

-- Bath & North East Somerset Council		
MEETING:	Council	
MEETING DATE:	25th February 2025	EXECUTIVE FORWARD PLAN REFERENCE:
		E3590
TITLE:	Budget and Council Tax 2025/26 and Financial Outlook	
WARD:	All	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report</p> <p>Annex 1: Revenue Budget 2025/26 – individual service cash limits</p> <p>Annex 2: (i) 2025/26 to 2027/28 Budget Savings and Income proposals & (ii) 2025/26 to 2027/28 Funding Requirements.</p> <p>Annex 3: Draft Equalities Impact Assessment of 2025/26 Budget Proposals</p> <p>Annex 3: (i) Equality Impact Introduction & Legal Background</p> <p>Annex 4: Efficiency Strategy</p> <p>Annex 5: Draft Capital Programme 2025/26 to 2029/30</p> <p>Annex 5 (i): New and Emerging Capital Schemes</p> <p>Annex 5 (ii): Highways Maintenance Programme</p> <p>Annex 5 (iii): Transport Improvement Programme</p> <p>Annex 5 (iv): Corporate Estate Planned Maintenance Programme</p> <p>Annex 5 (v): Community Infrastructure Levy (CIL) Allocations</p> <p>Annex 6: Capital & Investment Strategy</p> <p>Annex 7: MRP Policy</p> <p>Annex 8: Council Pay & Reward Policy 2025/26</p> <p>Annex 9: Advice of Monitoring Officer on the Budget Setting Process</p> <p>Annex 10: Budget 2025/26 Consultation Report</p> <p>Annex 11: Fees & Charges Brochure 2025/26</p> <p>Annex 12: PDS Panel Budget Scrutiny Feedback</p> <p>Annex 13: Formal Council Tax Setting Resolutions (incorporating precepts from Parishes, Fire, and Police) – TO FOLLOW</p>		

1. THE ISSUE

This report presents the revenue and capital budgets together with proposals for increases in Council Tax and the Adult Social Care Precept for 2025/26.

2. RECOMMENDATIONS

2.1 The Council approves-

- The General Fund net revenue budget for 2025/26 of **£151.71m** and the individual service cash limits for 2025/26 as outlined in Annex 1.
- The savings and income plans outlined in Annex 2(i), funding requirements 2(ii), in conjunction with the Equalities Impact Assessment Report in Annex 3.
- An increase in Council Tax of 2.99% in 2025/26 (an increase of £51.92 per Band D property or £1 per week).
- An increase of 2% to Council Tax for the Adult Social Care Precept in recognition of the current demands and financial pressures on this service. This is equivalent to an increase of £34.72 on a Band D property (67p per week).
- The movement in reserves outlined in section 5.6 and the adequacy of Un-earmarked Reserves at £12.58m within a risk assessed range requirement of £11.8m - £13.0m.
- To note the Children's Services management plan update set out in section 5.2.6 of the report.
- The Efficiency Strategy attached at Annex 4.
- The Capital Programme for 2025/26 of £76.41m including new and emerging capital bids outlined in Annex 5(i), planned sources of funding in 5.8.3, and notes the programme for 2026/27 to 2029/30 and that any wholly funded projects coming forward during the year will be added to the Capital Programme in line with the Budget Management Scheme.
- The delegation of implementation, subject to consultation where appropriate, of the capital programmes set out in Annex 5(i) to Annex 5(iv) to the relevant Director in consultation with the appropriate Cabinet Portfolio Holder.
- The Community Infrastructure Levy (CIL) allocations and amendments outlined in Annex 5(v).
- The Capital & Investment Strategy attached at Annex 6.
- The MRP Policy attached at Annex 7.
- The Capital Prudential Indicators outlined in 5.8.7.
- The Annual Pay Policy Statement at Annex 8.
- The Community Contribution Fund extension outlined section 5.5.
- The Council Tax Support Scheme for 2025/26 shown in the following link: <https://www.bathnes.gov.uk/sites/default/files/2025-01/Bath%20%26%20NE%20Somerset%20S13A%20202526%20FINAL%20.pdf> and referred to in 5.3.5
- The Fees and Charges schedule for 2025/26 at Annex 11 and support its publication following approval of the budget, with delegation to amend individual

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

- 2.2 That the Council approves the technical resolutions that are derived from the budget report, and all the figures in that report, including the precepts for towns, parishes and other precepting bodies as set out in Annex 13.
- 2.3 That the Cabinet note the S151 Officer's report on the robustness of the proposed budget and the adequacy of the Council's reserves outlined in 5.7.
- 2.4 That the Cabinet note the budget consultation responses in Annex 10, and the PDS Panel feedback in Annex 12.

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

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

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSALS

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

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

5. THE REPORT

5.1 The 2025/26 Budget Summary

The Medium-Term Financial Strategy (MTFS) was approved in September 2024 and outlined how the budget would be delivered over the medium to long-term. This considers the current economic outlook of constrained national public finances due to continued low economic growth together with Council services being impacted by sustained inflation and National Insurance increases impacting the Council's running costs as well as the supply chain for external provision. In addition, the Council continues to see demand and activity rise for essential Social Care services, which is compounded by high market costs and a reliance on out of area provision.

The Council needs to deliver a balanced budget over the term of the plan. A balanced budget means that Council one-off cash balances (reserves) are not being used to fund recurrent expenditure. The updated plan shows a balanced budget for 2025/26 with a future years budget gap from 2026/27, although this is expected to reduce to a balanced position once the impacts of income growth and further efficiencies are factored in to budget planning. The figures include all estimates for future pay awards, pension costs, Council Tax, business rates, Government grant, and inflation. In recognition of the significant budget risks from changes in cost as a result of the government National Insurance changes, demand on statutory services rising above modelled levels, alongside savings delivery risk, the following contingencies and provisions have been included in the budget:

- Corporate Contingency of £3m for savings delivery risk and slippage
- Contract Inflation Provision of £2.6m for the impacts of Employer National Insurance on supplies and services and contract spend across services.
- High Risk Service Demand & Cost Increase Provision of £4.2m

The budget has been developed considering how to operate with a higher cost base and lower income levels whilst delivering the Corporate Strategy to meet our key principles and commitments. After taking account of ongoing service cost pressures and new funding requirements, the starting point for the 2025/26 budget is a funding gap of £14.01m. The proposed budget meets this funding gap in two ways:

- 1) Income generation plans of £6.70m.
- 2) Cost reduction plans of £7.31m.

The ongoing impact of sustained inflation and high demand for Social Care has created an imbalance in how the Council funds its services. Income from Council tax and Business rates alone do not fully fund the Council's services. To balance the budget the Council needs to reduce its running costs and grow its commercial and fees and charges income. The Council revenue support grant has reduced from £31m in 2013/14 to £1.3m per annum in 2025/26 and as a result we have become more reliant on external income to help fund core Council services.

After considering demands on services and inflationary pressure the Council revenue budget requires £27.62m in budget growth. This is funded through increases in Council tax, Business rates, income and savings plans and grant adjustments. This is highlighted in more detail in section 5.2.5 of the report and supporting annexes.

The budget includes a recommendation that general Council Tax is increased by 2.99% in 2025/26 (an increase of £51.92 per Band D property) and the Adult Social Care Precept is increased by 2% (an increase of £34.72 per Band D property). This results in a total proposed Band D Council Tax for Bath and North East Somerset Council next year of £1,823.06 (£1,736.42 in 2024/25) an overall increase of 4.99% or £86.64 per Band D (£1.67 per week).

The proposed net revenue budget for Bath and North East Somerset for 2025/26 is £151.71m.

5.1.1 Corporate Strategy and the Councils' Priorities

Bath & North East Somerset Council has one overriding purpose – to improve people's lives. Our [Corporate Strategy](#) provides a clear and ambitious framework for delivery. It sets out our two core policies of tackling the climate and ecological emergency and giving people a bigger say as well as our three principles for how we will deliver- preparing for the future, delivering for local residents and focusing on prevention. It also sets out how shared outcomes will be delivered through key partnerships that the council works with such as our Future Ambition Board and Health and Wellbeing Board.

Our four values - bold, empowered, supportive and transparent - continue to underpin all of our work.

In the report to cabinet in September 2024 on the [Medium-Term Financial Strategy](#) (MTFS), it was highlighted that work was underway to identify key scenarios, particularly in the light of central government fiscal policy and approach to local government funding. This work has been reflected in the budget papers and process. The MTFS report also identified that the council is introducing [a new operating model](#) which delivers the council's purpose through innovation in our ways of working. A report to cabinet in November 2024 approved the council's operating model and directorate functions for use in service planning and redesign work, within the context of the Being Our Best programme with its workstreams of 'Great Jobs', 'Smarter Structures' and 'Culture of Excellence'.

Given this, the budget proposal set out in this report aims to establish a longer-term approach to budget planning, built around the council's priorities, operating model and partnerships and investing in prevention to address budget pressures and reduce costs. This includes

- Focusing on securing financial sustainability in children's services, recognising the increased demand and complexity of caseloads.
- Ensuring the full benefits to service users of adult social care redesign following bringing of services in-house from April 2024
- Making sure that the council's property holdings best serve the needs of service delivery
- New ways to interact and receive council information and services, using improved digital channels and AI.

The council will also continue to work closely with the West of England Mayoral Combined Authority to maximise the benefits to our area and communities from our membership. We will also work closely with the MCA and with the Future Ambition Board to deliver our ambitious [Economic Strategy](#) for Bath and North East Somerset, prioritising green growth, good jobs and affordable housing, and work with our health partners through the Health and Wellbeing Board to deliver our [Joint Health and Wellbeing Strategy](#).

5.2 The Revenue Budget 2025/26

5.2.1 2024/25 Current Budget Position

The Council is currently forecasting an over budget position at Quarter 3 of £0.97m at the 2024/25 year end. Cost pressures have arisen due to the continued impact of demand for Council services, most significantly in Children's Services (£5.5m) where demand led placement package costs and Home to School Transport costs continue to escalate.

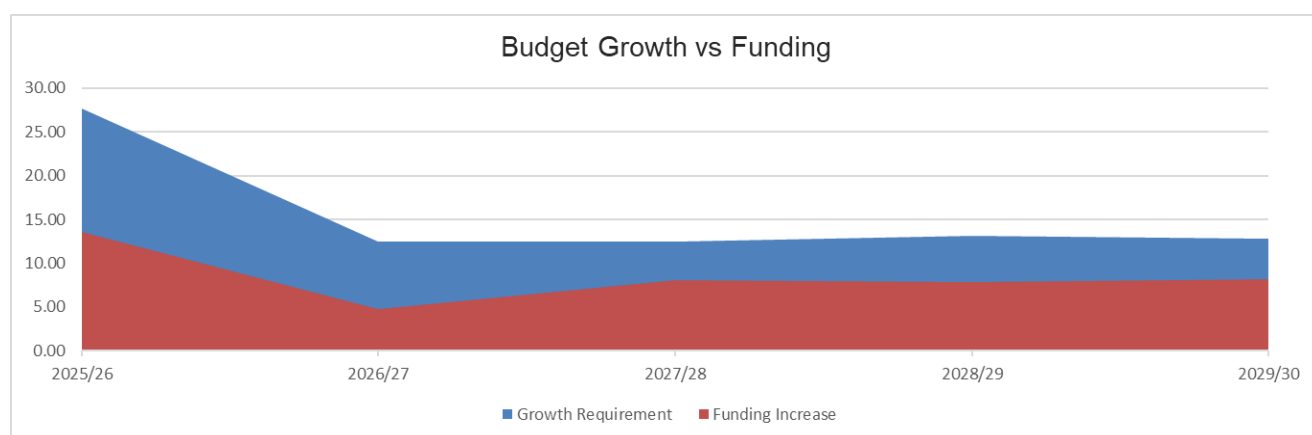
In mitigation, increased interest receivable on cash balances, lower capital financing costs due to capital programme re-profiling, and a strong performance in Parking are all positive. These, taken together with the delivery of the £4.12m of mitigation plans put in place at Quarter 2 (including the release of £2m of corporately held contingencies for budget risk) have mostly mitigated the aforementioned pressures. Financial recovery and cost containment actions continue to be pursued in order to further contain the over budget position.

Recurrent service pressures that cannot be mitigated have been incorporated into the proposed funding requirement for 2025/26.

5.2.2 The Budget and Medium-Term Financial Outlook

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

Budget Planning	Future years assumptions £m					Total
	2025/26	2026/27	2027/28	2028/29	2029/30	
Growth Requirement	27.62	12.53	12.52	13.19	12.81	78.66
Funding Increase	13.61	4.80	8.13	7.88	8.13	42.55
Annual Funding gap	14.01	7.73	4.39	5.31	4.67	36.11
Savings Proposals	14.01	2.34	0.85	0.10	0.10	17.41
Remaining Funding Gap	0.00	5.39	3.54	5.21	4.57	18.71



This illustrates a balanced budget for 2025/26 with a forecast budget gap of £18.71m from 2026/27 to 2029/30.

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	151.71	156.50	164.63	172.51
Budget Adjustments	6.24	(0.29)	0.00	0.00	0.00
Pay & Pension	8.40	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 Grant	(0.59)	0.00	0.00	0.00	0.00
Capital Financing	2.16	1.81	1.97	2.02	1.21
Settlement grant funding	(5.63)	0.70	0.00	0.00	0.00
Budget pressure / rebasing	6.11	0.55	0.76	1.14	1.40
Funding Requirement Sub Total	27.62	12.53	12.52	13.19	12.81
Draft Budget Before Savings	163.48	164.23	169.02	177.82	185.32
Proposed Savings Plans	(14.01)	(2.34)	(0.85)	(0.10)	(0.10)
Estimated Savings Required	(0.00)	(5.39)	(3.54)	(5.21)	(4.57)
Savings Requirement Sub Total	(14.01)	(7.73)	(4.39)	(5.31)	(4.67)
Budget Requirement	149.46	156.50	164.63	172.51	180.64
Business Rate Relief Adjustment*	2.24	0.00	0.00	0.00	0.00
Revised Budget Requirement	151.71	156.50	164.63	172.51	180.64
Funding of Budget Requirement					
Council Tax	130.05	135.90	142.73	149.91	157.34
Business rates retention*	29.17	21.21	21.90	22.60	23.31
Reserve transfers From	0.00	0.00	0.00	0.00	0.00
Reserve transfers (To)	(7.51)	(0.60)	0.00	0.00	0.00
Funding of Budget Requirement Total	151.71	156.50	164.63	172.51	180.64

* Budget adjustment realigns s31 grant income for 2025/26 from government funded business rate relief compensation.

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 4.50% for treasury management cash investments.
- **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 Quarter 2 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.

5.2.3 The Government Settlement

The Final Settlement was received on the 3rd February 2025 and this report reflects the final figures.

The settlement together with the finalisation of the Council Tax Base gave the council an additional £1.1m of funding for 2025/26 over the amount originally anticipated, of which £0.7m is one-off. The £1.1m has been allocated to specific investment items included in Annex 2ii.

- **Revenue Support Grant (RSG)**

As a result of the continued delay in the Fairer Funding and Business Rate Retention Review which is now planned for 2026/27, the Council will continue to receive the Revenue Support Grant (RSG) in 2025/26 of £1.256m (2024/25 £0.831m). The increase of £0.425m reflects the transfer into RSG of £0.411m in respect of the specific grants listed below, based on 2024/25 grant amounts, and an inflationary uplift of £0.014m on the core RSG:

- Extended Rights for Home to School Transport Grant - £0.379m
- Electoral Integrity Grant - £0.017m
- Transparency Code Grant - £0.013m
- Tenant Satisfaction Measures Grant - £0.002m

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

- **Services Grant**

The Services Grant has been removed from 2025/26 with the funding repurposed into the Recovery Grant (see below). This represents a loss of £0.165m of grant in 2025/26 from this change.

- **Recovery Grant**

The government has introduced a new, one-off Recovery Grant, worth £600m which is targeted at places the government assesses as having greater need and demand for services (using deprivation as a proxy for this) and less ability to raise income locally from Council Tax. Based on this allocation methodology the Council doesn't receive any funding through this grant.

- **New Homes Bonus**

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

The Settlement has outlined that the New Homes Bonus will continue in its current format for a final year in 2025/26. This results in a 2025/26 New Homes Bonus grant payment of £0.913m for new housing growth over the past year, an increase of £0.586m from 2024/25. The settlement confirmed that the grant would only be paid for one year and that the national housing growth baseline adjustment would remain at 0.4% for 2025/26.

- **Social Care Grant**

The settlement has confirmed an increase of £2.205m in the Social Care grant funding taking the total grant for 2025/26 to £15.455m. The grant increase has been allocated to fund Adults and Children's Social Care demand and inflation pressures. This funding is assumed as recurrent in the base budget.

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

The settlement included grant funding for 2025/26 of £3.193m through the Market Sustainability & Improvement Fund Grant. This is the same level of grant as received in 2024/25. This funding is assumed as recurrent in the base budget.

- **Adult Social Care Discharge Fund Grant**

The settlement announced the transfer of this funding fixed at the 2024/25 level of £1.146m into the newly named "Local Authority Better Care Fund".

- **Better Care Fund**

The Better Care Fund is intended to incentivise the integration of health and social care, requiring Integrated Care Boards (ICBs) and Local Authorities to pool budgets and agree an integrated spending plan. Greater integration is seen as a potential way to use resources more efficiently by enabling people to stay well, safe and independent at home for longer and to provide the right care in the right place at the right time.

The Council & B&NES ICB Better Care fund for 2025/26 is anticipated to be £27m with the Council contribution of £9m and ICB contribution of £18m. The ICB contribution is expected to rise in line with planned NHS uplifts once confirmed. For 2024/25 this increase was 5.66%.

The Council budget assumes that the funding transfer of £15.7m NHS mandated minimum contribution will remain consistent with prior years; with £11.3m of this funding transferred in 2024/25 for Council commissioned schemes under the S75 pooled budget arrangements.

The December 2024 settlement has confirmed that the existing Better Care Fund social care grant will be renamed the Local Authority Better Care Grant and will be maintained at the same value as 2024/25 at £4.903m, with the funding from the Adult Social Care Discharge Fund rolled into the grant for 2025/26 at the same level as received in 2024/25 (£1.146m). For B&NES the total funding from these two grants is £6.049m.

- **Children’s Social Care Prevention Grant**

The final settlement announced a new Children’s Social Care Prevention grant with total funding of £270m. The grant is to fund the national rollout of “Family Help” a whole family preventative service. Conditions placed on the grant were published in the final settlement. The Council’s share of the grant for 2025/26 is £0.401m and it is assumed that this will be ring-fenced to cover the costs of implementing the Family Help service.

- **Children’s & Families Grant**

The government has announced proposals to consolidate 6 children’s social care programmes into a new Children’s & Families Grant. The programmes are as follows:

- Supporting Families
- Supported Accommodation Reforms - New Burdens to LAs
- Staying Put
- Virtual School Heads Extension for previously looked after children
- Leaving Care Allowance uplift
- Personal Advisors

Funding for each component will maintain 2024/25 funding levels and the Council’s total of the consolidated funding is £0.982m. Conditions placed on the Children’s & Families Grant will be published as part of the final settlement.

- **Public Health Grant**

The 2025/26 Public Health Grant allocations were announced on the 7th February. The Council’s grant for 2025/26 is £10.901m, an increase of £0.627m over the 2024/25 grant. The grant is ring-fenced to public health activity.

- **Extended Producer Responsibility for Packaging Funding**

2025/26 will be the first year of the Extended Producer Responsibility for Packaging (pEPR) scheme. The extra funding announced at the Autumn Budget includes a guarantee that local authorities in England will receive at least £1.1 billion in total in 2025/26 from the new Extended Producer Responsibility for packaging (pEPR) scheme, with each local authority guaranteed at least the level of income indicated in provisional local payment figures for the first year. The payment for the Council in 2025/26 is £2.7m, which has been incorporated into the budget reflecting the cost pressures and investment made into waste services in this and previous years budgets. Future years funding will be based on data submitted by the Council to the

scheme administrators, and this will be reviewed as part of the 2026/27 budget process.

- **Employers National Insurance Increase**

The government has announced that £515 million of new funding will be provided to support councils and mayoral combined authorities with the costs associated with the increase in employer National Insurance Contributions (NICs). Individual allocations are based on 2023/24 Revenue Outturn data and were published at the final settlement. Our original assumption was that the cost pressure from this change would be fully funded by government. The final grant allocation creates a £1.3m shortfall in funding of the Council's direct staffing cost increase of £2.6m from the Employers National Insurance increases in 2025/26. The underfunding also appears to have impacted other neighbouring authorities.

- **Business Rates**

It has been confirmed that the 100% Business Rate Retention Pilot will continue into 2025/26. The estimated benefit is approximately £3.2m. The MTFs currently reflects the risk that this benefit could be removed as part of the 2026/27 financial settlement, with the Council reverting to the national funding scheme following the Local Government Financing and Fairer Funding review by the government.

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

As part of the Autumn Budget Statement, the Chancellor announced that for 2025/26:

- the small business multiplier (for properties with a Rateable Value below £51k) will be frozen at 49.9p
- the standard multiplier (for properties with a Rateable Value of £51k and above) will be uprated in April by September's CPI figure (1.7%), increasing the multiplier from 54.6p to 55.5p
- the Retail, Hospitality and Leisure (RHL) scheme will be extended for a sixth year into 2025/26, but with a reduction in the level of relief from 75% to 40% whilst maintaining the cap on the relief at £110,000 per business

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

2024/25 Business Rate Collection Fund Surplus

The forecast for the Business Rate element of the collection fund in 2024/25 is for a surplus of £6.661m. The Council's share of the estimated surplus, after allowing for

amounts due to the Avon Fire Authority and the West of England Combined Authority, is £6.261m. This includes £5.34m from the final 2023/24 business rates collection fund outturn position which, in line with the MTFS proposal, will be transferred to earmarked reserves to provide £3m cover for the one-off costs of implementing the “Being Our Best Programme” with a revised pay offer and new structures and £2.34m allocated to the transformation reserve for costs associated with service redesign and systems improvement projects that deliver service efficiencies and savings.

- **Schools Funding**

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

As schools convert to academies the DfE take back the element of DSG payable to the local authority in order to make payments direct to the academies. It is estimated that 94% of B&NES schools will have converted to academies by April 2025 and at least one other plans to convert in the coming years. This would leave only four primary schools maintained by the Local Authority.

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

The DfE invited B&NES to participate in the national DSG Safety Valve programme where the DfE require the LA to produce a recovery plan and if agreed the DfE will support the eradication of the on going cumulative deficit. An agreement was signed with the DfE in February 2023 but due to difficulties with the overall position of the plan a new plan was submitted in May 2024. Officers have been working on the revision and are having ongoing discussions with the DfE about the details of that plan. It is anticipated that the DfE will respond to the resubmission in early 2025.

The deficit recovery plan shows our proposals to review our processes to encourage schools to develop early support for pupils with SEND thus limiting the need for Education, Health and Care Plans (EHCPs). We are also creating more localised provision to limit expenditure on expensive non maintained special school places. The Education Capital Programme has been utilised to direct resources to provide additional SEND places in mainstream schools and extend special school provision.

We have also successfully bid for a new Special School, to be built under the free school programme. We have also bid for a new Alternative Provision school under

the same programme which has also been successful. However, we are still waiting for the DFE to confirm when construction will commence.

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

The underlying overspend on the DSG including the High Needs Block (having taken account of the additional payments) was £22.3m in 2023/24 and that balance was carried forward to 2024/25. The estimated forecast in 2024/25 (including the carry forward from 2023/24) is £33.9m.

The DFE have published information on additional resources for SEND. In the 2025/26 financial year an additional £1bn has been allocated nationally. B&NES has been allocated £2.557m additional allocation equating to a 6.79% increase. However, there are significant pressures on the SEND services, in particular the numbers of EHCP's have increased by over 10% in the past year. The increase in funding has been built into the High Needs Budget planning and has been included in the resubmitted safety valve plan.

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

5.2.4 Savings and Income Generation

To deliver a balanced budget in 2025/26 savings and income generation plans total £14.01m. The Council has a good track record of delivering proposed savings. In relation to the 2024/25 approved savings of £16.42m, 77% (£12.66m) are forecast to be delivered in full. 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 being delayed until 2025/26 or addressed through the budget setting proposals.

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

5.2.5 Budget Funding Requirements

Budget growth and additional pressures across portfolios of £27.62m have been added to ensure that the budget remains robust and to add additional budget funding to areas that require rebasing. This does not mean that savings cannot be found from these areas in future once savings opportunities are identified, but this ensures that spend and budget are aligned especially in high demand areas. Growth and pressures are outlined in Annex 2.

The material items requiring additional funding are listed below, this illustrates some of the economic and financial challenges the Council is facing.

- Adult Services budget growth £6.5m
- Children's Services budget growth £9.2m
- Neighbourhood Services budget growth £3.2m

5.2.6 Children's Services Management Plan

Children's services underwent several external audits in 2024/25 by various regulatory bodies. The quality-of-service provision remains high, with inspectors highlighting elements of outstanding practice. However, pressures on children's social care continue to pose challenges. The service has a strong track record of delivering savings, with senior managers and practitioners balancing the best interests of the child with the need to reduce costs. Over the past 12 months, costs have been driven by:

- An increase in the number of looked-after children
- Complexity of needs
- Unfavourable external market conditions in residential care and more children (than budgeted) in residential care
- Support costs for children and families with disabled children
- Home-to-school transport costs, with high levels of children transported out of the area for special education needs and high use of taxis compared to other local authorities, both due to a sufficiency of local provision
- The use of agency staff to fulfil safeguarding duties, with costs being higher than budgeted vacant posts

The council has focused on the following areas to reduce costs and deliver the best outcomes for children, young people, and their family networks. This work will continue into 2025/26 and includes:

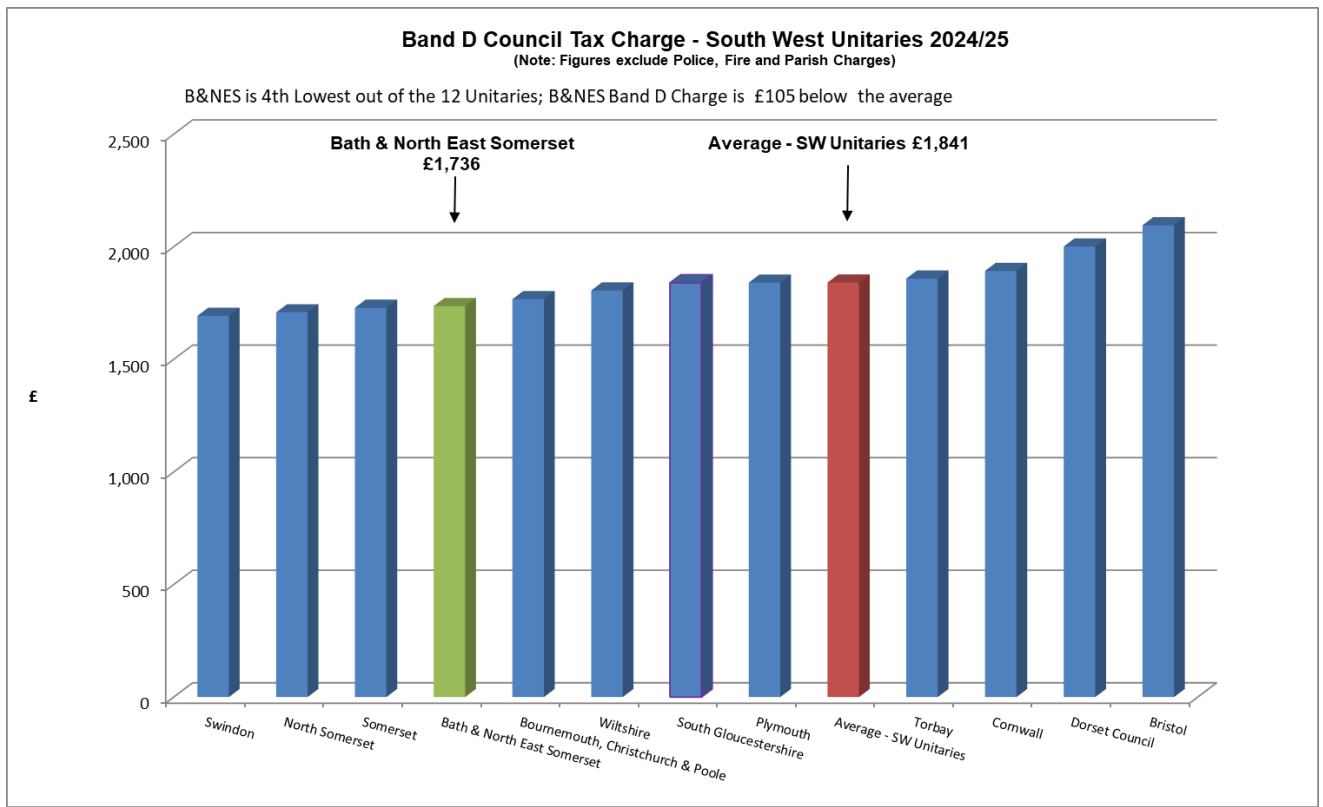
- Support for children and young people (CYP) and families on the edge of care/early help
- Reunification of CYP with family and the use of kinship arrangements
- Regular practice reviews of high-cost placements, ensuring health costs are funded
- Provision of local residential accommodation and education arrangements
- Establishment of a new transitions team across adult social care, children's social care, and SEND, to support young people as they move from children's to adult services
- Establishment of a new SEND early help service
- A review of disabled children's services and costs
- Implementation of a home-to-school action plan, including bringing some transport provision back in-house
- An external review of Home to School Transport, commissioned in 2024/25, with findings due to be reported in January/February 2025

5.3 Council Tax

5.3.1 Band D Equivalent Council Tax

The government has announced the same referendum cap of 3% will be in place for 2025/26. The proposal therefore within this report is to increase general Council Tax by 2.99% in 2025/26. This will increase a Band D by £51.92 for 2025/26 to £1,536.06. The overall proposed Band D Council Tax for Bath and North East Somerset Council next year, including the Adult Social Care Precept increase of 2.00%, is £1,823.06 (£1,736.42 in 2024/25) an increase of 4.99% and £86.64 per Band D (£1.67 per week). The tax base for 2025/26 is 70,973.86, an increase of 1,717.98 (+2.48%) from 2024/25 and factors in the additional income from the increased premium charged on second homes as agreed by Council in November 2023.

The diagram below shows that B&NES had the fourth lowest Council Tax of the South West Unitary Authorities in 2024/25:



As billing authority, B&NES calculates a basic level of tax based on its own spending plans, to which is added the precepts from, Adult Social Care, Avon Fire Authority, Avon and Somerset Police Authority, and any town/parish Council. The actual total of Council Tax for Bath and North East Somerset residents will be calculated once all precepting authorities have notified B&NES of their proposals to be approved at Full Council on 25th February 2025.

5.3.2 **Adult Social Care Precept**

The Government, in recognising the continued pressures facing Adult Social Care (ASC) authorities, has allowed for a further 2% increase for 2025/26. The Council's plans include this for 2025/26 (this would increase the Adult Social Care Precept to £20.37m an increase of £2.90m from 2024/25) and future years.

The funding requirement for Adult Social Care before savings and grant funding is £6.5m (Annex 2ii) which will be part funded from the Adult Social Care Precept increase.

5.3.3 **2024/25 Council Tax Collection Fund Surplus**

The forecast for the Council Tax element of the collection fund in 2024/25 is for a surplus of £0.800m. The Council's share of the estimated deficit, after allowing for amounts due to Avon Fire Authority and Avon & Somerset Police, is £0.664m. The Council's share of the surplus consists of the Collection Fund position carried forward from 2023/24 of £0.372m and the forecast in year surplus of £0.292m.

5.3.4 **Estimates for Future Years Band D Council Tax**

The current Medium Term Financial Plan has factored in an annual increase of 1.99% for 2026/27 and future years for general Council Tax together with 2% Adult Social Care precept increases. Projections will be adjusted accordingly in line with any future referendum limits set by the new Government after the next spending review.

5.3.5 **Council Tax Support**

The base Council Tax Support Scheme was approved in November 2019 and has been updated to reflect annual changes to statutory legislation and benefit rates from April 2025.

The Government have announced that from April 2025, most working age Welfare Benefits rates, including Universal Credit, will be increased by 1.7%. We are proposing to set the lowest income band in line with the standard allowance for Universal Credit for 2025 and for subsequent years. This will allow the poorest households to keep more of their benefit income and receive more support towards their council tax.

The 2025/26 Scheme is available at the following link:

<https://www.bathnes.gov.uk/sites/default/files/2025-01/Bath%20%26%20NE%20Somerset%20S13A%20202526%20FINAL%20.pdf>

The proposed new income band values would take effect from April 2025.

5.4 West of England Mayoral Combined Authority (WECA)

The West of England Mayoral Combined Authority (MCA) was formed in 2017. Since its formation, the Mayoral Combined Authority has secured over £1.8bn in new funding, laying strong foundations for transformative projects that positively impact the lives of people throughout the West of England.

The MCA plays a vital role in regional infrastructure, focusing on strategic planning and effective investment to deliver the Mayor's priorities. It collaborates with unitary authorities, local partners, businesses, communities, and investors to bring this vision to life.

The MCA is a partnership organisation that collaborates with unitary authorities to strategically plan and deliver initiatives that benefit the region.

The West of England Strategic Framework sets out our plan to deliver a brighter future for local people and communities: "By 2040, the West of England will have a world-renowned green economy that is creating new jobs for residents; the region will be more equal – with all residents having access to good homes, opportunities, and services; and the region will be more prosperous with a healthier and happier population who are driving the region's success."

To deliver this vision, our priorities for delivery are:

- Creating a better-connected region, working towards a world-class transport system.
- Delivering net zero and nature recovery.
- Creating the jobs and training our region needs now and in the future.
- Supporting sustainable communities that people are proud to call home.
- Putting the West of England on the map for national and global success.

Operating the MCA incurs no additional costs to our constituent councils, as it is fully funded through government grants and a portion of regional business rates retention growth, which would not exist without the Mayoral Combined Authority.

The Combined Authority's budget will be set on 31 January 2025 by the West of England Combined Authority Committee. The assumptions outlined below are based on current budget proposals and are subject to the meeting's outcome. The following elements of the West of England Combined Authority Budget and medium-term financial plan have therefore been incorporated within the Council Budget proposal:

An annual revenue transport levy to reflect the cost of the core regional Integrated Transport services of:

- Concessionary Travel
- Real Time Information for bus services
- Community Transport
- Bus Service Information
- Supported Bus Services (whilst remaining a joint function with the constituent councils)
- TravelWest and
- Metrobus operations

The levy charge for 2025/26 is £5.309m. Unitary Authority levies are pooled by the Mayoral Combined Authority's Transport Integration Team and managed on a regional basis. The increasing costs and demand for transport services will need to be carefully managed if current levels of service provision are to remain affordable and viable within the funding available in 2025/26 and beyond.

Within the City Region Sustainable Transport Programme, the Mayoral Combined Authority will allocate £25m per annum of capital funding to the Unitary Authorities to provide Highways Maintenance and Transport Improvement Grants. The Council's share is £8.881m per annum. This includes the recently announced Pot Holes funding of £1.884m.

The published West of England Mayoral Combined Authority Revenue & Capital Budget will continue to support several projects and initiatives for our Unitary Authority including the following schemes with approved funding for 2025/26:

- CRSTS – Bath Sustainable Walking & Cycling Links - £2.6m
- CRSTS – Bath City Centre - £3.3m
- Bath Quays Bridge Cycle / Pedestrian Links - £1.5m
- Maintenance Challenge Fund – Manvers Street Remediation - £1.9m
- B&NES Liveable Neighbourhoods - £2.7m
- Midsomer Norton & Westfield Walking, Wheeling and Cycling Links - £1.4m
- Somer Valley Links - £5.6m

Further bids for infrastructure funding may be made in line with the Mayoral Combined Authority's Strategy and Local Growth Assurance Framework and may come forward for inclusion in the capital programme in line with future delivery arrangements.

In addition to specific projects, the West of England Mayoral Combined Authority will continue advancing key long-term strategic initiatives, including regional transport development, strategic rail investments, and spatial planning to support sustainable, clean growth.

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

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

5.5 Community Contribution fund

Community Contribution Fund

The Community Contribution Fund was launched in March 2021, initially as a pilot to offer residents the chance to contribute to good causes that help local charity, community and voluntary groups to reduce health inequalities. The total amount donated reached £44,202.12 as of 9 December 2024. There have been around 500

individual donations received. Most people donate between £10 and £50, with the largest donation to date being £2,000.

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

Grants awarded

So far, £41,235 has been allocated to local causes.

In 2021-22, grants of up to £2,000 were awarded to 15 community organisations. Projects included those that supported people's mental health; provided emergency medical supplies; invested in refurbishment of community facilities; mentoring; support for families; training; group therapy and youth provision. A total of £25,235 was awarded.

In 2022-23, a further 24 grants were awarded to community-run Warm Spaces that were registered with the Council. Organisations were awarded £250 to support these activities. A total of £6,000 was awarded.

In 2023-24, a further 20 grants of £500 were awarded in support of low cost/free food projects, including those at registered Warm Spaces. A total of £10,000.

Full details of recipients is available on the [Council's website](#).

It is intended to open the fund to grants again when we have reached a total of £5,000.

Subject to further donations received, it is recommended that the scheme continues into 2025/26.

5.6 Revenue Balances, Contingency & Reserves

Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An estimate of the key reserves has been made for 2025/26 and future years.

	Estimated Balance 1/4/25 £'m	Estimated Balance 31/3/26 £'m	Estimated Balance 31/3/27 £'m	Estimated Balance 31/3/28 £'m
Revenue Budget Contingency	3.1	3.1	3.7	3.7
Financial Planning and Smoothing Reserve	5.5	4.2	4.0	4.0

Transformation Investment Reserve	3.9	2.9	1.9	1.9
Job Evaluation & Pay Structure Reserve	3.0	2.0	1.0	0
Restructuring & Severance Reserve	4.3	1.8	1.8	1.8

5.6.1 Revenue Budget Contingency £3.1m

The primary purpose of this reserve is to fund in year unforeseen events, overspends, and to meet the risks of non-delivery of budget savings. Budget monitoring for the period April to December 2024 forecast a £0.97m over budget position, further recovery actions during the remaining period are expected to mitigate this pressure. If the year-end position results in an over-budget position the revenue budget contingency will be utilised. The Budget proposal includes transfers to replenish the reserve balance by 2026/27 following its use in previous years to mitigate the Covid impact on the Council's income levels.

5.6.2 Financial Planning and Smoothing Reserve £5.5m

The Financial Planning Reserve will be used to smooth the delivery of organisational change.

5.6.3 Transformation Investment Reserve £3.9m

The reserve facilitates delivery of future service efficiencies and savings through service redesign including the one-off costs of providing additional short-term capacity, specialist advice and systems improvements. The reserve is planned to be increased by £3.5m in 2025/26 to enable the development and delivery of future year savings plans.

5.6.4 Job Evaluation & Pay Structure Reserve £3.0m

The 2025/26 budget includes a transfer of £3.0m to create the reserve to cover the one-off costs of implementing the "Being Our Best Programme" with a revised pay offer and new structures.

5.6.5 Restructuring and Severance Reserve £4.3m

An allowance is made in 2025/26 for a one-off allocation of £2.5m following the implementation of the Being our Best Programme, this will result in changes to structures across the Council contributing to the recurrent savings requirement in 2025/26.

5.6.6 Reserves and Flexible Capital Receipts

Flexible Capital Receipts can be used for revenue spend which results in ongoing revenue savings. Estimated usage for 2024/25 is expected to be up to £1.15m with the remaining £0.62m carried forward for use in 2025/26 as outlined in the Efficiency Strategy attached at Annex 4. Currently £4.87m of unapplied capital receipts through estate assets, land holdings etc are held as at the end of December 2024 with a further £3.8m forecast in 2025/26 to meet requirements for flexible capital receipts and to finance the capital programme in those years.

	Actual Usage 2017/18 – 2023/24 £'m	Estimated Usage 2024/25 £'m	Available Balance 2025/26 £'m	Est. Total Usage £'m
Flexible Capital Receipts	9.73	1.15	0.62	11.50

5.6.1 General Fund Un-Earmarked Reserve

The General Fund Un-earmarked reserve is retained to meet the Council's key financial risks. Budget Monitoring for the period April to September 2024 estimated that Un-earmarked reserves would total £12.58m by 31st March 2025.

The budget risk assessment has set a range of between £11.8m and £13.0m to meet those risks. The available balance is £12.58m which is within the budget risk assessment range.

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

5.7 Local Government Act 2003: Section 25 **Robustness of and Risks within the Proposed Budget for 2025/26** **Statutory Section 151 Officer (CFO) Report and Advice on the** **Robustness of the Budget and Adequacy of Reserves and Balances**

5.7.1 Introduction

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

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

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

The Section 151 Officer for the Council is Christopher Kinsella (in the post of

Executive Director – Resources S151).

In expressing his opinion, the Section 151 Officer has considered the financial management arrangements that are in place, budget assumptions, levels of reserves and the financial risks facing the Council within this budget. Also, it identifies the Council's approach to budget risk management and assesses the particular risks associated with the 2025/26 budget to inform the advice.

5.7.2 Robustness of Estimates

The Council's September 2024 Medium Term Financial Strategy considered the national economic outlook that has informed the 2025/26 budget assumptions that are in section 5.2.2. of the report.

Cost and income estimates have been informed by the 2024/25 Budget Monitoring and taken into account current activity levels alongside future years projections to ensure the budget proposals are aligned to operating costs.

Budget sensitivity analysis in the Medium Term Financial Strategy was modelled taking into account best and worst case scenario's using budget growth estimates covering the government settlement, rebasing of in-year budget pressures and savings delivery totalling with worst case estimate a budget gap at that time of c£16.9m.

The budget savings requirement for 2025/26 is £14.01m, these have been through an internal review process and budget challenge session led by the Cabinet Member for Resources to ensure the robustness of the proposals that are set out in annex 2(i).

In recognition of the significant budget risks from changes in cost as a result of the government National Insurance changes, demand on statutory services rising above modelled levels, alongside savings delivery risk, the following contingencies and provisions have been included in the budget:

- Corporate Contingency of £3m for savings delivery risk and slippage
- Contract Inflation Provision of £2.6m for the impacts of Employer National Insurance on supplies and services and contract spend across services.
- High Risk Service Demand & Cost Increase Provision of £4.2m

CIPFA has published its 2023/24 Financial Resilience Indicators for each authority, these measure different aspects of financial indicators such as levels of reserves across each tier of local authority.

The majority of indicators show (in 2023/24) B&NES to be medium to low risk within the CIPFA family group of Unitary Authorities.

The Councils reserve sustainability which compares the level of usable reserves to net revenue expenditure remains in the lower risk band, demonstrating the Council's financial sustainability.

The resilience index has identified that the cost of delivering Social Care in comparison to net revenue budget has increased by a further 1% from 2022/23 to 78%. There have been continuing increases in the cost of Children's Social Care, this has been recognised in the 2025/26 budget proposal. This report sets out the commitment to deliver the Children's Services management plan that will help put appropriate measures in place to control the rising cost of care.

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

For 2025/26 the savings requirement is £14.01m after the inclusion of council tax increases. The assessment of the plans to close the gap do not require additional funds from the Financial Planning Reserve to smooth the delivery of savings in 2025/26 as the amounts proposed have been profiled to consider the delivery timeframe. To recognise risk the revenue budget has provided a £3m budget contingency to mitigate slippage on savings delivery as well as provision for contract inflation (£2.6m) and high risk service demand & cost increases (£4.2m).

5.7.4 Consequences of Failing to Deliver a Budget

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

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

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

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

In respect of the robustness of estimates, estimates have been prepared by Directors and their staff supported by appropriate finance staff reviewing pressures, priorities, savings, demographics, inflation and contractual obligations, and income generation. Each Director has completed a Robustness Statement outlining savings and service

delivery risk that have been incorporated into a corporate wide assessment. In recognition of budget risks, the revenue budget has provided a £3m budget contingency to mitigate slippage on savings delivery as well as provision for contract inflation (£2.6m) and high risk service demand & cost increases (£4.2m).

The budget has recognised the current and future years funding requirement with £27.62m allocated to portfolios in 2025/26 to ensure there should be sufficient funds to meet service demand and delivery costs as currently forecast. These have been reviewed on a regular basis by the Corporate Management Team and the Directors as part of the regular budget monitoring process in 2024/25.

The Council in 2024/25 is forecasting a deficit balance on the Dedicated Schools Grant of £33.9m at the year end due to Special Educational Needs and Disabilities placements (SEND). Whilst there is a Government statutory override in place this is not a liability on the Council's general fund budget, however it does need to be noted that if there is a change in the treatment of this deficit this would need to be incorporated into future years budget setting.

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

With regard to the adequacy of balances, the 2025/26 planned level of General Fund Un-earmarked reserve at £12.58m (is within the required range of £11.8m to £13.0m).

The conclusion of the CFO is that the estimates for 2025/26 are robust and the budget is lawful, levels of balances have improved and are adequate and reasonable in meeting the Council's risks.

5.8 Capital Strategy, Programme and Capital Receipts 2025/26 to 2029/30

5.8.1 Capital & Investment Strategy

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

5.8.3 Overall Capital Programme & Financing including New Capital Schemes

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

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

The Council follows this approach through:

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

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

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

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

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

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

A summary of the proposed capital programme and its financing for 2025/2026 – 2029/2030 is shown below

Capital Schemes for Approval

Cabinet Portfolio: Capital Schemes	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Budget 2029/2030 £'m	Total £'m
Resources	17.701	9.767	0	0	0	27.468
Economic & Cultural Sustainable Development	11.932	16.786	14.557	1.792	0.050	45.117

Leader	0	0	0	0	0	0
Climate Emergency & Sustainable Travel	5.395	0.032	0.008	0	0	5.435
Built Environment & Sustainable Development	5.314	1.500	0	0	0	6.814
Adult Services	2.270	1.909	1.789	1.839	1.789	9.597
Children's Services	12.631	1.351	0	0	0	13.982
Neighbourhood Services	4.054	0.050	0.050	0.050	0.050	4.254
Highways	17.116	2.901	0	0	0	20.017
Total	76.413	34.296	16.404	3.681	1.889	132.683

Capital Schemes for Provisional Approval (Subject to)

Cabinet Portfolio: Capital Schemes	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Budget 2029/2030 £'m	Total £'m
Resources	7.650	9.889	41.500	28.500	9.500	97.038
Economic & Cultural Development	14.589	11.776	6.677	26.802	8.835	68.679
Leader	0.214	0	0	0	0	0.214
Climate Emergency & Sustainable Travel	18.905	18.196	1.065	0.600	0.550	39.316
Built Environment & Sustainable Development	7.191	9.387	21.230	3.635	3.635	45.077
Adult Services	1.317	0.080	0.080	0.080	0.050	1.607
Children's Services	15.071	5.914	0	0	0	20.985
Neighbourhood Services	10.900	11.672	12.311	1.919	3.465	40.267
Highways	8.708	24.789	9.012	9.762	8.997	61.268
Total	84.545	91.703	91.875	71.298	35.032	374.453

Funded By

Financing	Budget 2025/2026 £'m	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Budget 2029/2030 £'m	Total £'m
Grant	73.309	42.809	14.500	8.836	8.786	148.241
Capital Receipts/RTB	2.745	8.400	0.635	0.635	0.202	12.617
Revenue	2.292	3.570	0.050	0.050	0.050	6.012
Borrowing	73.705	66.400	92.315	65.456	27.883	325.759
3rd Party (inc S106 & CIL)	8.907	4.820	0.778	0.003	0	14.508
Total	160.957	125.999	108.279	74.980	36.921	507.136

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

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

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

5.8.4 Efficiency Strategy

Central Government outlined in December 2015 that local authorities will be able under certain circumstances to utilise capital receipts for revenue expenditure for certain purposes. The flexibility, which covers the period to 2029/30, allows councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery.

The Efficiency Strategy remains a lever in funding the one-off costs to deliver savings plans. An updated Strategy is attached at Annex 4 to earmark the forecast remaining £0.62m of capital receipts held under this scheme to fund costs associated with proposed savings plans in 2025/26. The Strategy must be approved by Full Council.

5.8.5 Capital Risk Contingency

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

- Individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;
- The capital programme includes a funded corporate risk contingency of £3.8m;
- The corporate risk assessment on which the general reserves target is based includes an element in the context of the capital programme based on the risks of the current programme.

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

5.8.6 Minimum Revenue Provision (MRP) Policy

The Council is required to make revenue provision to repay capital spend that is financed by borrowing (either supported or unsupported). This is called the Minimum Revenue Provision (MRP). The Department of Communities & Local Government has issued regulations that require full Council to approve an MRP Policy in advance each year, or if revisions are proposed during the year they should be put to the Council at that time. The policy is attached at Annex 7 and is unchanged from the 2024/25 policy.

5.8.7 Prudential Indicators

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

Prudential Indicator	2023/24 Actual	2024/25 Forecast Outturn	2025/26	2026/27	2027/28
Estimate of Capital Expenditure (£'000s)					
Actual/estimates of capital expenditure	63,502	76,020	160,957	125,999	108,279
Net Increase in Council Tax (band D per annum) Figures in £'s (not £'000's)					
The implied estimate of incremental impact of the new capital investment decisions on the Council Tax			£3.22	£7.25	£5.53
Cumulative totals:			£3.22	£10.47	£16.00
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			15.06%	17.10%	18.59%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			4.87%	5.65%	6.35%
Borrowing Limits (£m)					
Operational boundary – borrowing			£414m	£466m	£544m
Operational boundary – other long-term liabilities			£9m	£9m	£9m
Operational boundary – total			£423m	£475m	£553m
Authorised limit – borrowing			£442m	£492m	£570m
Authorised limit – other long-term liabilities			£9m	£9m	£9m
Authorised limit – total			£451m	£501m	£579m
Capital Financing Requirement (£'000s) (as at 31 March)					
Actual/estimate of capital financing requirement	367,612	382,660	441,814	492,385	570,255

Gross Debt and the Capital Financing Requirement

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

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

Borrowing limits

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

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

5.8.8 Community Infrastructure Levy (CIL) Spend Proposals 2025/26

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

6. RISK MANAGEMENT

The key risks to the budget are currently assessed as:

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, particularly in Adult & Children's Social Care. A High Risk Service Demand & Cost Increase Provision of £4.2m has been included in the budget in 2025/26 to reflect this risk.
Contract inflationary pressure	Likely	High	With increase in wage, energy and fuel costs, and the Employers National Insurance increase, 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 contract inflation risk provision for

			potential 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 2025/26 this risk has been partly offset by the extension of the business rate relief scheme for Retail, Leisure and Hospitality businesses, although the level of relief has reduced.</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	New government policy and funding reforms that are planned for implementation from 2026/27 are likely to have an impact on resourcing of Council services and priorities. This will be assessed once more details are announced as the governments planned changes develop.
Viability risk on the Councils Commercial Estate assets held for income generation.	Possible	High	Current asset reviews have identified that due to the age and complexity of the Councils 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.
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.
Impact on Reserves	Possible	High	Without additional government grant funding in recognition of unfunded 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.

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

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

7 CLIMATE CHANGE

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

8 OTHER OPTIONS CONSIDERED

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

9 CONSULTATION

Details of the consultation carried out on the budget process for 2025/26, along with the feedback received and council responses are set out in Annex 10. The consultation comprised of:

- An online consultation on the council's draft budget proposals, which took place from December 12th 2024 until 20 January 20th 2025

In addition, scrutiny of the savings proposals, priorities, one-offs, pressures and capital bids took place at the 28th January 2025 Corporate Policy Development and Scrutiny Panel. The panel was joined by members of the Climate Emergency PDS and Children, Adults, Health and Wellbeing PDS panel to enable all members to scrutinise the budget. The panels feedback is included in Annex 12.

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Background papers	January Corporate PDS Panel September Cabinet - Medium Term Financial Strategy https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=122&MId=6419&Ver=4
Please contact the report author if you need to access this report in an alternative format	