new pothole funding award was announced in November 2023 – The Council's allocation for 2024/25 is £0.562m.

The published West of England Mayoral Combined Authority Investment Programme will continue to support a number of projects and initiatives for our Unitary Authority throughout 2024/25 including:

- Love Our High Streets –
 - Bath City Centre High Streets Renewal £1.5m
 - Midsomer Norton High Street £1.1m
 - Local Centres £0.3m
- Milsom Quarter Masterplan £2.5m
- Bath Riverline Phase 1 £1.3m
- Bath Quays North £31m
- Somer Valley Rediscovered £0.9m
- ISTART £1.5m

These are funded from the additional investment funds received by the West of England Combined Authority as part of the devolution arrangements and are reflected accordingly within the councils' revenue and capital budget proposals. Further bids for infrastructure funding may be made in line with the Combined Authority's Strategy and Local Growth Assurance Framework and may come forward for inclusion in the capital programme in line with future delivery arrangements.

Alongside specific projects, West of England Combined Authority will continue to develop, and progress, key longer term strategic initiatives including mass transit options, strategic rail investment and spatial planning to enable clean and green sustainable growth.

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

Full details of the West of England Combined Authority Budget proposals are available at www.westofengland-ca.gov.uk

5.5 Community Contribution fund

Community Contribution Fund

The Community Contribution Fund was launched in March 2021, initially as a pilot to offer residents the chance to contribute to good causes that help local charity, community and voluntary groups to reduce health inequalities. The total amount donated has reached £40,114.32 as at 5th January 2024. There have been over 500

individual donations received. Most people donated between £20 and £50, with the largest donation to date being £2,000.

The scheme has been promoted through local media and on the Council's social media and website. Whilst there were more donations given in the first year, donations have continued with individuals donating more than once. Nationally UK charities have reported a decline in public donations.

Grants awarded

So far, £31,235 has been allocated to local causes. In the first year, grants of up to £2,000 were awarded to 15 community organisations. Projects included those that supported people's mental health; provided emergency medical supplies; invested in refurbishment of community facilities; mentoring; support for families; training; group therapy and youth provision. A further 24 grants were awarded to community-run Warm Spaces that were registered with the Council. Organisations were awarded £250 to support these activities.

Applications for grants reopened in December 2023 with a focus on projects that support residents with the ongoing cost of living crisis, this also includes support Warm Spaces. Applications are open until 16th February 2024 and organisations can apply up to £500.

Subject to further donations received, it is recommended that the scheme continues into 2024/25.

5.6 Revenue Balances, Contingency & Reserves

Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An estimate of the key reserves has been made for 2024/25 and future years.

	2023/24 Reallocations	Estimated Balance 1/4/24	Estimated Balance 31/3/25	Estimated Balance 31/3/26	Estimated Balance 31/3/27
	£m	£'m	£'m	£'m	£'m
Revenue Budget Contingency	0.0	3.2	3.2	3.7	4.3
Financial Planning and Smoothing Reserve	0.0	5.7	5.3	5.2	5.2
Transformation Investment Reserve	0.0	0.0	0	1.2	1.2
Covid Grant Reserve	(2.0)	0.4	0.4	0	0

Restructuring & Severance Reserve	3.2	5.0	2.0	0	0
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5.6.1 Revenue Budget Contingency £3.2m

The primary purpose of this reserve is to fund in year unforeseen events, overspends, and to meet the risks of non-delivery of budget savings. Budget monitoring for the period April to December 2023 forecast a £1.8m over budget position, further recovery actions during the remaining period are expected to mitigate this pressure. If the year-end position results in an over-budget position the revenue budget contingency will be utilised. The Budget proposal fully replenishes the reserve balance to pre-covid levels by 2026/27 following its use in previous years to mitigate the Covid impact on the Council's income levels.

5.6.2 Financial Planning and Smoothing Reserve £5.7m

The Financial Planning Reserve will be used to smooth the delivery of organisational change. The Budget proposal includes a £3.5m transfer to the reserve to fully replenish the reserve balance to above pre-covid levels following its use to mitigate the Covid impact on the Council's income levels in previous years. There has been a commitment to utilise the Financial Planning Reserve (£788k) to fund a review and improvements to the Council's financial systems resulting in a programme of works to be implemented over the next 24 months. As the programme of work evolves it is likely that further commitments will be made.

5.6.3 Transformation Investment Reserve £0.0m

The reserve facilitates delivery of future savings by providing additional short-term capacity and specialist advice. The reserve is planned to be increased by £1.2m in 2025/26 to enable the development and delivery of future year savings plans.

5.6.4 Covid Grant Reserve £0.4m

Following a review of this reserve balance, it is proposed to reallocate £2m into the Restructuring and Severance Reserve to cover potential redundancy and pension costs in 2024/25. The remaining balance will be reviewed during 2024/25.

5.6.5 Restructuring and Severance Reserve £5.0m

The 2024/25 budget includes a transfer of £3.2m to the reserve, consisting of £1.2m reallocation from the Business Rate Reserve and £2.0m reallocation from the Covid Grant reserve, following a review of these reserves by the S151 officer. The revised balance on the reserve after the transfer is £5m. The projected use in 2024/25 is a one-off allocation of £3m following the implementation of the Being our Best Programme, this will result in changes to structures across the Council contributing to the £2.5m recurrent savings requirement in 2024/25.

5.6.6 Reserves and Flexible Capital Receipts

Flexible capital Receipts can be used for revenue spend that results in ongoing revenue savings. Estimated usage for 2023/24 is expected to be up to £1.25m with the remaining £2m carried forward for use in 2024/25 as outlined in the Efficiency Strategy attached at Annex 4. Currently £4.27m of unapplied capital receipts through estate assets, land holdings etc are held as at the end of December 2023 with a further £5.9m forecast in 2024/25 to meet requirements for flexible capital receipts and to finance the capital programme in those years.

	Actual Usage 2017/18 – 2022/23 £'m	Estimated Usage 2023/24 £'m	Available Balance 2024/25 £'m	Est. Total Usage £'m
Flexible Capital Receipts	8.25	1.25	2.00	11.50

5.6.1 General Fund Un-Earmarked Reserve

The General Fund Un-earmarked reserve is retained to meet the Council's key financial risks. Budget Monitoring for the period April to December 2023 estimated that Un-earmarked reserves would total £12.58m by 31st March 2024.

The budget risk assessment has set a range of between £12.3m and £13.6m to meet those risks. The available balance is £12.58m which is within the budget risk assessment range.

As set out in the Council's Financial Regulations the specific arrangements for the governance and release of reserves are delegated to the Council's Section 151 Officer in consultation with the Cabinet Member for Resources and the Chief Executive.

5.7 Local Government Act 2003: Section 25 **Robustness of and Risks within the Proposed Budget for 2024/25** **Statutory Section 151 Officer (CFO) Report and Advice on the** **Robustness of the Budget and Adequacy of Reserves and Balances**

5.7.1 Introduction

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

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

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

The Section 151 Officer for the Council is Andy Rothery (in the post of

Executive Director – Resources S151).

In expressing his opinion, the Section 151 Officer has considered the financial management arrangements that are in place, budget assumptions, levels of reserves and the financial risks facing the Council within this budget. Also, it identifies the Council's approach to budget risk management and assesses the particular risks associated with the 2024/25 budget to inform the advice.

5.7.2 Robustness of Estimates

The Council's November 2023 Medium Term Financial Strategy considered the national economic outlook that has informed the 2024/25 budget assumptions that are in section 5.2.2. of the report.

Cost and income estimates have been informed by the 2023/24 Budget Monitoring and taken into account current activity levels alongside future years projections to ensure the budget proposals are aligned to operating costs.

Budget sensitivity analysis in the Medium Term Financial Strategy has been modelled at +/- 20% on the budget growth estimates covering contract inflation, demography and rebasing of budget pressures totalling c£17m. This has shown a risk or benefit exposure of c£3.4m.

The budget savings requirement for 2024/25 is £16.42m, these have been through an internal review process and budget challenge session led by the Cabinet Member for Resources to ensure the robustness of the proposals that are set out in annex 1.

In recognition of the budget risks from changes in cost and demand, alongside savings delivery a £3m corporate contingency budget has been provided in the 2024/25 budget.

CIPFA has published its 2022/23 Financial Resilience Indicators for each authority, these measure different aspects of financial indicators such as levels of reserves across each tier of local authority.

The majority of indicators show (in 2022/23) B&NES to be medium to low risk within the CIPFA family group of Unitary Authorities.

There have been improvements in the Councils reserve sustainability which indicate a lower level of reserve movements that demonstrates the Council's financial sustainability. However, the main area of higher risk is the Social Care ratio which shows that a great proportion of the revenue budget is funding Social Care.

The resilience index has identified that the cost of delivering Social Care in comparison to net revenue budget has increased by 2% from 2021/22. There have been continuing increases in the cost of Children's Social Care, this has been recognised in the 2024/25 budget proposal. This report sets out the commitment to deliver the Children's Services management plan that will help put appropriate measures in place to control the rising cost of care.

5.7.3 Executive Summary of the Section 151 Officer on the budget position

For 2024/25 the savings requirement is £16.42m after the inclusion of council tax increases. The assessment of the plans to close the gap do not require additional funds from the Financial Planning Reserve to smooth the delivery of savings in 2024/25 as the amounts proposed have been profiled to consider the delivery timeframe. To recognise risk the revenue budget has provided a £3m budget contingency to mitigate slippage on savings delivery. This will enable a balanced budget with a £3.5m replenishment of corporate reserves which the Council committed to following utilising c£10m of reserves in the 2021/22 and 2022/23 budget to fund the impact of income loss post Covid.

5.7.4 Consequences of Failing to Deliver a Budget

If the Council is unable to produce a budget or a plan for reducing the budget requirement for future years or finds it cannot deliver the budget in year, the CFO (under s151 of the Local Government Act) would be required to produce a Section 114 report. (Note the conclusion under 5.7.5 of this report).

Section 114 of the Local Government Finance Act 1988 requires a report to all the authority's members to be made by the CFO, in consultation with the Council's Monitoring Officer and Head of Paid Service, if "the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure" (i.e. there is likely to be an unbalanced budget). In this event the Council must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take to bring the budget into balance. The publication of such a report starts an immediate 'prohibition period'. This means that everyone who has delegated authority to spend the Council money immediately has those powers suspended during the prohibition period, and only the CFO can authorise new commitments.

5.7.5 Report of the Director of Finance (CFO) in Respect of Statutory Duties

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

In respect of the robustness of estimates, estimates have been prepared by Directors and their staff supported by appropriate finance staff reviewing pressures, priorities, savings, demographics, inflation and contractual obligations, and income generation. Each Director has completed a Robustness Statement outlining savings and service delivery risk that have been incorporated into a corporate wide assessment. In recognition of contract risk £1m has been added to the contingency for inflationary pressures alongside a £3m contingency for general budget and savings delivery risk in 2024/25.

The budget has recognised the current and future years funding requirement with £24.94m allocated to portfolios in 2024/25 to ensure there should be sufficient funds to meet service demand and delivery costs as currently forecast. These have been reviewed on a regular basis by the Corporate Management Team and the Directors as part of the regular budget monitoring process in 2023/24.

The Council in 2023/24 is forecasting a deficit balance on the Dedicated Schools Grant of £21.4m at the year end due to Special Educational Needs and Disabilities placements (SEND). Whilst there is a Government statutory override in place this is not a liability on the Council's general fund budget, however it does need to be noted that if there is a change in the treatment of this deficit this would need to be incorporated into future years budget setting.

In the context of the overall budget the financial position continues to be challenging, but the **CFO concludes that the estimates are robust**, in that they have been robustly constructed.

With regard to the adequacy of balances, the 2024/25 planned level of General Fund Un-earmarked reserve at £12.58m (is within the required range of £12.3m to £13.6m).

The conclusion of the CFO is that the estimates for 2024/25 are robust and the budget is lawful, levels of balances have improved and are adequate and reasonable in meeting the Council's risks.

5.8 Capital Strategy, Programme and Capital Receipts 2024/25 to 2028/29

5.8.1 Capital & Investment Strategy

Production of a Capital and Investment Strategy is the overarching document which sets the policy framework for the development, management and monitoring of capital investment as well as lending to other organisations and commercial investments. The strategy focuses on core principles that underpin the Council's capital programme, investment plans, financing and the risks that will impact on the delivery of the programme and commercial estate; and the governance framework required for decision making and delivery. The Capital and Investment Strategy is attached at Annex 6.

5.8.2 Capital Receipts 2024/25

The list below sets out the proposed asset disposals for 2024/25 that will generate capital receipts to fund the Council's capital programme.

- Lewis House
- Industrial Unit Brassmill Lane
- 12 James Street West
- Lyncombe Hill Barn
- Land Rear of Sladebrook Avenue
- Land at Labbott CP Keynsham
- Land adjacent to 18 Wellsway, Keynsham

Following the approval and adoption of the Council's budget, officer delegation for the final disposal decision will be given to the Head of Commercial and/or Corporate Estate in consultation with the S151 Officer and appropriate Cabinet Portfolio Holder.

5.8.3 Overall Capital Programme & Financing including New Capital Schemes

The Prudential Code for Capital Finance in Local Authorities was updated in December 2021. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

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

The Council follows this approach through:

- Continuing to review all existing schemes and simplify, reduce, pause or stop as necessary;
- Minimising new schemes except those that meet corporate priorities;
- Agreeing an affordable limit for new schemes requiring corporate borrowing;
- Ensuring adequate investment in assets supporting key service provision (including meeting health and safety requirements or replace obsolete or inefficient assets/equipment) and generate revenue savings for the council; and
- Delivering or working with partners to deliver high priority government funded programmes and West of England programmes where they meet corporate priorities.

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

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

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

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

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

A summary of the proposed capital programme and its financing for 2024/2025 – 2028/2029 is shown below

Capital Schemes for Approval

Cabinet Portfolio: Capital Schemes	Budget 2024/2025 £'m	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Total £'m
Resources	19.177	0	0	0	0	19.177
Economic & Cultural Sustainable Development	15.175	2.068	8.030	15.846	7.000	48.119
Leader	0	0	0	0	0	0
Climate Emergency & Sustainable Travel	1.948	0.247	0.032	0.008	0	2.235
Built Environment & Sustainable Development	4.002	4.318	0	0	0	8.320
Adult Services	1.800	1.441	1.442	1.442	1.442	7.567
Children's Services	8.287	3.271	0	0	0	11.558
Neighbourhood Services	5.167	0.257	0.020	0.020	0.02	5.484
Highways	16.357	0	0	0	0	16.357
Total	71.913	11.602	9.524	17.316	8.462	118.817

Capital Schemes for Provisional Approval (Subject to)

Cabinet Portfolio: Capital Schemes	Budget 2024/2025 £'m	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Total £'m
Resources	8.893	4.500	4.500	5.500	5.500	28.893
Economic & Cultural Development	11.309	17.452	14.038	12.605	4.550	59.954
Leader	0.206	0	0	0	0	0.206
Climate Emergency & Sustainable Travel	7.368	7.559	2.460	1.015	0.550	18.953
Built Environment &	14.359	21.478	8.105	0.382	0	44.324

Sustainable Development						
Adult Services	2.202	0.050	0.050	0.050	0.050	2.402
Children's Services	17.800	10.374	0.359	0	0	28.533
Neighbourhood Services	7.875	7.655	9.607	9.250	1.402	35.789
Highways	11.024	10.027	8.997	8.997	9.122	48.167
Total	81.035	79.096	48.116	37.798	21.174	267.220

Funded By

Financing	Budget 2024/2025 £'m	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Total £'m
Grant	52.856	40.166	15.828	8.812	8.489	126.151
Capital Receipts/RTB	11.183	0.994	1.000	0	0	13.177
Revenue	3.878	0.020	0.040	0.020	0.020	3.978
Borrowing	77.315	46.028	38.583	43.294	20.124	225.344
3rd Party (inc S106 & CIL)	7.717	3.490	2.189	2.987	1.003	17.386
Total	152.949	90.698	57.640	55.113	29.636	386.036

Note1: The figures in the tables above include re-phasing from prior years.

Note 2: Some of the figures in the above table are affected by rounding.

Attached at Annex 5(ii) is the Highways Maintenance Programme, at 5(iii) the Transport Improvement Programme, and at 5(iv) the Corporate Estate Planned Maintenance Programme for approval. The substitution of one scheme for another that is unable to proceed within these programmes will be allowed following consultation and approval with the Section 151 Officer, and subject of any specific provisions agreed as part of the budget approval.

5.8.4 Efficiency Strategy

Central Government outlined in December 2015 that local authorities will be able under certain circumstances to utilise capital receipts for revenue expenditure for certain purposes. The flexibility has been extended for a further 3 years from 2022/23 onwards for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery.

The Efficiency Strategy remains a key lever in funding the one-off costs to deliver savings plans. An updated Strategy is attached at Annex 4 to earmark up to £2m in capital receipts to fund proposed savings plans in 2024/25. The Strategy must be approved by Full Council.

5.8.5 Capital Risk Contingency

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

- Individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;
- The capital programme includes a funded corporate risk contingency of £2.5m;
- The corporate risk assessment on which the general reserves target is based includes an element in the context of the capital programme based on the risks of the current programme.

As with all capital projects, relevant risks are being considered as part of the overall risk-assessed general reserves and the Corporate Risk Register.

5.8.6 Minimum Revenue Provision (MRP) Policy

The Council is required to make revenue provision to repay capital spend that is financed by borrowing (either supported or unsupported). This is called the Minimum Revenue Provision (MRP). The Department of Communities & Local Government has issued regulations that require full Council to approve an MRP Policy in advance each year, or if revisions are proposed during the year they should be put to the Council at that time. The policy is attached at Annex 7 has been updated to include treatment in respect of former operating leases due to adoption of IFRS 16 Leases accounting standard and the treatment of capital expenditure loans to third parties in line with current government proposals to amend MRP regulations.

5.8.7 Prudential Indicators

The key objectives of the Prudential Code are to ensure that capital investment plans of local authorities are affordable, prudent, and sustainable. The Capital Prudential Indicators are shown below:

Prudential Indicator	2022/23 Actual	2023/24 Forecast Outturn	2024/25	2025/26	2026/27
Estimate of Capital Expenditure (£'000s)					
Actual/estimates of capital expenditure	74,160	83,892	152,949	90,698	57,640
Net Increase in Council Tax (band D per annum) Figures in £'s (not £'000's)					
The implied estimate of incremental impact of the new capital investment decisions on the Council Tax			£1.07	£2.18	£2.11
Cumulative totals:			£1.07	£3.25	£5.36
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue			15.18%	16.80%	18.39%

stream					
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			4.82%	5.54%	6.16%
Borrowing Limits (£m)					
Operational boundary – borrowing			£413m	£447m	£472m
Operational boundary – other long-term liabilities			£9m	£9m	£9m
Operational boundary – total			£422m	£456m	£481m
Authorised limit – borrowing			£442m	£475m	£499m
Authorised limit – other long-term liabilities			£9m	£9m	£9m
Authorised limit – total			£451m	£484m	£508m
Capital Financing Requirement (£'000s) (as at 31 March)					
Actual/estimate of capital financing requirement	341,039	376,543	441,682	474,682	499,017

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium-term debt will only be for a capital purpose, the Council should ensure that external debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

After reviewing the capital programme and borrowing proposals, the Section 151 officer reports that the Council will continue to meet the demands of this indicator.

Borrowing limits

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt (or planned borrowing level) is based on the same estimates as the authorised limit, but including an allowance for cash flow funding of specific capital schemes and without the additional headroom for unusual cash movements.

5.8.8 Community Infrastructure Levy (CIL) Spend Proposals 2024/25

The allocations proposed for CIL spend are attached in Annex 5(v) for approval. These allocations have been included in the capital programme where appropriate.

6. RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. The key risks to the budget are currently assessed as:

Risk	Likelihood	Impact	Risk Management Update
Reinstated government restrictions in the event of new Covid variants.	Possible	High	This is certainly a material risk, whilst not one the Council has direct control over, every step is being put in place to follow government guidance following the recommendations of our Director of Public Health.
Operational budget pressures due to rising demand	Likely	High	There is the risk of unplanned and unbudgeted growth in demand on Council services as a result of the cost of living crises.
Ongoing impacts on the Councils Commercial Estate over and above anticipated levels.	Possible	High	Current modelling has been prudent following the Covid pandemic and impact on retail economy. There are risks in the retail & hospitality sector from a challenging labour market that is impacting recruitment to these sectors, so this may have an impact on business viability and income from Council tenants.
Contract inflationary pressure	Likely	High	With increase in wage, energy and fuel costs, Council contracted services are at risk of above budget price increases. This is an economic risk that has been recognised in the budget with a corporate inflation contingency for known areas that cannot be mitigated through activity management. Capital Schemes may need to be paused due to unfunded viability gaps due to increased supply chain costs.
Impact on Reserves	Possible	High	Without additional government grant in recognition of unfunded inflationary pressures there is the risk that Council reserve levels are not enough to manage in-year and future years risk.

Interest rates increase	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. Borrowing rates have reduced since a peak in October 2023 as the Bank of England tackles more persistent inflation pressures. The latest forecast from our treasury management advisors is that longer term borrowing rates will remain broadly flat over the medium term, although periodic volatility is likely.
Volatility and uncertainty around business rates	Likely	High	The impacts of the current economic challenges will increase the volatility and uncertainty around business rate income. In 2024/25 this risk has been partly offset by the extension of the business rate relief scheme for Retail, Leisure and Hospitality businesses. We continue to monitor arrears, CVAs, and liquidations with a specific reserve held to manage in-year volatility.
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Possible	High	The Council has a number of projects within this category. These risks will continue to be monitored and reported. An assessment is made as part of the budget process to ensure that revenue reserves are sufficient to meet these risks. The capital programme methodology looks to de-risk projects wherever possible.
Changes to Government Policy that affects future funding	Likely	High	Need to monitor and continue to highlight impact
Funding pressures through WECA, ICB and other partners	Possible	Medium	Ensure good communication links with partner organisations.
Capital receipts in the areas identified are insufficient to meet target	Possible	Medium	There is a risk that a depressed market will impact on current values, in the short to medium term the Council should not rely on capital receipts as a key funding source.

The key risks will continue to be monitored and reported through regular budget monitoring to Cabinet.

In addition, this report includes the Section 151 Officer’s assessment of the Robustness of Estimates and Adequacy of Reserves. This assessment includes a review of the Directors’ reviews of their budget, budget risks/sensitivities, and the Corporate Risk Register.

7 CLIMATE CHANGE

The Corporate Strategy highlights that “Addressing the Climate Emergency” is one of the key themes reflected in the administration’s priorities. This includes plans to work with local communities to deliver the Council resolution agreed in March 2019 to declare a climate emergency, and for the area to become carbon neutral by 2030.

8 OTHER OPTIONS CONSIDERED

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

9 CONSULTATION

Details of the consultation carried out on the budget process for 2024/25, along with the feedback received and council responses are set out in Annex 10. The consultation comprised of:

- An online consultation on the council’s draft budget proposals, which took place from December 15th 2023 to January 15th 2024

In addition, scrutiny of the savings proposals, priorities, one-offs, pressures and capital bids took place at the 23rd January 2024 Corporate Policy Development and Scrutiny Panel. The panel was joined by members of the Climate Emergency PDS and Children, Adults, Health and Wellbeing PDS panel to enable all members to scrutinise the budget.

Contact person	Andy Rothery, Executive Director of Resources (S151 Officer), 01225 477103
Background papers	January Corporate PDS Panel November Cabinet - Medium Term Financial Strategy https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CIId=122&MIId=6390
Please contact the report author if you need to access this report in an alternative format	