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EXECUTIVE SUMMARY

a) Revenue budget

The Revenue budget outturn is currently forecast to be £3.95m over budget.

Demand-led placement and package costs continue to cause a significant pressure in Children's Services. The service is currently forecasting a £2.47m overspend.

Pressures in the Corporate Estate service linked to the holding costs of vacant buildings (£0.96m) and the costs of maintaining the estate, alongside staffing pressures with Waste and Fleet Services (£0.96m), are further adding to the adverse forecast financial position.

High levels of visitor numbers to Bath city centre have resulted in a strong start to the year for Parking services income (£0.62m), while higher interest rates and an expected reduction in minimum revenue provision (borrowing debt charge) have resulted in favourable forecast capital financing and interest variances (£0.55m), which partially mitigate the aforementioned pressures.

In addition, there is an in-year SEND placement pressure of £11.8m on the Dedicated Schools Grant (DSG). A revised Safety Valve Agreement has been submitted to the DFE recently due to the Local Authority (LA) not being able to achieve the original targets set out in the plan.

Savings of £16.2m were included in the 2024/25 budget. At present £13.6m savings are forecast as delivered, with the remainder either being mitigated through alternative measures, or included as unachievable in the service forecasts. Savings delivery will be monitored closely through the year and management action plans identified when delivery is at risk.

In light of the forecast over budget position, Directors are actively developing mitigation plans for the service areas identified above to manage this position in year and bring the Council back into a balanced position. An update will be provided in the Quarter 2 monitoring report.

b) Capital budget

The current position of the 2023/24 Capital Programme is a forecast of £64.8m against a budget of £76.6m. The variance of £11.8m reflects anticipated rephasing of schemes into future years.

c) Council Tax and Business Rates

The forecast cost of the Local Council Tax Support Scheme based on the first quarter is £0.3m below budget at £10.6m.

The government announced, as part of the Chancellor's Autumn Statement in November 2023, that the retail, hospitality, and leisure business rate relief scheme would be extended for a fifth year in 2024/25 retaining its existing scope which provides for 75% business rates relief, capped at £110,000 per business for eligible properties. As at the end of June, relief of £7.4m had been granted under this scheme. The loss of income continues to be compensated by government grant.

Empty property relief following business closures is £4.8m at the end of the first quarter of the year. This is in line with allowance for empty property relief included when setting the business rate income forecast for 2024/25.

d) Council Reserves

The Council holds general unearmarked reserves of £12.6m, this is held corporately to manage in year financial pressures that cannot be mitigated within existing budget levels.

1 THE ISSUE

1.1 This report presents the financial monitoring information for the Authority as a whole for the financial year 2024/25, using information available as at the end of June 2024.

2 RECOMMENDATION

The Cabinet is asked:

2.1 To note the 2024/25 revenue budget position (as at the end of June 2024).

2.2 To note the revenue virements listed for information only in Appendix 3(i).

2.3 To note the capital year-end forecast detailed in paragraph 3.22 of this report;

2.4 To note the changes in the capital programme including capital schemes that have been agreed for full approval under delegation listed in Appendix 4(i).

3 THE REPORT

3.1 The Budget Management Scheme requires that the Cabinet consider the revenue and capital monitoring position four times per year.

REVENUE BUDGET

3.2 Service Directors have been asked to outline the actual expected outturn for the year and the reasons to date for over / under budget forecasts. For revenue budgets which are forecast to be over budget, the Directors are expected to seek compensating savings to try and bring budgets back to balance.

3.3 A summary by Portfolio of the revenue position as at the end of the first quarter is shown in the table below:

Portfolio	**Revised Budget £'m**	**Year End Forecast £'m**	**Variance Over / (Under) £'m**
Leader of Council	(0.30)	(0.31)	(0.01)
Climate Emergency and Sustainable Travel	1.27	1.22	(0.05)
Council Priorities and Delivery	2.88	2.85	(0.03)
Resources	15.83	15.31	(0.52)
Economic and Cultural Sustainable Development	(6.84)	(5.30)	1.54
Adult Services	60.82	60.83	0.01
Children's Services	35.95	38.42	2.47
Highways	(1.77)	(2.39)	(0.62)
Neighbourhood Services	25.87	26.97	1.10
Built Environment and Sustainable Development	2.51	2.57	0.06
Quarter 1 Forecast Outturn Variance	**136.22**	**140.18**	**3.95**

Note1: Some of the figures in this table are affected by rounding.

3.4 The current **year-end** forecast is a £3.95m over budget position.

3.5 In light of the forecast over budget position, Directors are actively developing mitigation plans for the service areas identified above to manage this position in year and bring the Council back into a balanced position. An update will be provided in the Quarter 2 monitoring report.

Portfolio Commentary

3.6 Key variances and associated actions by Portfolio are as follows, a more detailed breakdown can be found in Appendix 1:

Leader of the Council *(£0.01m under budget)*

There are no material forecast variances to report in this portfolio.

Climate Emergency and Sustainable Travel *(£0.05m under budget)*

Recovery of staff costs from projects in the Environmental Monitoring team is causing a small favourable financial position for the portfolio.

Council Priorities and Delivery *(£0.03m under budget)*

Some minor staffing underspends in Human Resources and Corporate Office are the reasons for the favourable forecast variance.

Resources *(£0.52m under budget)*

Higher than budgeted interest rates have led to a £0.25m favourable forecast on investment income from cash balances, while the estimated Minimum Revenue Provision (the required charge for the repayment of debt) is currently forecast to be less than anticipated at budget setting by £0.3m. Vacancies in Procurement to the value of £0.1m also add to the favourable forecast position. These under budget estimates are partially offset by unmet savings targets in Legal services of £0.1m and a forecast £0.1m overspend in Housing Benefit Subsidy due to temporary accommodation being provided at higher cost than the claimable subsidy.

Economic And Cultural Sustainable Development *(£1.54m over budget)*

The Corporate Estate is forecasting an adverse budget position of £0.96m resulting from high running costs of surplus properties and loss of income from un-let buildings, which in turn means an ongoing savings target to reduce maintenance costs across the estate is not being met. Similarly rental income under the budgeted value and unmet savings targets in Regeneration have resulted in a £0.56m adverse forecast for the service area.

Adult Services inc Leisure *(£0.01m over budget)*

The current forecast position for Adult Social Care at this stage of the year, is a balanced position. There are underlying variances which, after the application of funding from the Social Care Grant, Market Sustainability & Improvement Fund (MSIF) and improved Better Care Fund (iBCF) totalling £1.6m, will be covered by a transfer from the Adult Social Care Reserve (£1m). The forecast use of reserves is to cover adverse variances in the Learning Disability and Autism Pooled Service (£2.6m) and Older People & Physical Disabilities (£0.5m), which are partially offset by underspends within other areas Mental Health (£0.4m) and the Community

Resource Centres within provider services (£0.3m). This adverse variance reflects the impact of both the increase in the number of packages in 2023/24 (activity and cost) and the known demand in year. Work continues to review this activity.

The increased level of cost demand seen in 2023/24 is continuing into 2024/25 and commissioners are working with providers on this to determine future requirements and the planning to meet them.

An established interim pathway is in place and is an agreed arrangement continuing from previous years. The numbers currently in this arrangement have been managed down from the high levels in 2023/24 and this lower activity trend is expected to continue. This pathway continues to support the reduced activity need for long term care.

Leisure Services are currently forecasting an overspend of £0.01m, this is due to the level of fee income being received being below the expected value.

Children's Services *(£2.47m over budget)*

The main cause of this over budget position is the continuing pressures from 2023/24 across the demand-led placement and package budgets (£2.6m continued pressure from 2023/24 into 2024/25).

Demand-led placement pressures are due to a mix of increased demand, especially around Residential, Unaccompanied Asylum Seeker Children (UASC) and increased packages of care and support costs needed, due to the increased needs our Children and Young People continue to present with. There are also continued increased costs because of the complex packages of care needed for those with the highest need in the Disabled Children's Team (DCT). In total these areas are £2.11m over budget. The biggest area of pressure is Residential (£2.36m over budget), this has been driven by an increase in numbers of placements because of the need to safeguard young people suffering criminal exploitation, in addition to an increased trend of young people suffering from emotional dysregulation and mental health, in conjunction with upward cost pressures on placements from providers. The other principal areas of pressure are UASC support (£0.54m over budget), spend on packages of care to support those not in care to remain so (£0.38m over budget) and DCT (£0.08m over budget). The complex needs funding stream underspend (Joint Agency Panel - JAP) offsets some of the DCT overspend, as young people who are no longer funded from JAP are funded now from DCT instead (JAP £0.94m under budget). There are also under budget positions for Independent Foster Care (IFA) (£0.11m under budget) and In House Foster Care (£0.22m under budget). The reduction of spend on IFAs is due to reduced numbers of young people in this type of placement.

These pressures are net of £0.60m in-year mitigations identified and in train, plus assume the full delivery of the £1.26m budgeted savings across the Children's Portfolio.

To address the over budget position in the demand-led budget areas cost reduction strategies have been assessed and summarised into a business case which aims to reduce significantly the cost pressures by the end of 2026/27. This is currently being reviewed by the Executive Leadership Team.

In Education there is an over budget position of £0.16m, which is mainly because of Teachers Pension costs rising, which is an ongoing pressure from 2023/24.

Home to School Transport (HTST) has a pressure of £0.1m. This is due to ongoing pressure from market forces creating cost pressures when procuring HTST, including reduced availability of drivers, cost inflation and reduced tendering activity for many routes. The end-to-end process for HTST is being reviewed to ensure the most efficient and effective delivery of our statutory responsibility in a challenging marketplace.

Schools DSG *(£11.784m over budget, carried forward overspend of £22.263m from 2023/24)*

Although the Quarter 1 forecast for Dedicated School Grant (DSG) shows a balanced position, there is an underlying over budget position for 2024/25 of £11.784m forecast (this is the gross in-year deficit position before any additional contributions from the Department for Education (DFE)). Additionally, the deficit carried into this year on the balance sheet was £22.263m. The overspend of the DSG in-year last year was £8.810m. This historical deficit and in-year overspend are being address via the Safety Value Agreement in conjunction with the DFE, which was originally agreed in March 2023. A revised Safety Valve Agreement has been submitted to the DFE recently due to the Local Authority (LA) not being able to achieve the original targets set out in the plan. When this revised plan is agreed (pending the election) it will reinstate the Safety Valve payments amounting to £1.65m per annum.

In line with Government guidance any overspend of the DSG is carried forward for recovery against future DSG funding. Therefore, the LA cannot fund the £22.263m pressure from its own General Fund revenue budget (unless permission is given by the Secretary of State to disregard the requirement to fund from the DSG). The £22.263m overspend carried forward into 2024/25 is held in a specific unusable reserve for recovery against future DSG funding. This treatment is in line with recently announced Government guidance stating that DSG in-year and cumulative deficits should no longer be held as a negative earmarked reserve and should instead be held in an unusable reserve called the Dedicated Schools Grant Adjustment Account. This accounting treatment has the effect of separating DSG budget deficits from the LA's General Fund and, following the recently announced extension, covers the period to 31st March 2026.

Highways *(£0.62m under budget)*

Parking income has exceeded budget during the first two months of the financial year. Forecasting this forwards for the remainder of the year generates a favourable budget position of £0.62m for the portfolio.

Neighbourhood Services (£1.10m over budget)

High staffing costs and the dual running of waste depots is creating a £0.96m financial pressure in Waste and Fleet Services.

Built Environment and Sustainable Development *(£0.06m over budget)*

Market conditions are having an adverse impact on the forecast Building Control income, which is partially offset by staffing underspends across the portfolio.

REVENUE BALANCES, CONTINGENCY AND RESERVES

3.7 The current Employer's national pay offer for 2024/25 is estimated at between 4-5% on average, which is within the 5% included in the budget. Negotiations on the pay award continue and as such this remains an estimate at this stage and further updates will be provided in future monitoring reports. Service budgets will be adjusted once the final pay award is agreed.

3.8 The current forecast revenue position includes planned and approved use of earmarked reserves as set out in the table below.

Key Reserves

3.9 The following table shows the balances of key reserves at the beginning of the year, planned use, and expected balance at the year-end based on current forecast:

	Balance as at 01/04/2024 £'m	Projected Use / Commitments £'m	Estimated Balance 31/03/2025 £'m
Revenue Budget Contingency	3.35	(0.46)	2.88
Financial Planning and Smoothing Reserve	6.34	(1.57)	4.77
Transformation Investment Reserve	1.40	(1.40)	0.00
Covid Contingency Reserve (Govt grant)	1.00	(1.00)	0.00
Restructuring & Severance Reserve	4.88	(3.00)	1.88

Reserves and Flexible Capital Receipts

3.10 Flexible Capital Receipts are being utilised for revenue spend that results in ongoing revenue savings. A five-year estimated use of £11.5m was agreed as part of budget setting in February 2024, this has now been updated to reflect the re-profiled requirement and re-phasing into 2024/25 as follows:

	Actual Usage 2017/18 to 2022/23 £'m	Actual Usage 2023/24 £'m	Available Balance £'m	Est Total Usage £'m
Flexible Capital Receipts	8.25	1.48	1.77	11.50

3.11 Unapplied capital receipts of £2.672m were carried forward from 2023/24, with no receipts in 2024/25 received so far and £5.9m budgeted for.

General Fund Un-Earmarked Reserve

3.12 The General Fund Un-Earmarked Reserve is retained to meet the Council's key financial risks. The risk assessment has set a range of between £12.3m and £13.6m to meet those risks in the 2024/25 financial year. The reserve has a current uncommitted balance of £12.6m in line with the level reported in the 2024/25 Budget Report.

SAVINGS PERFORMANCE

3.13 The 2024/25 revenue budget approved savings of £16.42m, all of which are recurrent base budget savings. Delivery of these savings will be monitored throughout the year, with £13.61m forecast as achieved at the end of June, representing 83% delivery. Of the £2.81m not currently achieved, £2.30m are being mitigated through savings, contingency or income elsewhere in the respective service, while £0.51m of savings are delayed, resulting in unavoidable pressures. Note that £2m of the mitigated savings shortfall relates to the Being Our Best Programme, of which budgeted savings contingency has been earmarked to cover the reprofiling of this saving in line with revised delivery timetable.

3.14 The Council's financial position, along with its financial management arrangements and controls, are fundamental in continuing to plan and provide services in a managed way, particularly in light of the medium-term financial challenge. Close monitoring of the financial situation provides information on new risks and pressures in service areas, and appropriate management actions are then identified and agreed to manage and mitigate those risks.

Revenue Budget Virements

3.15 Any revenue budget virements which require Cabinet approval are listed in Appendix 3(i). Technical budget adjustments are also shown in Appendix 3(i) for information purposes, as required by the Budget Management Scheme.

COUNCIL TAX, COUNCIL TAX SUPPORT AND BUSINESS RATES

3.16 The 2024/25 tax base allowed for the same number of recipients as at the end of November 2023 to continue into 2024/25 and incorporated the scheme changes to the rules of entitlement for households who receive Universal credit as agreed at the November 2023 Council meeting. The budget estimate of costs of LCTS were set at £10.86m. The cost at Quarter 1 is £0.27m under budget at £10.59m with 6,400 working age claimants and 3,332 Pensioner claimants.

3.17 The actual outturn position on LCTSS and the impact on the Council Tax collection fund will depend on a number of variables, including the change in number of claimants and the period claimants remain eligible for support whilst seeking employment and this will continue to be monitored closely during the year.

Business Rates

3.18 The government announced, as part of the Chancellor's Autumn Statement in November 2023, that the retail, hospitality, and leisure business rate relief scheme would be extended for a fifth year in 2024/25 retaining its existing scope which provides for 75% business rates relief, capped at £110,000 per business for eligible properties.

3.19 The Council will be recompensed for the reduction in business rate income arising from this relief via a s31 compensation grant. As at the end of June, retail relief of £7.4m had been granted, which is £0.4m above the £7m originally estimated for 2024/25.

3.20 Empty property relief was £4.8m at the end of the first quarter which is in line with the allowance included when setting the business rate income forecast for 2024/25. The forecast overall impact on the business rates collection fund position will be reviewed during the second quarter and the position in relation to reliefs will be closely monitored.

3.21 As set out in the Budget Report, 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 and this position will be reflected in the 2025/26 budget. The balance on the Business Rate Reserve as at 1st April 2024 was £10.1m which equates to around 14% of the annual rates income (excluding retail, hospitality and leisure relief).

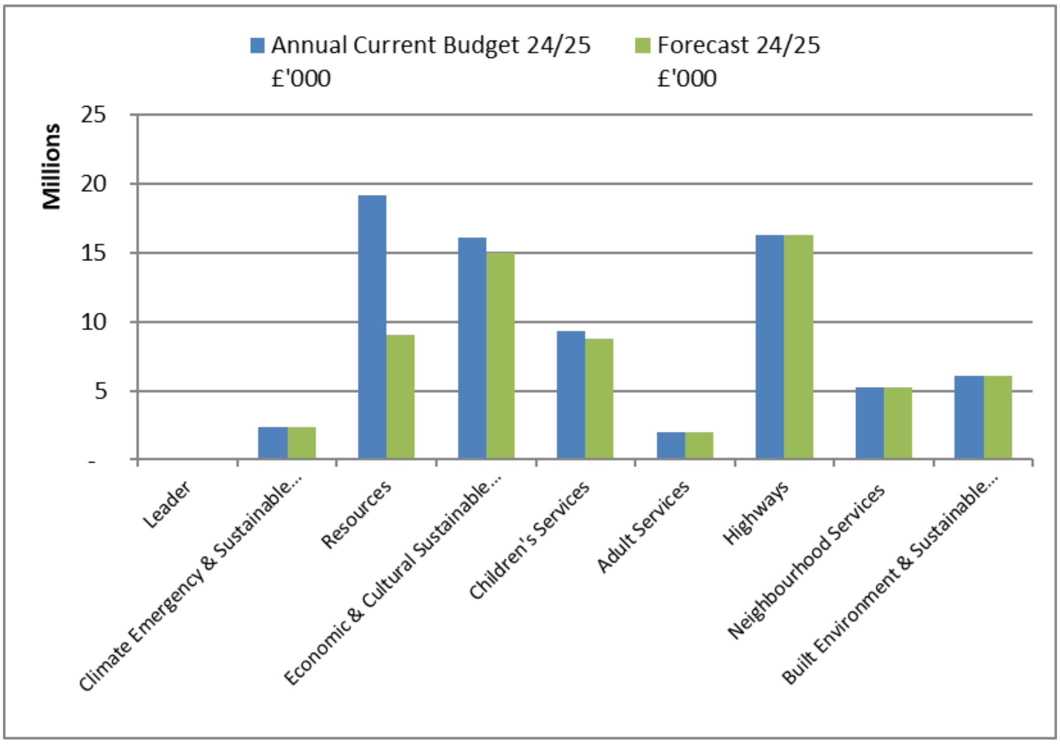
CAPITAL BUDGET

3.22 The current position of the 2024/25 Capital Programme is a forecast of £64.8m against a budget of £76.6m, giving a variance of £11.8m which is forecast to be re-phased to future years. A significant part of the variance is related to the revised profile of forecast future loan drawdowns by the Council's housing company with £8.9m moving to 2025/26 and future years. The following table shows a summary of the current position by Cabinet Portfolio. The full breakdown of the Capital Programme by Portfolio can be found in Appendix 4(ii) with key scheme commentary in Appendix 2. Appendix 4(i) sets out budget changes actioned since the February Budget setting. Appendix 4(ii) also illustrates the rephasing from 2023/24 reported for approval in the Revenue & Capital Outturn 2023/24 report, which is also on this meeting's agenda.

Portfolio Summary Monitor	Annual Current Budget 2024/25 £'000	Forecast 2024/25 £'000	In-Year Variance 2024/25 £'000	*Forecast Re-phasing to 2025/26 £'000*
Leader	-	-	-	-
Climate Emergency & Sustainable Travel	2,393	2,393	-	-
Resources	19,177	9,024	10,153	10,153
Economic & Cultural Sustainable Development	16,107	15,007	1,100	1,100
Children's Services	9,287	8,797	490	490
Adult Services	1,985	1,985	-	-
Highways	16,326	16,326	-	-
Neighbourhood Services	5,249	5,200	49	49
Built Environment & Sustainable Development	6,097	6,097	-	-
Grand Total	**76,622**	**64,830**	**11,792**	**11,792**

Note2: Some of the figures in this table are affected by rounding

The graph below illustrates the value and forecast against budget for all in year capital budgets by Cabinet Portfolio:



Capital Commentary

3.23 The majority of projects are reporting to budget at this early stage of the year. The key in-year variance on the programme are as follows:

- **Resources** - £8.9m variance for Property Company Investment based on the current forecast Aequus loan requirements for 2024/25, with some schemes expected to progress from 2025/26 onwards, resulting in later draw-down of loans from the Council. There is also rephasing of £1.3m forecast on the Commercial Estate refurbishment programme.

- **Economic and Cultural Sustainable Development** – Bath Western Riverside - £1.1m budget rephasing to reflect revised timing of capital receipt which has moved into future years.
- **Children's Services** – The Special Educational Needs & Disabilities (SEND) Provision at Bath College project is forecasting a rephasing requirement of £0.5m based on the latest programme delivery estimates.

RISKS

3.24 The key risks to the budget were outlined in the Councils 2024/25 Budget Report, in compliance with the Council's decision-making risk management guidance. These have been reviewed and are listed below, along with any additional emerging risks:

Risk	Likelihood	Impact	Risk Management Update
Operational budget pressures due to rising demand	Likely	High	There is the risk of unplanned and unbudgeted growth in demand on Council services 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 and demand 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. Expectations for cuts in the base rate have been moved back to the September to December quarter. The latest forecast from our treasury management advisors is that longer term borrowing rates will remain volatile within a relatively narrow range with movements linked to the

			likelihood of base rate reductions in the US, the UK and the Eurozone.
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.

4 STATUTORY CONSIDERATIONS

4.1 The annual medium-term financial planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities. This report monitors how the Council is performing against the financial targets set in February 2024 through the Budget setting process.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 The financial implications are contained within the body of the report.

6 RISK MANAGEMENT

6.1 The substance of this report is part of the Council's risk management process. The key risks in the Council's budget are assessed annually by each Director, with these risks re-assessed regularly as part of the budget monitoring process.

7 CLIMATE CHANGE

7.1 The Medium Term Financial Strategy and budget process aligns resources towards the corporate priorities and objectives set out in the Corporate Strategy, which includes tackling the climates emergency. This report monitors the Council's financial performance against those budgets. and 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 Consultation has been carried out with the Cabinet Member for Resources, Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

9.2 Consultation was carried out at meetings and via e-mail.

Contact person	Gary Adams – Head of Financial Management Gary_Adams@bathnes.gov.uk Paul Webb – Finance Manager, Budget Reporting Paul_Webb@bathnes.gov.uk
Background papers	N/A
Please contact the report author if you need to access this report in an alternative format	