Bath & North East Somerset Council		
MEETING:	**Cabinet**	
MEETING DATE:	**14th November 2024**	EXECUTIVE FORWARD PLAN REFERENCE: E 3577
TITLE:	**Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2024 to September 2024**	
WARD:	**All**	
AN OPEN PUBLIC ITEM		

List of attachments to this report:

Appendix 1 – Revenue Monitoring Commentary

Appendix 2 – Key Scheme Capital Monitoring Commentary

Appendix 3 (i) & 3 (ii) – Proposed Revenue Virements & Revised Revenue Cash Limits

Appendix 4 (i) & 4 (ii) – Capital Virements & Capital Programme by Portfolio

Appendix 5 – Revenue Savings Monitor

EXECUTIVE SUMMARY

a) **Revenue budget**

The Revenue budget outturn is currently forecast to be £5.54m over budget. Having developed urgent management action plans, £4.12m of mitigations have been identified, reducing the forecast over budget position to £1.42m.

Demand-led placement and package costs continue to cause a significant pressure in Children's Services, along with pressures from Home to School Transport. The portfolio is currently forecasting a £5.51m overspend.

Pressures in the Corporate Estate service linked to the holding costs of vacant buildings and the costs of maintaining the estate (£0.5m), a shortfall in rental income in Regeneration (£0.7m) and Commercial Estate (£0.3m), alongside staffing pressures with Waste and Fleet Services (£0.4m), 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 (£0.6m), while higher interest rates, reduced corporate supported borrowing charges, and a less than budgeted minimum revenue provision (borrowing debt charge) have resulted in favourable forecast capital financing and interest variances (£1.9m), which partially mitigate the aforementioned pressures.

In addition, there is an in-year SEND placement pressure of £12.07m 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. Current pressure is in line with the revised plan.

Savings of £16.4m were included in the 2024/25 budget. At present £12.8m 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 continue to develop mitigation plans for the service areas identified above to manage this position in year and bring the Council back into a balanced position.

b) **Capital budget**

The current position of the 2024/25 Capital Programme is a forecast of £77.5m against a budget of £100.7m. The variance of £23.2m largely reflects anticipated rephasing of schemes into future years.

c) **Council Tax and Business Rates**

The current forecast on Council Tax is for an in-year collection fund surplus of £0.52m mainly due to LCTSS costs being below budget. The Council's share of the surplus is £0.43m and this represents a positive variance of 0.3% against the 2024/25 forecast income.

The current in year forecast for the Business Rate element of the collection fund is for a surplus of £0.54m, of which the council's share is £0.50m.

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 September 2024.

2 RECOMMENDATION

The Cabinet is asked:

2.1 To note the 2024/25 revenue budget position (as at the end of September 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 3.39 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 second quarter is shown in the table below:

Portfolio	**Revised Budget £'m**	**Year End Forecast £'m**	**Variance Over / (Under) £'m**
Leader of Council	(0.30)	(0.34)	(0.04)
Climate Emergency and Sustainable Travel	1.32	1.25	(0.07)
Council Priorities and Delivery	3.65	3.60	(0.04)
Resources	15.67	14.05	(1.62)
Economic and Cultural Sustainable Development	(6.38)	(4.87)	1.51
Adult Services	59.82	59.85	0.03
Children's Services	36.08	41.60	5.51
Highways	(1.80)	(2.46)	(0.65)
Neighbourhood Services	25.82	26.76	0.94
Built Environment and Sustainable Development	2.69	2.66	(0.03)
Quarter 2 Forecast Outturn Variance	**136.56**	**142.10**	**5.54**
Emerging Management Action Plans			(4.12)
Forecast Outturn Variance After Mitigations			**1.42**

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

3.4 The current **year-end** forecast, prior to emerging management actions plans is a £5.54m over budget position. Mitigating the overspend is an urgent priority for all directors, and to date £4.12m of costed management actions plans have been developed. These are summarised in more detail in paragraph 3.6. of the report.

Portfolio Commentary

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

Leader of the Council ***(£0.04m under budget, £0.03m favourable movement from previous quarter)***

A small contract underspend within the Emergency Planning service is the main reason for the small favourable forecast variance.

Climate Emergency and Sustainable Travel ***(£0.07m under budget, £0.02m favourable movement from previous quarter)***

Recovery of staff costs from projects in the Environmental Monitoring team and staffing underspends in Green Transformation are causing a small favourable financial position for the portfolio.

Council Priorities and Delivery ***(£0.04m under budget, £0.01m favourable movement from previous quarter)*** Some minor staffing underspends in Human Resources are the reasons for the favourable forecast variance.

Resources ***(£1.62m under budget, £1.10m favourable movement from previous quarter)***

Higher than budgeted interest rates have led to a £0.25m favourable forecast on investment income from cash balances, while the final Minimum Revenue Provision (the required charge for the repayment of debt) has come in less than budget by £0.8m. Corporately Supported Borrowing costs associated with provisional capital schemes that have not progressed to fully approved in year are estimated to come in £800k under budget. 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 £0.3m adverse forecast for Commercial Estate rental income, in part due to delays in getting properties ready to market.

Economic And Cultural Sustainable Development ***(£1.51m over budget, £0.03 favourable movement from previous quarter)***

The Corporate Estate is forecasting an adverse budget position of £0.5m 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 £0.9m adverse forecast for the service area.

Adult Services incl. Leisure ***(£0.03m over budget, £0.02 adverse movement from previous quarter)***

The forecast position for Adult Social Care continues to be 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 £2.2m, will be covered by a transfer from the Adult Social Care Reserve (£0.4m). The forecast use of reserves is to cover adverse variances in the Learning Disability and Autism (LDA) Pooled Service (£2.3m) and Older People & Physical Disabilities (£1m), which are partially offset by underspends within the Community Resource Centres (£0.6m). These adverse variances reflect the impact of both the increase in the number of packages now being seen (activity and cost) and the known demand in year. Work is ongoing to review this activity.

The joint review of the funding sources within the LDA pooled arrangements is well progressed with an expected conclusion by the end of the year. The outcome from this work will be seen in the future agreed budget arrangements for the LDA service.

The increased level of cost demand seen in 2023/24 is continuing into 2024/25 and commissioners continue to work 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 established arrangement continuing from previous years. The numbers currently in this arrangement have been managed down from the previously seen high levels and this lower activity trend is continuing. This pathway continues to support the reduced activity need for long term care.

Leisure Services are currently forecasting an overspend of £0.03m, this is due to the level of fee income being received being below the expected value.

Children's Services ***(£5.51m over budget, £3.04m adverse movement from previous quarter)***

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 £2.75m over budget. The biggest area of pressure is Residential (£3.52m 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 DCT (£0.51m over budget), spend on packages of care to support those not in care to remain so (£0.27m over budget) and UASC support (£0.24m 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 £0.87m under budget). There are also under budget positions for Independent Foster Care (IFA) (£0.26m under budget) and In House Foster Care (£0.75m under budget). The reduction of spend on IFAs is due to reduced numbers of young people in this type of placement. The reduction of spend on In House Foster Care is partially due to the success of some Foster Carers becoming long term carers via Special Guardianship Orders.

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.

In Education there is an over budget position of £0.20m, 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 £1.97m. 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. Given the significant increase in forecast expenditure for the service, this is a key area of focus for managing the associated expenditure of the service. 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 *(£12.067m over budget, carried forward overspend of £22.263m from 2023/24)*

Although the Quarter 2 forecast for Dedicated School Grant (DSG) shows a balanced position, there is an underlying over budget position for 2024/25 of £12.067m 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 addressed 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. The over budget position recorded at Quarter 2 is in line with the resubmitted plan. When this revised plan is agreed 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 announced extension, covers the period to 31st March 2026.

Highways *(£0.65m under budget, £0.03m favourable movement from previous quarter)*

Parking income is expected to continue to remain above budgeted levels for the financial year, generating a £0.6m favourable variance. Energy costs for providing street lighting have reduced this year, adding a further £0.1m to the forecast underspend for the portfolio.

Neighbourhood Services (£0.94m over budget, £0.16m favourable movement from previous quarter)

Pressures across Waste Services (£0.4m), Bereavement Services (£0.2m), Licensing and Pest Control (£0.2m), and Customer Services (0.1m) are generating an adverse forecast outturn position for the portfolio.

Built Environment and Sustainable Development *(£0.03m under budget, £0.08m favourable movement from previous quarter)*

Market conditions are having an adverse impact on the forecast Building Control and Planning income, which is offset by staffing and consultancy underspends in Housing.

Management Action Plans

3.6 As a result of the forecast outturn over budget position, Directors have been tasked with identifying immediate actions that can bring to budget back to a balanced position. A summary of these management action plans is as follows:

Portfolio	Value £'m	Management Action Plans
Quarter 2 Forecast Outturn Variance	**5.54**	
Resources - service budgets	*(0.17)*	*Speed up new Commercial Estate properties to market, maximise use of Household Support Fund grant income*
Resources - corporate budgets	*(2.43)*	*One-off release of Risk Contingency, Inflation Contingency, and one-off increase in Tier 3 Business Rates pooling income.*
Economic and Cultural Sustainable Development	*(0.90)*	*One-off release of repairs provision, and further reductions in repairs and maintenance spend*
Children's Services	*(0.47)*	*Reduce agency spend and optimise grant usage*
Neighbourhood Services	*(0.15)*	*Temporarily stop discretionary activity to year end*
Quarter 2 Forecast Outturn Variance	***(4.12)***	
Forecast Outturn Variance After Mitigations	**1.42**	**Net over budget position would need to be funded from the Revenue Budget Contingency Reserve, of which has an available balance of £2.8m.**

3.7 Following Quarter 1 reporting, for revenue budgets which were forecast to be over budget, the Directors were tasked to present compensating cost reductions and/or increased income to bring budgets back to balance. Mitigating actions for those services with material forecast overspends at Quarter 1 were as follows:

Children's Services

Children's Services have put in place revised approval arrangements for expenditure above £1,000/annum. All requests are considered on a weekly basis by a panel of senior leaders.

A review has taken place of agency arrangements and contracts have been terminated for a number of staff working outside the acute safeguarding teams (£0.07m). Conversations are ongoing with existing agency personnel to determine whether they would be interested in permanent roles in hard to recruit areas.

Other actions to reduce in-year expenditure include regular reviews of our higher cost placements to ensure that care needs are being met and individuals are placed in the most appropriate settings. The service continues to work with health colleagues to review and recharge health related costs.

The service is working to deliver additional in-year savings of £400k to reduce the overspend in children's social care.

Corporate Estate

Successful cost mitigations for the Corporate Estate include a cost recovery in cleaning costs, higher recovery of staff time through increased work on capital or grant funded projects, and reduced expenditure on planned maintenance across the estate, resulting in a reduced forecast overspend from £0.96m to £0.51m.

Additional resource is now in place to accelerate the implementation of a Corporate Landlord Model, something which is an important step in the organisation being able to rationalise its asset base, and in turn reduce running costs. One aspect of the model is to centralise all property related budgets into a single service, giving a greater oversight and control of expenditure, which will allow for quicker and more targeted decision making on where expenditure can be stopped or reduced, both in the short and longer term.

Waste Management

Since Quarter 1, the service has significantly reduced its forecast overspend from £0.9m to £0.4m. Mitigations have included holding management posts vacant, reductions in spend on depot maintenance, increased focus on reducing sickness levels within the workforce, and improved income forecasts for recyclates and green waste collections. However, pressures still exist, particularly around staffing costs.

Management are focussing on reducing running costs across the various waste sites where possible, as well as continued focus on reducing sickness levels, noting front line vacancy management is challenging for the service given the expectations around waste collection and disposal.

REVENUE BALANCES, CONTINGENCY AND RESERVES

3.8 The Employer's national pay offer for 2024/25 has now been agreed, and is estimated at between 4-5% on average, which is within the 5% included in the budget. Service budgets will be adjusted for Quarter 3 reporting to reflect the new pay levels.

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

Key Reserves

3.10 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	(0.55)	2.80
Financial Planning and Smoothing Reserve	6.34	(1.58)	4.76
Transformation Investment Reserve	1.40	(0.84)	0.56
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

3.11 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

3.12 Unapplied capital receipts of £2.672m were carried forward from 2023/24, £2.3m receipts in 2024/25 have been received so far against the £5.9m budgeted receipts.

General Fund Un-Earmarked Reserve

3.13 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

3.14 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 £12.81m forecast as achieved at the end of September, representing 78% delivery. Of the £3.61m not currently achieved, £2.65m are being mitigated through savings, contingency or income elsewhere in the respective service, while £0.96m of savings are delayed, resulting in unavoidable in-year 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. Further details on the savings performance are provided in Appendix 5.

3.15 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

3.16 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

3.17 The 2024/25 tax base allowed for the same number of Local Council Tax Support Scheme (LCTSS) 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 LCTSS were set at £10.86m. The cost at Quarter 2 is £0.37m under budget at £10.49m with 6,374 working age claimants and 3,300 Pensioner claimants.

3.18 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.

3.19 The non LCTSS elements of the Collection Fund are trending favourably to budget with a small surplus of £0.15m currently forecast based on the position to end of September. Taking this and the LCTSS position together, the current forecast is for an in year £0.52m surplus on the Collection Fund in respect of Council Tax, of which the Council's share is £0.43m. This represents a positive variance of 0.3% against the 2024/25 forecast income.

3.20 The Council's share of the increased 2023/24 Council Tax Collection Fund final outturn position of £0.37m, as reported to Cabinet in July has been reflected in the Medium Term Financial Strategy update reported to the September Cabinet meeting.

Business Rates

3.21 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.

3.22 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 September, retail relief of £7.5m had been granted, which is £0.5m above the £7m originally estimated for 2024/25.

3.23 Empty property relief was £4.9m at the end of September which is £0.1m above the allowance included when setting the business rate income forecast for 2024/25.

3.24 These adverse impacts on the collection fund are offset by a favourable forecast in relation to the provision for appeals which is currently forecast to be £0.9m lower than budget. This is mainly due to appeals against the 2017 rating list being settled with a lower impact than previously estimated.

3.25 The current in year forecast for the Business Rate element of the collection fund is for a surplus of £0.54m, of which the council's share is £0.50m.

3.26 The forecast overall impact on the business rates collection fund position including reliefs and appeals will continue to be reviewed during the remainder of the year.

3.27 Section 31 grant income from Business rate compensation grants is currently forecast to be £0.48m above budget, this relates to increased relief granted in respect of Retail Relief and compensation for the Business Rate multiplier cap.

3.28 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).

City Region Deal (CRD) Business Rate Pool Tier Split Change

3.29 The City Region Deal (CRD) was set up in 2014 to pool business rates across designated areas and use the retained growth to generate an Economic

Development Fund (EDF) of £500m over 25 years. The business rates pooling decisions are governed through the Business Rates Pooling Board (BRBP) with fund management decisions delegated to the constituent Council's Section 151 Officers.

3.30 Growth over the first 10 years has exceeded the original forecasts, coupled with slippage in the EDF Programme spend has resulted in a balance at 31 March 2024 of £101m after making cumulative EDF payments of £24m over the past 10 years.

3.31 The EDF is forecast to reach £500m by 2032/33, six years before the end of the CRD period. All growth above the £500m is due to be returned to authorities as Tier 3 income, and this is forecast as £611m in total.

3.32 The Business Rates Pooling Board (BRBP) considered options to adjust the ratios for disbursement of growth above the £500m and accelerate funding to be returned to each local authority (known as the Tier 2 and Tier 3 split).

3.33 It was agreed to adjust the ratios between Tier 2:Tier 3 from 5:1 to 3.5:2.5, meaning the Tier 3 allocations – the additional growth to each authority - would proportionately increase. The agreement was to backdate these to pool inception at 2014.

3.34 There was considerable sensitivity analysis undertaken by the working group to ensure that assumptions were robust and that decisions made were prudent.

3.35 Whilst this amendment to the EDF Tier splits will result in the same growth being achieved overall, the impact is to bring forward receipts to each local authority which will reduce receipts in later years.

3.36 The resulting one-off and recurring income will be used to mitigate new and emerging budget pressures across the future years Medium Term Financial Plan. The one-off historic allocation from prior years will be held in the business rates reserve and used as a revenue funding source if in year budget recovery actions do not fully bring the Council's budget back into balance at year end.

3.37 The ratios can be adjusted again in the future to manage risk if growth already achieved were not to be maintained and will be reviewed triennially by the BRPB.

3.38 The table below shows the forecast additional income across the Pool constituent authorities. For B&NES, this results in £3.45m backdated in respect of prior years and an additional £0.43m for 2024/25 based on forecast growth. Future years additional income is forecast between £1m and £1.3m per annum for the period covering 2025/26 to 2028/29.

FORECAST FINANCIAL IMPACT BY AUTHORITY OVER THE NEXT FIVE YEARS

Summary of ADDITIONAL Tier 3 by authority	Historic	Current Yr	Sub-total	MTFP				5-Year
Change - from Current (5:1) to Option 2 (3.5:2.5)	2014-2024	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29	2024-2029
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bath & NE Somerset	3,452	429	**3,881**	1,082	1,142	1,243	1,318	**8,666**
Bristol	10,527	2,711	**13,238**	3,435	3,532	3,762	4,081	**28,048**
North Somerset	4,116	827	**4,943**	1,178	1,238	1,304	1,373	**10,036**
South Gloucestershire	16,492	3,311	**19,803**	4,622	4,746	4,891	5,072	**39,135**
Total	34,586	7,279	**41,864**	10,317	10,659	11,201	11,844	**85,885**

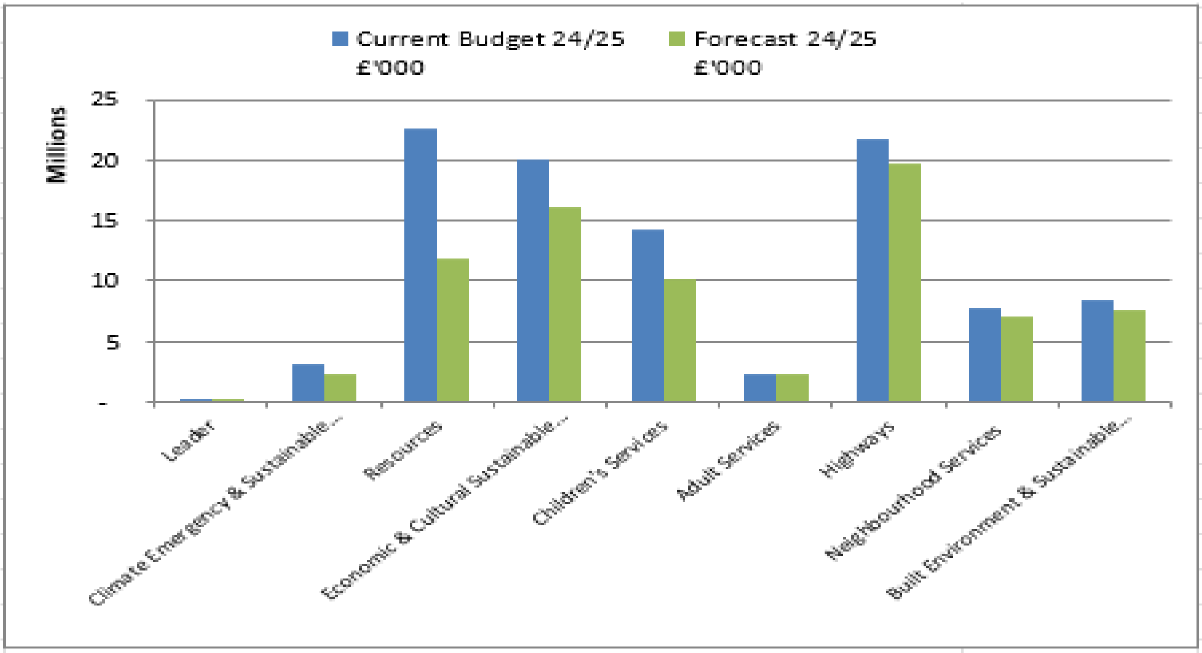
CAPITAL BUDGET

3.39 The current position of the 2024/25 Capital Programme is a forecast of £77.5m against a budget of £100.7m, giving a variance of £23.2m, with £22.1m 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 last Cabinet Meeting and Appendix 4(ii) the updated programme.

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	224	224	-	-
Climate Emergency & Sustainable Travel	3,123	2,323	800	800
Resources	22,574	11,921	10,653	10,653
Economic & Cultural Sustainable Development	20,002	16,123	3,879	2,779
Children's Services	14,329	10,090	4,240	4,240
Adult Services	2,376	2,376	-	-
Highways	21,749	19,643	2,106	2,106
Neighbourhood Services	7,760	7,169	592	592
Built Environment & Sustainable Development	8,530	7,630	900	900
Total	**100,668**	**77,499**	**23,170**	**22,070**

Note: 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

3.40 The key in-year variance on the programme are as follows:

- **Climate Emergency & Sustainable Travel** - £0.8m budget variance on the Bath Riverline project due to number and complexity of interventions on phase 1, the western section from Newbridge to Bath Quays. The budget is to be re-phased into 2025/26.
- **Resources**- £10.7m 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 £1.8m forecast on the Commercial Estate refurbishment programme.
- **Economic & Cultural Sustainable Development**- £3.9m budget variance across the portfolio, arising from £1.6m re-phasing of Bath Western Riverside due to unexpected sewer works and prolonged negotiations with the Developer and Homes England, along with removal of capital receipt expectation of £1.1m. Corporate Estate Planned Maintenance has a rephasing requirement of £0.5m based on current forecasts and rephasing of programmes for Bath City Centre, High Street Recovery, Milson Quarter Master total £0.7m.
- **Children's Services** – £4.2m in year under budget position, with the Special Educational Needs & Disabilities (SEND) Provision at Bath College project forecasting a rephasing requirement of £1.5m as the grant agreement between the parties is still in progress. A review of cashflow progress in the following schemes has identified rephasing requirements of £1.5m for the SEND capital programme, £0.5m for Schools Capital Maintenance & £0.8m in the Schools Improvement and Basic Needs Programme.
- **Highways** £2.1m budget variance mainly due to the £1.0m re-alignment of the Liveable Neighbourhoods Programme following full WECA business case submission (£1.0m), with slower progress in the Local Active Travel Safety Programme (£0.3m) and Ultra Low West project (£0.2m).
- **Neighbourhood Services** £0.6m budget variance across the portfolio including £0.2m on Parks and Open Spaces Section 106 projects, Waste Depot relocation £0.2m and vehicle replacement programme £0.1m.

- **Built Environment & Sustainable Development** - £0.9m budget rephasing requirement in the Social Housing Rent Programme, with the Danes Lane project delivery now expected to mainly take place in 2025/26.

RISKS

3.41 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. The Bank of England made its first 0.25% reduction in August, taking the base rate to 5%. Our advisors are expecting a further cut in the final quarter of 2024 with further cuts during 2025 taking the base rate to a low of around 3%. Longer term borrowing rates are expected to 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, Executive Director - Resources (S151 Officer), Chief Executive and Monitoring Officer.

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

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Background papers	N/A
Please contact the report author if you need to access this report in an alternative format	