

Bath & North East Somerset Council

MEETING:	Climate Emergency and Sustainability Scrutiny Panel
DATE:	16 January 2025
TITLE:	2025/26 Budget and Financial Outlook – Draft proposals
WARD:	All
AN OPEN PUBLIC ITEM	
List of attachments to this report:	
Annex 1: 2025/26 – 2027/28 Draft Savings & Income Proposals	
Annex 2: 2025/26 – 2027/28 Draft Funding Requirements	

1 THE ISSUE

- 1.1 This report will present the draft revenue budgets together with proposals for increases in Council Tax and the Adult Social Care Precept for 2025/26.

2 RECOMMENDATION

The Panel is asked to;

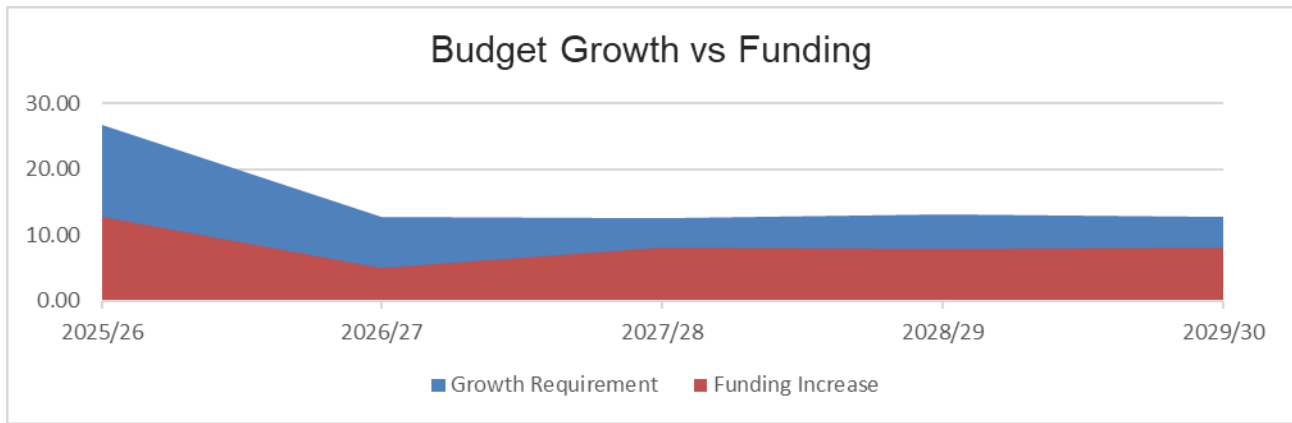
- 2.1 Note and discuss the proposals that impact the Council's 2025/26 revenue budget.

3 THE REPORT

- 3.1 The Council's 2025/26 Budget and Council tax proposal will be considered by Cabinet on 13th February 2025 and presented to Council on 25th February 2025. This report includes the draft proposals that are relevant to the Climate Emergency and Sustainability Scrutiny (CES) panel, the scrutiny of these plans will provide assurance on the completion of the Council's 2025/26 budget plans.

- 3.2 The draft budget funding and savings requirement over the next five years is as follows:

Budget Planning	Future years assumptions £m					Total
	2025/26	2026/27	2027/28	2028/29	2029/30	
Growth Requirement	26.78	12.81	12.52	13.19	12.81	78.11
Funding Increase	12.77	5.08	8.12	7.87	8.13	41.97
Annual Funding gap	14.01	7.73	4.40	5.31	4.68	36.14
Savings Proposals	14.01	2.34	0.85	0.10	0.10	17.41
Remaining Funding Gap	0.00	5.39	3.55	5.21	4.58	18.73



Indicative Budget Forecast

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

Budget Planning	Future years assumptions £m				
	2025/26	2026/27	2027/28	2028/29	2029/30
Budget Requirement (Previous Year)	135.85	148.63	153.71	161.83	169.70
Budget Adjustments	5.51	0.00	0.00	0.00	0.00
Pay & Pension	5.80	3.37	3.31	3.39	3.48
Demographic Growth	5.78	3.56	3.69	3.81	3.87
Contract Inflation	5.15	2.82	2.78	2.82	2.86
New Homes Bonus Pressure	(0.52)	0.00	0.00	0.00	0.00
Capital Financing	1.93	1.29	1.57	1.57	1.00
Settlement grant funding	(1.96)	0.00	0.00	0.00	0.00
Budget pressure / rebasing	5.09	1.77	1.16	1.59	1.61
Funding Requirement Sub Total	26.78	12.81	12.52	13.19	12.81
Draft Budget Before Savings	162.64	161.44	166.22	175.01	182.51
Proposed Savings Plans	(14.01)	(2.34)	(0.85)	(0.10)	(0.10)
Estimated Savings Required	(0.00)	(5.39)	(3.55)	(5.21)	(4.58)
Savings Requirement Sub Total	(14.01)	(7.73)	(4.40)	(5.31)	(4.68)
Budget Requirement	148.63	153.71	161.83	169.70	177.83
Funding of Budget Requirement					
Council Tax	129.63	135.76	142.58	149.76	157.17
Business rates retention*	26.42	18.55	19.24	19.94	20.65
Reserve transfers From	0.00	0.00	0.00	0.00	0.00
Reserve transfers (To)	(7.42)	(0.60)	0.00	0.00	0.00
Funding of Budget Requirement Total	148.63	153.71	161.83	169.70	177.83

The forecast includes the following cost pressures and assumptions:

- **Pay Inflation** – Estimated 4.00% in 2025/26 and 3% thereafter.
- **Council tax** – General assumed at 2.99% in 2025/26 and 1.99% in future years and Adult Social Care precept 2% in 2025/26 and future years.
- **Pension Costs** – Have been revised in line with the current revaluation no increase up to 2026/27.

- **Demographic Growth** – Additional demand from new placement and market pressures in Adult & Children Social Care.
- **Interest Rates** - Interest rate reductions to follow movement in Bank of England base rate currently 4.75% for treasury management cash investments. The Council will fix budget interest rates following the provisional settlement.
- **Inflation** – CPI projections modelled on current rates of 2%, with up to 5% provision for Social Care.
- **Budget Pressures / Rebasing** – 2025/26 budget rebasing takes into account current pressures identified in Q2 monitoring where emerging pressures cannot be directly mitigated.
- **Capital Spending** – an allowance has been made to fund previously agreed provisional schemes requiring borrowing.
- **Borrowing** – longer term borrowing costs have been factored into the MTFs however the authority will continue to optimise the use of cash balances subject to market conditions and the overriding need to meet cash outflows.
- **Reserves** – The Council's earmarked reserves have been reviewed with new allocations made for the implementation of the Being our Best programme and transformation and system improvement projects.

3.3 Savings and Income Generation

To deliver a balanced budget in 2025/26 savings and income generation plans total £14.01m, with income and savings to find of £7.73m in 2026/27. The Council has a good track record of delivering proposed savings. In relation to the Cabinet Portfolios being scrutinised by the CES Panel there are savings to find and income generation proposals totalling £2.6m.

The proposals for savings and income generation for this panel's attention are outlined in Annex 1.

The material areas of income generation or savings are:

- Increased income rebasing across Highways and Parking Services, implementation of emissions-based charges and one-off removal of the Parking Reinvestment Reserve (£1.27m)
- Updated income forecast for the Park and Ride (£0.2m)
- Income growth projected from recycling (£0.45m)
- Increase garden waste fees from £57 to £70 per year to cover the increasing collection costs of running the service, so that subscribers contribute more to the cost of the service (£0.35m)

3.4 Budget funding requirements

Budget growth and additional pressures across all portfolios of £26.78m have been added to ensure that the budget remains robust and to add additional budget funding to areas that require rebasing. This does not mean that savings cannot be found from these areas in future once savings opportunities are identified, but this ensures that spend and budget are aligned especially in high demand areas. In relation to the Cabinet Portfolios being scrutinised by the CES Panel there is budget growth from demand and inflationary pressures, and new funding requests, totalling £3.3m.

Growth and pressures to bring to this panel's attention are outlined in Annex 2.

The material items requiring additional funding on top of annual budget adjustments are listed below:

- Adjustments to budgets to make sure sickness and holiday cover within waste and fleet services are adequately funded (£0.76m)
- Rebasings of revenue budget following the first year of operating the new waste facility at Pixash Lane, Keynsham (£0.23m)

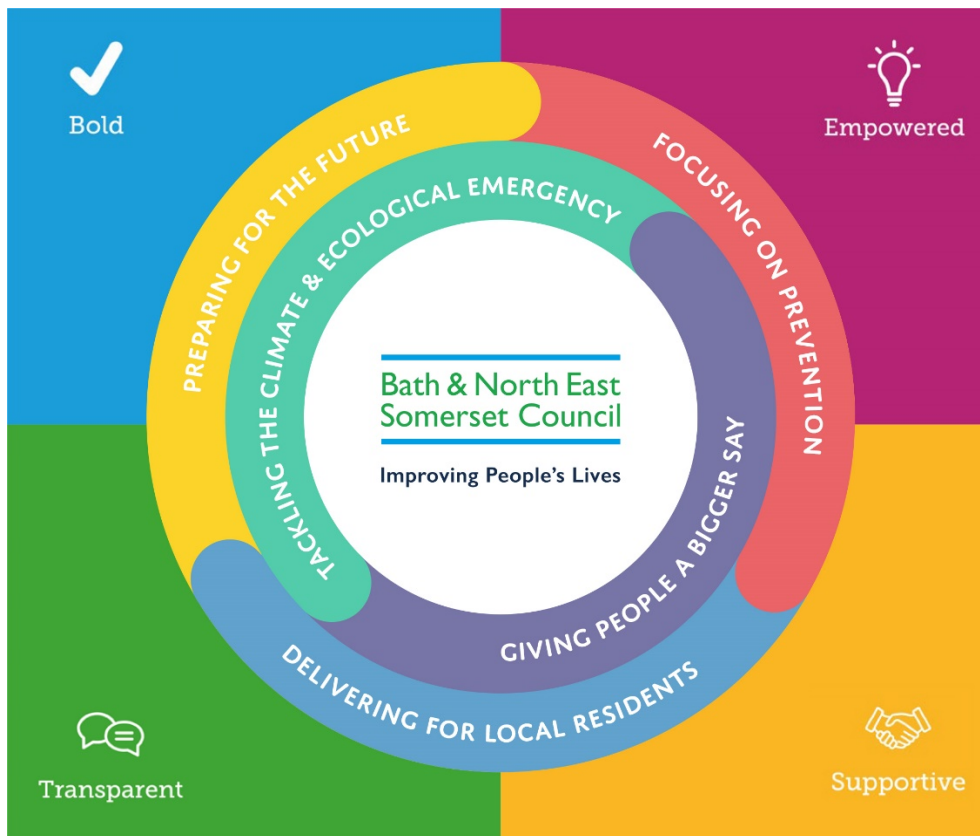
When developing these proposals, the budget setting principles below have been followed:

Budget Setting Principles

- New policy or service demand funding requirements need to be evidenced with robust and realistic estimates for future years.
- For additional budget funding, un-avoidable growth only – other growth will require a defined funding source / saving.
- New savings will need to be material and over £50k per item, savings below this value will not be accepted (no use of one-off service reserves).
- The focus needs to be on high value strategic areas of change enabled by Business Change delivering multiyear savings.
- Stop doing will need to demonstrate how risk is appropriately managed.
- Savings with reputational / political implications need early engagement with Cabinet portfolio holders, with early, proportionate equality impact assessments completed.
- Savings proposals will need to have a budget profile in line with delivery plans that span multiple years.
- Delivery cost and timescale for implementation needs to be fully understood and captured in the budget proposal.

3.5 Corporate Strategy and Council priority areas

The Budget Proposal sets out the financial framework for allocating resources across the Council. How this is achieved will require close alignment to the Council's Corporate Strategy as set out in the diagram below:



<https://beta.bathnes.gov.uk/document-and-policy-library/corporate-strategy-2023-2027>

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

Prioritising and allocating resources

To address longer-term financial planning and ensure corporate priorities shape our financial planning, for the 2026/27 and future years’ budgets we are developing a more strategic approach built around:

- Identification of key scenarios, particularly in the light of central government fiscal policy and approach to local government funding
- Agreeing key priorities which will support delivery of our Corporate Strategy, in the light of the resources available to the council over the medium term
- Establishing a longer-term approach to budget planning, including investing in prevention to address budget pressures and reduce costs
- Introducing a new operating model which delivers the council’s purpose through innovation in our ways of working

Within the budget proposals funding has been allocated a Portfolio level to take forward the following initiatives that will contribute to the delivery of the Corporate Strategy:

- Continued funding for climate and nature action to deliver against the Council's Climate and Nature Action Plans. An additional £45k is invested at this Budget to allow work to develop renewable energy schemes to continue;
- The delivery of the Council's ambitious Housing Plan to tackle the lack of affordable housing in the district, with funding reprofiled to reflect the updated projections for housing delivery;
- The successful delivery of transport schemes designed to deliver the Council's Journey to Net Zero transport strategy, including ongoing investment in the design of new walking, wheeling and cycling routes to support capital bids. The Council also sees maintained improvement in the recovery of the Park and Ride service following the impacts of the Covid pandemic.

4 STATUTORY CONSIDERATIONS

4.1 The preparation of the Council's budget proposals meet the relevant statutory requirements including Section 25 of the Local Government Act 2003 that requires each local authority, when setting its annual General Fund budget and level of Council Tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 These are contained throughout the attached report and appendices.

6 RISK MANAGEMENT

6.1 A risk assessment related to the issue and recommendations will be undertaken, in compliance with the Council's decision-making risk management guidance and included in the final budget papers.

7 CLIMATE CHANGE

7.1 Addressing Climate Emergency is one of the two core policies within the new Corporate Strategy. The budget has recognised this priority through providing ongoing revenue funding for the delivery of priorities identified in the Climate and Nature Action Plans.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

9.1 The Cabinet Member for Resources has been consulted on the drafting of this report as well as the Chief Executive, Section 151 Officer and Monitoring Officer.

Contact person	Sophie Broadfield, Executive Director of Sustainable Communities
Background papers	2025/26 Medium Term Financial Strategy https://democracy.bathnes.gov.uk/documents/s83690/E3564%20-%20Appendix%201%20-

[%20Medium%20Term%20Financial%20Strategy%202025-26.pdf](#)

2024/25 Quarter 2 Revenue and Capital Budget Monitoring
<https://democracy.bathnes.gov.uk/documents/s84582/E3577%20-%20Revenue%20and%20Capital%20Budget%20Monitoring%20Cash%20Limits%20and%20Virements%20-%20April%202024%20to%20September%202024.pdf>

2025/26 Budget Consultation
<https://www.bathnes.gov.uk/budget-consultation-2025-2026>

Please contact the report author if you need to access this report in an alternative format