

## Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	13 <sup>th</sup> February 2025	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3578
TITLE:	Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2024 to December 2024	
WARD:	All	
AN OPEN PUBLIC ITEM		
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1</b> – Revenue Monitoring Commentary</p> <p><b>Appendix 2</b> – Key Scheme Capital Monitoring Commentary</p> <p><b>Appendix 3 (i) &amp; 3 (ii)</b> – Proposed Revenue Virements &amp; Revised Revenue Cash Limits</p> <p><b>Appendix 4 (i) &amp; 4 (ii)</b> – Capital Virements &amp; Capital Programme by Portfolio</p> <p><b>Appendix 5</b> – Revenue Savings Monitor</p>		

## EXECUTIVE SUMMARY

### a) Revenue budget

The Revenue budget outturn is currently forecast to be £0.97m over budget. Management action plans and the release of contingencies detailed during Quarter 2 monitoring have been delivered, resulting in a £4.57m favourable movement in forecast variance.

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 (£0.6m), a shortfall in rental income in Regeneration (£0.9m), alongside staffing pressures with Waste and Fleet Services (£0.3m), are further adding to the adverse forecast financial position.

High levels of visitor numbers to Bath city centre have resulted in stronger than expected Parking services income (£0.7m), while higher than forecast interest rates on investments, 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 (£2.9m), which partially mitigate the aforementioned pressures. £2m of budgeted inflation and risk contingency has been required to manage the in-year over budget position.

In addition, there is an in-year SEND placement pressure of £11.93m 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 £12.7m savings are forecast as delivered, with the remainder either being mitigated through alternative measures, included as unachievable in the service forecasts, or addressed through the Council's 2025/26 budget setting process.

To address the forecast over budget position, Directors continue to focus on discretionary spend freezes and staff vacancy management to manage the in-year financial position 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 £65.2m against a budget of £108.5m. The variance of £43.3m 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 £0.10m mainly due to LCTSS costs being below budget. The Council's share of the surplus is £0.08m and this represents a positive variance of 0.1% against the 2024/25 budgeted income.

The current in year forecast for the Business Rate element of the collection fund is for a surplus of £0.98m, of which the council's share is £0.92m and this represents a positive variance of 1.5% against the 2024/25 budgeted income.

### 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 December 2024.

## 2 RECOMMENDATION

The Cabinet is asked:

- 2.1 To note the 2024/25 revenue budget position (as at the end of December 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 3.33 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	(0.27)	(0.42)	(0.15)
Climate Emergency and Sustainable Travel	1.36	1.33	(0.03)
Council Priorities and Delivery	3.92	3.73	(0.19)
Resources - Services	5.25	5.20	(0.05)
Resources - Corporate	6.94	2.10	(4.84)
Economic and Cultural Sustainable Development	(6.28)	(4.62)	1.65
Adult Services	61.29	61.33	0.04
Children's Services	36.35	41.90	5.55
Highways	(1.59)	(2.42)	(0.84)
Neighbourhood Services	26.73	27.45	0.72
Built Environment and Sustainable Development	2.85	2.76	(0.09)
<b>Total</b>	<b>136.56</b>	<b>138.33</b>	<b>1.77</b>
Partial release of dilapidations provision			(0.80)
<b>Quarter 3 Forecast Outturn Variance</b>			<b>0.97</b>

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

- 3.4 The current **year-end** forecast is a £0.97m over budget position.
- 3.5 Following the £5.54m over budget forecast in Quarter 2 monitoring, urgent management action plans were detailed to manage the adverse financial

position. The £4.57m favourable movement between quarterly reporting includes the achievement of these management actions, of which are detailed in paragraph 3.7.

## **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 (£0.15m under budget, £0.11m favourable movement from previous quarter)***

A small contract underspend within the Emergency Planning service and additional income from the Housing Delivery Vehicle are the main reasons for the small favourable forecast variance.

### ***Climate Emergency and Sustainable Travel (£0.03m under budget, £0.03m adverse 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 (£0.19m under budget, £0.14m favourable movement from previous quarter)***

Staffing underspends in Human Resources, Business Change and Corporate Office are the generating a favourable forecast variance.

### ***Resources – Services (£0.05m under budget, £0.37m favourable movement from previous quarter)***

Staff vacancies in Procurement (£0.11m) have been partially offset by rental income shortfall in the Commercial Estate (£0.07m). It should be noted that the forecast rental income position has improved by £0.2m since Quarter 2 as a result of bringing more vacant properties to market.

### ***Resources – Corporate (£4.84m under budget, £2.89m 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 both provisional capital schemes that have not progressed to fully approved in year, and the approved capital programme are estimated to come in £1.1m under budget. The release of £2m of budgeted inflation and risk contingency has been required to manage the in-year over budget position.

### ***Economic And Cultural Sustainable Development (£1.66m over budget, £0.15 adverse movement from previous quarter)***

The Corporate Estate is forecasting an adverse budget position of £0.6m 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 (£0.04m over budget, £0.01 adverse movement from previous quarter)**

The forecast position for Adult Social Care at Quarter 3, continues to be a balanced position. Budget from the Social Care Grant, Market Sustainability & Improvement Fund (MSIF) and improved Better Care Fund (iBCF) is now reflected in the position. The remaining underlying variance of £1m, will be covered by a further in year transfer from the iBCF (£0.06m) and Adult Social Care Reserve (£0.4m). This is to cover adverse variances in the Learning Disability and Autism (LDA) Pooled Service (£1.8m) and Older People & Physical Disabilities (£1m), which are partially offset by underspends within the Community Resource Centres (£1.1m), Mental Health (£0.4m) and other Social Care budgets (£0.3m). These adverse variances reflect the impact of both the increase in the number of packages now being seen (activity and cost) in year.

The joint review of the funding sources within the LDA pooled arrangements is now being reviewed for a conclusion. The outcome from this work will be seen in the future agreed budget arrangements for the LDA service.

The increased level of cost demand continues, and commissioners are working with providers on this to determine future requirements for 2025-26.

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 previously seen high levels and this lower activity trend still continues. This pathway continues to support the reduced activity need for long term care.

Leisure Services are currently forecasting an overspend of £0.04m, this is due to the level of fee income being received being below the expected value.

**Children's Services (£5.51m over budget, £0.03m adverse movement from previous quarter)**

The main causes of this over budget position are the continuing pressures from 2023/24 across the demand-led placement and package budgets (£2.6m continued pressure from 2023/24 into 2024/25), the additional pressures in-year from the demand-led budgets (£1.3m) and the continuing pressure from home to school transport (£1.4m).

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 £3.52m over budget. The biggest area of pressure is Residential (£2.86m 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 (£1.08m over budget), spend on packages of care to support those not

in care to remain so (£0.34m over budget) and UASC support (£0.11m 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 £0.43m under budget). There is also an under-budget position for In House Foster Care (£0.71m under budget). 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 £0.94m 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 form part of a transformation program which aims to reduce significantly the cost pressures by the end of 2026/27.

In Education there is an over budget position of £0.19m, 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 £1.41m. 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. Demand was not as high as the previous quarterly forecast, resulting in a reduction of £0.56m in expected overspend this quarter. This continues to be 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 (£11.927m over budget, carried forward overspend of £22.263m from 2023/24)**

Although the Quarter 3 forecast for Dedicated School Grant (DSG) shows a balanced position, there is an underlying over budget position for 2024/25 of £11.927m 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 3 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 (£0.84m under budget, £0.19m favourable movement from previous quarter)**

Parking income is expected to continue to remain above budgeted levels for the financial year, generating a £0.7m 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 (£0.72m over budget, £0.22m favourable movement from previous quarter)**

Cost pressures across Waste Services (£0.3m) and Customer Services (£0.1m), and income pressures in Bereavement Services (£0.2m) and Public Protection (Licensing and Pest Control) (£0.1m), are contributing to the adverse forecast outturn position for the portfolio.

**Built Environment and Sustainable Development (£0.10m under budget, £0.07m favourable movement from previous quarter)**

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

## Management Action Plans

- 3.7 As a result of the forecast outturn over budget position previously reported, Directors were tasked with identifying immediate actions to bring the budget back to a balanced position. A summary of these management action plans and a comparison against the portfolio forecast variance movement is as follows:

Portfolio	Q2 Forecast £'m	Q3 Portfolio Variance Change £'m	Management Action Plans Description**
Resources - service budgets	(0.17)	(0.29)	Speed up new Commercial Estate properties to market, maximise use of Household Support Fund grant income (achieved, with additional Commercial Estate income forecast over and above planned mitigations)
Resources - corporate budgets	(2.43)	(2.89)	One-off release of Risk Contingency, Inflation Contingency, and one-off increase in Tier 3 Business Rates pooling income (achieved, along with decrease in forecast corporate supported borrowing costs)
Economic and Cultural Sustainable Development	(0.90)	(0.65)*	One-off release of repairs provision, and further reductions in repairs and maintenance spend (release of repairs provision achieved, adverse movement in services within portfolio outweighed reduced repairs and maintenance costs)
Children's Services	(0.47)	0.03	Reduce agency spend and optimise grant usage (mitigations achieved, but demand worsened)
Neighbourhood Services	(0.15)	(0.22)	Temporarily stop discretionary activity to year end (achieved)
<b>Total</b>	<b>(4.12)</b>	<b>(4.02)</b>	<b>**Portfolio variance movement includes factors outside of the management action plans themselves, distorting the direct comparison.</b>

## REVENUE BALANCES, CONTINGENCY AND RESERVES

- 3.8 The Employer's national pay offer for 2024/25 has now been agreed and was within the 5% inflation included in the budget. Service budgets have been 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	(0.73)	2.62
Financial Planning and Smoothing Reserve	6.34	(1.25)	5.09
Transformation Investment Reserve	1.40	(1.03)	0.37
Covid Contingency Reserve (Govt grant)	1.00	(1.00)	0.00
Restructuring & Severance Reserve	4.88	(0.55)	4.33

### Reserves and Flexible Capital Receipts

- 3.11 Flexible Capital Receipts are being utilised for revenue spend which 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 2025/26 as follows:

	Actual Usage 2017/18 to 2023/24 £'m	Forecast Usage 2024/25 £'m	Forecast Usage 2025/26 £'m	Est Total Usage £'m
Flexible Capital Receipts	9.73	1.15	0.62	11.50



- 3.12 Unapplied capital receipts of £2.67m were carried forward from 2023/24, £2.2m receipts in 2024/25 have been received so far against a revised target of £2.3m.

### **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 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 £12.66m forecast as achieved at the end of September, representing 77% delivery. Of the £3.76m not currently achieved, £2.77m are being mitigated through savings, contingency or income elsewhere in the respective service, while £0.99m 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 3 is £0.39m under budget at £10.47m with 6,398 working age claimants and 3,318 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 remainder of the year.

- 3.19 The non LCTSS elements of the Collection Fund are trending adversely to budget with a small deficit of £0.29m currently forecast based on the position to end of December. Taking this and the LCTSS position together, the current forecast is for an in year £0.10m surplus on the Collection Fund in respect of Council Tax, of which the Council's share is £0.083m. This represents a positive variance of 0.1% against the 2024/25 budgeted income.
- 3.20 Combining the in-year projection with 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, gives an overall forecast surplus position of £0.45m.

## **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 December, retail relief of £7.8m had been granted, which is £0.8m above the £7m originally estimated for 2024/25.
- 3.23 Empty property relief was £4.6m at the end of December which is £0.2m below the allowance included when setting the business rate income forecast for 2024/25 creating a favourable impact on the Collection Fund.
- 3.24 There are also favourable forecasts in relation to the provision for appeals which is currently forecast to be £0.7m lower than budget, mainly due to appeals against the 2017 rating list being settled with a lower impact than previously estimated and the City Deal Disregard which is £0.9m lower than budget.
- 3.25 The current in year forecast for the Business Rate element of the collection fund is for a surplus of £0.98m, of which the council's share is £0.92m. This represents a favourable variance of 1.5% against the 2024/25 budgeted income.
- 3.26 The forecast 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 The overall forecast position on the Collection Fund for Business rates, including the surplus carried forward from the 2023/24 outturn position reported to Cabinet in July 2024 of £5.68m, is for a projected surplus of £6.66m, of which the Council's share is £6.26m. This has been factored into the 2025/26 Budget Report.
- 3.28 Section 31 grant income from Business rate compensation grants is currently forecast to be £0.77m above budget, this relates to increased relief granted in respect of Retail Relief and compensation for the Business Rate multiplier cap. There is also a favourable variance on the City Deal revenue income of £0.66m reflecting a lower payment to the pool partly offset by a reduction in Tier 1

income. This is currently planned to be transferred to the Business Rate Reserve.

- 3.29 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**

- 3.30 As set out in the Q2 monitoring report, an agreement was made by the Business Rate Pooling Board to adjust ratios between tier splits meaning Tier 3 allocations, the additional growth to each authority, would proportionately increase. The agreement was to backdate these to pool inception at 2014.
- 3.31 For B&NES, this results in £3.45m backdated income in respect of prior years and an additional £0.43m for 2024/25 based on forecast growth.
- 3.32 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. The £0.43m forecast increased income for 2024/25 is factored into the current year revenue position as part of the mitigation actions to reduce the overall in year overspend.

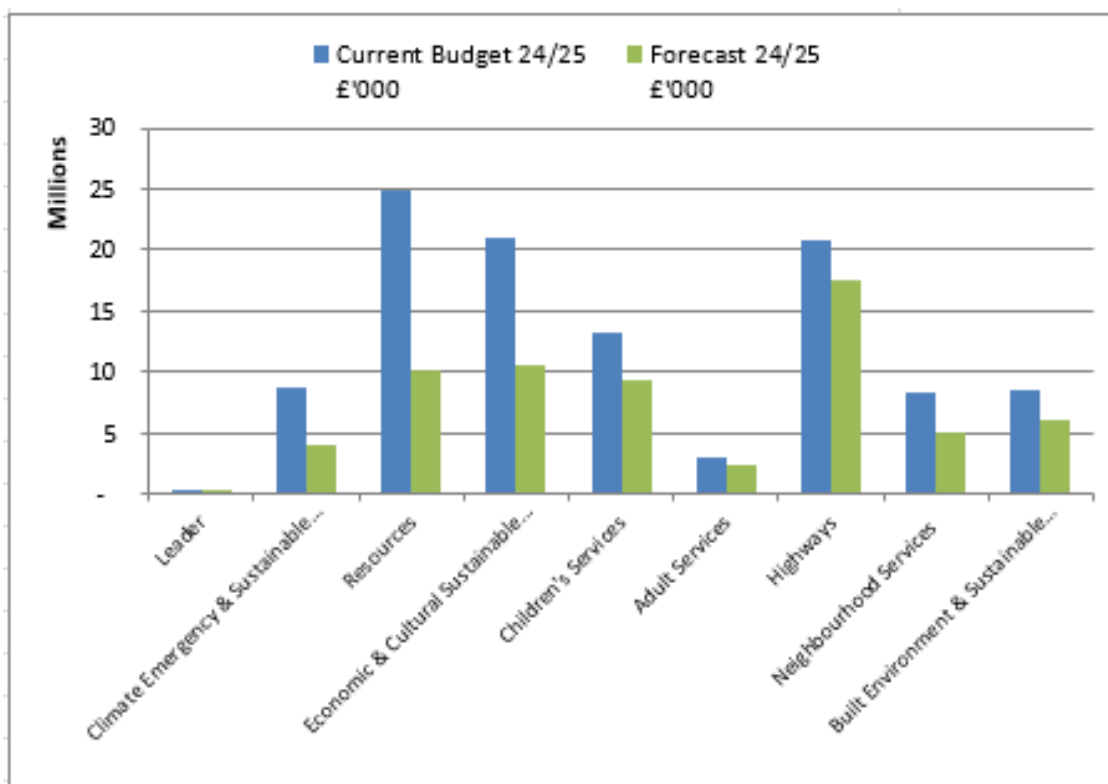
### **CAPITAL BUDGET**

- 3.33 The current position of the 2024/25 Capital Programme is a forecast of £65.2m against a budget of £108.5m, giving a variance of £43.3m, with £42.2m forecast to be re-phased to future years. The largest 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	Forecast 2024/25	In-Year Variance 2024/25	Forecast Re-phasing to 2025/26
	£'000	£'000	£'000	£'000
Leader	224	224	-	-
Climate Emergency & Sustainable Travel	8,624	3,926	4,698	4,698
Resources	24,843	10,179	14,664	14,664
Economic & Cultural Sustainable Development	20,945	10,634	10,311	9,211
Children's Services	13,301	9,271	4,030	4,030
Adult Services	2,897	2,389	509	509
Highways	20,833	17,460	3,374	3,367
Neighbourhood Services	8,295	5,098	3,197	3,197
Built Environment & Sustainable Development	8,530	6,035	2,496	2,496
<b>Total</b>	<b>108,493</b>	<b>65,215</b>	<b>43,277</b>	<b>42,170</b>

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

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

- **Climate Emergency & Sustainable Travel** - £4.7m budget variance mainly arising from the Cycling and Walking scheme at Scholar's Way (£2.1m) with construction now rephased into 2025/26 and Bath Riverline project (£1.1m) due to number and complexity of interventions on phase 1, the western section from Newbridge to Bath Quays.
- **Resources**- £14.7m variance arising from lower Property Company Investment spend (£8.9m), 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 £3.2m of the Commercial Estate refurbishment programme and £0.9m for Orange Grove where surveys have refined the work required.
- **Economic & Cultural Sustainable Development**- £10.3m budget variance across the portfolio, arising from £3.2m 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 £1.9m based on current forecasts. The portfolio variance also includes the rephasing of grant funded programmes for Bath City Centre (£0.9m), High Street Recovery (£1.1m), Milson Quarter Masterplan (£0.6m) and Midsomer Norton High Street Renewal (£0.9m).
- **Children's Services** – £4.0m in year under budget position forecast, with the Special Educational Needs & Disabilities (SEND) Provision at Bath College project forecasting a rephasing requirement of £2.4m as the grant agreement between the parties is still in progress. A review of cashflow progress has rephased £1.3m capital programme for Schools Capital Maintenance, with less call on the Emergency Works and Minor Works budget.
- **Highways** £3.4m budget variance due to the £1.4m re-alignment of the Liveable Neighbourhoods Programme following full WECA business case submission, with slower progress in the Local Active Travel Safety Programme (£0.4m) and revised programme delivery forecast in Highway Maintenance (£0.5m). Queen Square public realm works funded from CAZ – Clean Air Zone (£0.8m) are also rephased with final designs pending and works now planned in 2025/26.
- **Neighbourhood Services** £3.2m budget variance across the portfolio including £0.6m on Parks and Open Spaces Section 106 projects, Pixash Waste Depot (£1.9m) relocation, as we continue to explore options for a permanent base for SEND Passenger Transport Fleet.
- **Built Environment & Sustainable Development** - £2.5m budget variance, £1.4m budget rephasing requirement in the Social Housing Rent Programme, with the Danes Lane project delivery mainly to take place in 2025/26 and £0.9m LAHF grant funding for Ukrainian/Afghan homes carried forward as we finalise purchases in 2025/26.

## RISKS

3.35 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:

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management Update</b>
Operational budget pressures due to rising demand	Likely	High	There is the risk of unplanned and unbudgeted growth in demand on Council services, particularly in Adults & Children's Services.
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.
Volatility and uncertainty around business rates	Likely	High	<p>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.</p> <p>We continue to monitor arrears, CVAs, and liquidations with a specific reserve held to manage in-year volatility.</p>
Changes to Government Policy that affects future funding	Likely	High	Need to monitor and continue to highlight any potential impact to the in-year financial position.
Reinstated government restrictions in the event of a new pandemic.	Possible	High	This is certainly a material risk, whilst not one the Council has direct control over, every step would be put in place to follow government guidance following the recommendations of our Director of Public Health
Viability risk on the Council's Commercial Estate assets held for income generation.	Possible	High	Current asset reviews have identified that due to the age and complexity of the Council's Commercial Estate, some assets' operating costs and capital investment needs may exceed annual rental income values. This will be managed through a detailed asset review that informs a programme of prioritisation for investment in the estate.
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.
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.
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 latest forecast from our treasury management advisors is that longer term borrowing rates will remain volatile as the market reviews economic data on both the UK and US.
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.
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## 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 climate 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.

<b>Contact person</b>	<p><i>Gary Adams – Head of Financial Management</i>  <a href="mailto:Gary_Adams@bathnes.gov.uk">Gary_Adams@bathnes.gov.uk</a></p> <p><i>Paul Webb – Senior Finance Manager</i>  <a href="mailto:Paul_Webb@bathnes.gov.uk">Paul_Webb@bathnes.gov.uk</a></p>
<b>Background papers</b>	N/A
<b>Please contact the report author if you need to access this report in an alternative format</b>	