

Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	10 <sup>th</sup> July 2025	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3625
TITLE:	Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2025 to June 2025	
WARD:	All	
AN OPEN PUBLIC ITEM		
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1</b> – Key Scheme Capital Monitoring Commentary</p> <p><b>Appendix 2 (i) &amp; 2 (ii)</b> – Capital Virements &amp; Capital Programme by Portfolio</p> <p><b>Appendix 3 (i) &amp; 3 (ii)</b> – Proposed Revenue Virements &amp; Revised Revenue Cash Limits</p> <p><b>Appendix 4</b> – Revenue Savings Monitor</p>		

## **EXECUTIVE SUMMARY**

### **a) Revenue budget**

The Revenue budget has been assessed for key risks across the organisation.

Service areas with adverse outturn positions in 2024/25 and which continue to demonstrate high risk of overspend in 2025/26 include Children's Services, Corporate Estate, Commercial Estate, Waste Services and Heritage Services.

Early estimates for Parking Services and Corporate Budgets (treasury management and borrowing costs to support the capital programme) are anticipated to offset some of these risks.

Budgeted contingencies will be allocated later in the year if these risks materialise and cannot be mitigated.

Savings of £14.01m were included in the 2025/26 budget. At present £9.98m savings are forecast as delivered, with the remainder either being mitigated through alternative measures, or flagged as delayed or undeliverable. Savings delivery will be monitored closely through the year and management action plans identified when delivery is at risk.

Directors are actively developing mitigation plans for the service areas at high risk of overspend to manage this position in year and bring the Council back into a balanced position. A more detailed update will be provided in the Quarter 2 monitoring report.

### **b) Capital budget**

The current position of the 2025/26 Capital Programme is a forecast of £108.2m against a budget of £108.9m. Of the variance of £0.7m, £0.4m is anticipated will be rephased into future years.

### **c) Council Tax and Business Rates**

The forecast cost of the Local Council Tax Support Scheme is currently £0.2m below budget at £10.8m.

The current level of retail business rate relief granted is £4.7m which is £0.4m above the £4.3m originally estimated for 2025/26. Empty property relief is currently £4.8m which is in line with the allowance included when setting the business rate income forecast for 2025/26.

### **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 an overview of services across the Authority with the highest risk of financial pressure or upside for the 2025/26 financial year, using information available up to the end of June 2025.

## **2 RECOMMENDATION**

The Cabinet is asked:

- 2.1 To note the 2025/26 revenue budget risk analysis detailed within paragraphs 3.2 to 3.10 of the report (as at the end of June 2025).
- 2.2 To note and approve where required the revenue virements listed in Appendix 3(i).
- 2.3 To note the capital year-end forecast detailed in paragraph 3.23 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 2(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 The financial landscape for Local Government continues to be challenging. The 2025/26 Budget was agreed by Council in February 2025. The Budget Report outlined the significant budget risks the organisation was facing, ranging from changes in cost as a result of the government National Insurance changes, to demand on statutory services rising above modelled levels. The report acknowledged these unknowns, coupled with the delivery of challenging savings targets, meant there was significant financial risk exposure to the council. Consequently substantial budgeted contingencies were built into the budget to help mitigate any shortfall in management action plans to bring the Council's budget to a balanced position.
- 3.3 Quarter 1 monitoring is challenging with such little information on in-year activity available at the time of writing as it is based on only 2 months actual data. Risk is much easier to quantify than associated mitigations, and as such the creation of an organisation forecast at this point in the year often paints a worst-case scenario. Therefore, this monitoring update provides a risk-based assessment of those services that are of highest risk of material over or under spend.
- 3.4 Services highlighted in section 3.5 have been detailed as higher risk from a financial perspective because of material 2024/25 variances, or where emerging 2025/26 risks need noting. Management actions and available mitigations are also detailed to provide a balanced picture.

## Portfolio Commentary

3.5 Key risks and associated planned mitigating actions by Portfolio are as follows:

### **Leader of the Council**

This portfolio only contains the Housing Delivery Vehicle (Aequus), of which there is no financial risk to note to at this point in the year.

### **Sustainable Bath and North East Somerset**

Many grant funded projects sit within this cash limit and pose little to no financial risk to the organisation. Similarly Green Transformation and Environmental Monitoring services had small variances in 2024/25 and no change is expected for 2025/26. Parks and Open Spaces is the main operational service sat within this portfolio, of which there is minimal risk of variance at present.

### **Resources**

This portfolio contains many of the council's support services, of which there were some small underspends reported in 2024/25. Many of these underspends were one-off, linked to staffing vacancies or contracts, and are unlikely to continue into 2025/26. However, the portfolio does hold four main areas of financial risk / upside, that are detailed as follows:

#### ***Waste Services (Now included in Resources due to change in Cabinet Portfolio's from May 2025):***

Waste Services ended the 2024/25 financial year £0.97m over budget, due to pressures on staffing, fleet and depot costs.

As part of 2025/26 budget setting growth was applied to partially rebase staffing budgets, however costs are currently forecast to remain higher than the additional funding. As a key front-line service, sickness and holiday cover is crucial, limiting any vacancy management savings. Options for wider cost mitigations are limited as many of these opportunities were built into the budget setting process for 2025/26, while demand dictates many of the larger contracts, limiting contract management savings too. However, the service is expecting to continue to see increased income from trade waste and garden waste which will help reduce the pressures. All of this considered, the risk of material overspend still remains high, currently forecast to be in the £200k-£300k range.

#### ***Commercial Estate:***

The Commercial Estate ended 2024/25 £0.2m over budget and this adverse position is currently likely to continue into 2025/26.

Rental income shortfall is the key area of pressure, although increased service supported borrowing costs and the cost of legal representation are also forecast to be contributing.

The rental income budget was increased by £0.2m for 2025/26 to reflect that works to void units that would be completed during the early part of the year, allowing an increase in assets that could be let. Working to make properties available to market and let will continue to be prioritised, however due to market conditions, any new lettings will almost certainly involve rent free periods reflecting market patterns, which will impact upon timings of new income

generated. Whilst other mitigations are considered we are forecasting a material budget pressure of £0.5m - £1m.

### ***Corporate Budgets:***

The cost for the Council's borrowing is currently forecast to be £350k under budget. This is due to the favourable interest rates obtained for the actual borrowing taken during the first quarter of 2025/26, which was required to refinance maturing loans as well as forecast savings against budget for the remaining loans which will be refinanced during the year.

The interest rates obtained on the replacement borrowing taken during quarter 1 was lower than the estimated average interest rate for replacement borrowing used when setting the 2025/26 budget. This was due to a mixture of a) changes in market conditions since the budget was calculated, and b) the strategic decision to borrow from the PWLB for 5 & 10 years, which has a lower interest rate than the 20 year longer term rate used when setting the budget.

With current cashflow forecasts indicating that further new / replacement borrowing will not be required until later in the year, similar to 2024/25, there could be further favourable variances in borrowing costs as the year progresses giving an overall forecast range of between £350k and £750k. This will depend on both the profiling of actual Capital Programme expenditure and market rates in the future.

## **Economic And Cultural Sustainable Development**

This portfolio contains three particular areas of financial risk, all of which are a continuation of pressures recorded in the 2024/25 outturn report.

### ***Heritage Services:***

The service ended the 2024/25 financial year £0.6m short of its net income target, primarily due to lower visitor numbers than anticipated compared to when setting the budget.

A total of 993k visitors came to the Roman Baths in 2024/25, with an increase to 1.1m visitors budgeted for 2025/26. Based on the past six months demand data, visitor numbers are expected to fall short of budget, a trend that reflects what's happening across the sector, particularly in sites with high international visitor numbers. At this early stage of the year forecast expectation is now for 1.05m visitors, which equates to a £1.3m reduction in income against budget, although key trading periods in the summer will be critical as to whether the reduced growth expectation materialises.

Lower retail sales linked to lower visitor numbers and cost pressures linked to the vacation of the Culverhay site are adding to the financial challenge this year. A variety of cost mitigations are being pursued, as well as extra focus on wider income generating products, but a material financial risk exposure of between £1.25m and £1.75m needs to be noted at this early stage in the year.

By the time Quarter 2 estimates are produced we will have seen the outcomes of the critical summertime trading period, which will provide a clearer picture of the financial risk for this key income generating service area for the council.

## **Corporate Estate:**

The service ended 2024/25 with a £0.5m adverse variance, a pressure that is currently forecast to continue into 2025/26. This is further compounded by £0.3m increase in target efficiencies for 2025/26. Budgeted savings have not yet been achieved due to slippage in rationalising the estate through disposal or redeployment, and the delay in the adoption of the Corporate Landlord model.

Property costs are high due to assets being held void. Some mitigations are available through recharging staff time to projects and holding posts vacant whilst smarter structures are implemented. There is also a balance to be struck in managing this year's financial position and further impacting future years' costs. Overall, there is a material forecast risk exposure of £0.5m and £0.8m, subject to decisions around the corporate estate asset holdings being expedited.

## **Regeneration:**

Regeneration ended the 2024/25 financial year £1.1m over budget, primarily due to floor space remaining vacant within the Bath Quays South (BQS) property.

An increase in tenancy uptake was anticipated in 2025/26 with a further £150k added to the income target. However, floor space is not fully let yet and at this early stage in the financial year, we forecast a rental income shortfall of approximately £350k, although this will be partially mitigated by reducing running costs. Other risks to the service include staff recharges to project and capital work, which can often be volatile and depend on project demand. The risk of a material overspend remains and is currently anticipated to be in the region of £250k-£400k.

## **Adult Services**

Adult Social Care reported a balanced position for 2024/25, this was following a transfer of £0.4m from the Adult Social Care Reserve. Increased activity had been seen in 2024/25 with demand for package placements increasing on average by 16%. The cost of care also continued to increase during the year due to the economic and market factors experienced through 2024/25 and the increasing complexity in care needs.

For 2025/26, the service expects to achieve a balanced budget, again, using monies from their ring-fenced reserve for this.

The overbudget positions seen in the Older Peoples and Learning Disabilities services, have continued into 2025/26. Residential Care and Home care are the areas of pressure within the older people's service, the number of residential placements stood at 143 as at the end of May 2025, compared to 119 at May 2024 and 92 at May 2023. This rapid rise continues to create budget pressure. Homecare hours stood at 4361 as at May 2025, compared to 4100hrs in May 2024 and 3201hrs in May 2023. Whilst the increased use of homecare is in line with the services strategy, the continued increase in residential placements is impacting on overall costs.

The review of the pooled arrangements within the learning disabilities service was concluded in 2024/25, and new agreed joint funding arrangements are now in place. These arrangements now replace the previous long standing pooled

funding arrangements with BSW ICB. However, budget pressure in residential and Supported living services has continued into 2025/26.

Service plans are being agreed for both services to reduce the budget pressure, arrangements for hospital discharges have continued into the current year enabling close working with BSW ICB to ensure effective and efficient discharge of clients. We continue to work closely with BSW ICB on both these areas to ensure appropriate funding is agreed.

The other areas within the service are forecasting to be balanced or under budget, which will offset the overall service position and minimise the draw requirement on the reserve.

The Operational and Learning Disabilities provider services returned to the council in 2024/25, following the end of the contract with HCRG. Both these services are forecast to be balanced but work continues on the future structure and service delivery requirements.

## **Children's Services**

Children's Services (excluding home to school transport) closed the 2024/25 financial year with a £4.78m overspend, largely driven by rising demand and Residential placement costs.

Despite increased budget provision for 2025/26, a late-year surge of eight new Residential placements resulted in a £2.7m pressure rolling forward. These pressures have increased further during the first quarter of 2025/26 following an additional four placements required to safeguard vulnerable young people, increasing the pressure further by £1.5m. A potential need for 4 more placements estimated at £1.5m poses a growing risk in addition.

Upward cost pressure from the market combined with higher cost packages required to support the most vulnerable and complex young people and increased demand are continuing to put a potential significant strain on the budget.

Ongoing pressures also stem from the support needs of disabled young people and unaccompanied asylum seeker young people, both identified as significant financial risks for the year. In Education, teachers' pension costs pressures continue from 2024/25, along with agency staffing. Agency staff reliance costs pressures also continue to affect Social Care and are needed to meet demand and cover vacancies.

Finally risks from delivery of existing savings plans and disputed invoices with the ICB mean that material financial risk is high.

To mitigate these pressures Children's Services are delivering a targeted response through an enhanced Transformation Programme. This includes a focused placements taskforce responsible for cost assurance and ensuring that young people's needs are met through the most effective and sustainable means possible.

Therefore, when taking all these issues into account and the level of uncertainty around demand costs a significant material forecast of £4m - £8m over budget is currently being projected.

Home to School Transport ended 2024/25 with a £1.4m adverse outturn position.

Net growth of an equivalent amount was built into the 2025/26 budget. It is planned that any increases in demand and/or price are offset by rerouting existing vehicles and increasing the use of internal transport provision, to bring the service to a break-even position for 2025/26. Whilst this is the plan, financial risk surrounding a demand led, statutory service is still high, and at this early-stage savings remain challenging. Efforts to understand demand for the September 2025 school intake have already commenced to help more detailed forecasting for the Quarter 2 budget monitor, although it should be noted that the full demand picture will not be known until later in the Autumn.

### ***Schools (Dedicated Schools Grant)***

The Dedicated Schools Grant (DSG) overspent for 2024/25 by £10.53m taking the cumulative to deficit at the end of 2024/25 to £32.795m.

Additional overspend for 2025/26 is anticipated at a similar, but slightly higher level. This overspend is due to the costs associated with supporting pupils with SEND needs. There is a Safety Valve plan in place currently being reviewed by the Department for Education, which seeks to address the built-up deficit of overspend of the DSG, and bring spend in line with the grant allocation by the end of the Safety Valve term.

### **Communications and Community**

This is a new Cabinet Portfolio and contains a wide ranges of council services. Most of these service areas are expected to break-even in 2025/26 with no emerging cost pressures to note.

There will always be some financial risk surrounding income generating services, of which Public Protection (Licensing), Bereavement Services, Events and Registrars are the largest income generating areas. Licensing and Bereavement Services continue to hold the largest element of risk for achieving budgeted income levels in 25/26, both are being reviewed closely and further detail will be provided for the quarter 2 budget monitor.

### **Sustainable Transport Strategy**

Most of the expenditure across the Transport Strategy and Clean Air Zone services are externally funded and therefore pose no material financial risk to the organisation.

Parking Services ended 2024/25 overachieving its income target by £0.8m. This, combined with staff and expenditure savings led to a £1m favourable outturn position against budget.

For 2025/26 income budgets were increased by £1.0m, a figure derived from both demand and price increases. At this early stage of 2025/26, both car parking and penalty charge notice income are trending above budget and are expected to continue throughout the year. Current estimates put this in the range of £100k-£250k. At present there are no new emerging risks for this financial year, however parking income is volatile, therefore there is always a risk that income may not continue to trend above budgeted levels.

### **Sustainable Transport Delivery**

Many transport related grant funded projects sit in this portfolio, of which all expenditure is externally funded and therefore poses no financial risk to the



organisation. The Highways Maintenance service always comes with an element of risk as spend is dependent on whether events, particularly during the winter period. However, despite a challenging January and February, the service ended 2024/25 with a small underspend and there is nothing to note at this point in the year that increases the risk of overspend for 2025/26. Network and Traffic Management ended 24/25 in a favourable position, and this could continue into 25/26 dependent on demand.

## **Built Environment, Housing and Sustainable Development**

The main areas of financial risk in this portfolio are with the demand led services of Planning, Housing and Building Control.

Housing have received an increase grant allocation for 2025/26 for Rough Sleeping, Domestic Abuse and Homeless Prevention which is good news for service provision and reduces the risk of increases in temporary accommodation costs creating an adverse budget variance.

The Development Management service (Planning) is sensitive to market conditions which then impacts upon the financial position, although at this early stage in the year there isn't any immediate risks to note.

Building Control ended 2024/25 with a £233k adverse outturn position and this was primarily due to the underachievement of income due to a lack of applications.

With market conditions not improving there is risk of a similar position materialising, although there are available mitigations, including earning extra income from work completed for the Building Safety Regulator as part of a nationwide programme of works.

## **Savings Performance**

- 3.6 The 2025/26 revenue budget approved savings of £14.01m. Delivery of these savings will be monitored throughout the year, with £9.98m forecast as achieved at the end of June, representing 71% delivery. Of the £4.03m not currently achieved, £0.04m are being mitigated through savings, contingency or income elsewhere in the respective service, while £3.99m of savings are currently delayed or unachievable, resulting in material forecast pressures.

### ***Being Our Best Programme:***

Included within the approved savings target is £2m of additional cost reductions relating to the organisation's Being Our Best programme. The programme was budgeted to deliver a £4.5m reduction in organisation staffing costs by 2025/26. As at the end of 2024/25, £0.5m had been delivered. Currently it is forecast that a further £1.5m will be delivered in year, resulting in a significant risk that there will be a shortfall against the budgeted target of approximately £2.25m - £2.75m.

## **Mitigations and Contingencies**

- 3.7 Sections 3.5 and 3.6 outline some of the key areas of risk exposure across the organisation, along with some of the management actions plans directors and service leads are undertaking to minimise the chances of risk materialising.
- 3.8 However, it is unlikely all risk will be contained and consequently budgeted contingencies will be required to help mitigate the overall position. We anticipate that some of this contingency will be allocated through the Q2 forecast when we have more data to substantiate the current forecasts.
- 3.9 As previously detailed this level of risk was anticipated and the 2025/26 budget included £9.8m of budget contingencies, broken down into the following categories:
- 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
- 3.10 A summary of risk exposure by mid-point and by portfolio are summarised in the following table, with a coloured RAG rating to highlight adverse / favourable risk:

<b>Cabinet Portfolio</b>	<b>Risk Exposure (mid-point) £'000</b>
Resources – Commercial Estate	750
Resources – Waste Services	250
Resources – Corporate & Support Services	(600)
Economic And Cultural Sustainable Development	2,800
Children's Services	5,900
Sustainable Transport Strategy	(200)
<b>Portfolio Risk Exposure</b>	<b>8,900</b>
Being Our Best Programme	2,500
Budgeted Contingencies	(9,800)
<b>Revised Organisation Risk Exposure</b>	<b>1,600</b>

## REVENUE BALANCES AND RESERVES

3.11 The current Employer's national pay offer for 2025/26 is estimated at 3.2%, which is within the 4% included in the budget. Negotiations on the pay award continue and as such this remains an estimate at this stage and further updates will be provided in future monitoring reports. Service budgets will be adjusted once the final pay award is agreed.

### Key Reserves

3.12 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:

Reserve Title	Balance as at 01/04/2025 £'m	Projected Use / Commitments £'m	Estimated Balance 31/03/2026 £'m
Revenue Budget Contingency	2.97	(0.44)	2.53
Financial Planning and Smoothing	6.67	(2.22)	4.45
Transformation Investment	4.53	(0.76)	3.77
Restructuring & Severance	4.83	(3.00)	1.83

### Flexible Capital Receipts

3.13 Flexible Capital Receipts are being utilised for revenue spend that results in ongoing revenue savings. The February 2025 Budget Report – Efficiency Strategy confirmed a continued £11.5m allocation of capital receipts for this purpose. 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	Actual Usage 2024/25 £'m	Available Balance £'m	Est Total Usage £'m
Flexible Capital Receipts	9.73	1.38	0.39	11.50

3.14 Unapplied capital receipts of £3.380m were carried forward from 2024/25, with £0.055m received in 2025/26 so far and £3.8m budgeted for.

### General Fund Un-Earmarked Reserve

3.15 The General Fund Un-Earmarked Reserve is retained to meet the Council's key financial risks. The risk assessment has set a range of between £11.8m and £13.0m to meet those risks in the 2025/26 financial year. The reserve has a

current uncommitted balance of £12.6m in line with the level reported in the 2025/26 Budget Report.

### **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 2025/26 tax base allowed for the same number of Local Council Tax Support (LCTS) recipients as at the end of November 2024 to continue into 2025/26. The budget estimate of costs of LCTS were set at £11.0m. The current cost estimate is cost is £0.2m under budget at £10.8m with 6,352 working age claimants and 3,357 Pensioner claimants.
- 3.18 The actual outturn position on LCTSS and the impact on the Council Tax collection fund will depend on a number of variables, including the change in number of claimants and the period claimants remain eligible for support whilst seeking employment and this will continue to be monitored closely during the year.

### **Business Rates**

- 3.19 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 sixth year in 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.
- 3.20 The Council continues to be recompensed for the reduction in business rate income arising from this relief via a s31 compensation grant. The current level of retail relief granted is £4.7m which is £0.4m above the £4.3m originally estimated for 2025/26.
- 3.21 Empty property relief is currently £4.8m which is in line with the allowance included when setting the business rate income forecast for 2025/26. The forecast overall impact on the business rates collection fund position will be reviewed during the second quarter and the position in relation to reliefs will be closely monitored.
- 3.22 As set out in the Budget Report, any surplus or deficit on the Business Rate Collection Fund and associated income will be transferred to or from the Business Rates Reserve for consideration as part of the Business Rates calculations for future years and this position will be reflected in the 2025/26 budget.

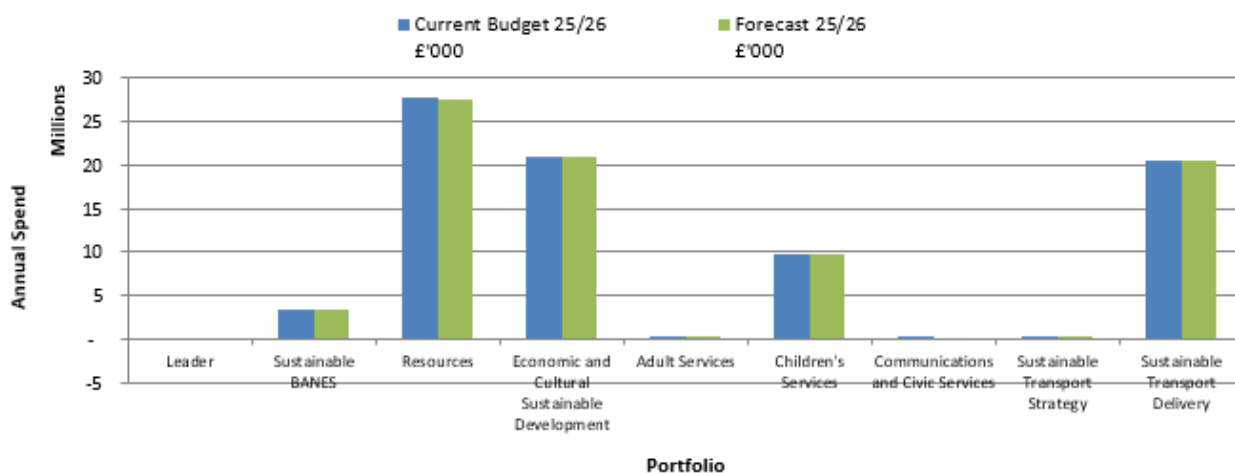
## CAPITAL BUDGET

3.23 The current position of the 2025/26 Capital Programme is a forecast of £108.2m against a budget of £108.9m, giving a variance of £0.7m, £0.4m of which is forecast to be re-phased to future years. The significant part of the variance is related to two programmes; the revised profile of forecast future loan drawdowns by the Council's housing company, with £0.25m moving to 2026/27 and future years and £0.3m forecast saving as the Bath City Centre Security Project reaches its conclusion at Beau Street. 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 2(ii) with key scheme commentary in Appendix 1. Appendix 2(i) sets out budget changes actioned since the February Budget setting report. Appendix 2(ii) also illustrates the rephasing from 2024/25 reported for approval in the Revenue & Capital Outturn 2024/25 report, which is also on this meeting's agenda.

Portfolio Summary Monitor	Annual Current Budget 2025/26	Forecast 2025/26	In-Year Variance 2025/26	Forecast Re-phasing to Future Years
	£'000	£'000	£'000	£'000
Leader	-	-	-	-
Sustainable BANES	3,411	3,292	119	119
Resources	27,720	27,421	299	299
Economic and Cultural Sustainable Development	21,003	21,003	-	-
Adult Services	128	128	-	-
Children's Services	9,720	9,720	-	-
Communications and Civic Services	190	110	300	-
Sustainable Transport Strategy	190	190	-	-
Sustainable Transport Delivery	20,412	20,412	-	-
Built Environment, Housing and Sustainable Development	26,138	26,138	-	-
<b>Grand Total</b>	<b>108,912</b>	<b>108,194</b>	<b>718</b>	<b>418</b>

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

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



## Capital Commentary

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

- **Resources** - £0.25m variance for Property Company Investment based on the current forecast Aequus loan requirements for 2025/26, predicting later draw-down of loans from the Council. There is also rephasing of £0.049m for Bring Banks equipment in the Waste Modernisation Project.
- **Sustainable B&NES** – £0.19m variance from the WaterSpace Connected programme, linking Bath and Bristol along the River Avon, which is currently paused while alternative funding options are explored.
- **Communications and Civic Services** – The final stage of the Bath City Centre security works have commenced at Beau Street. Unless there are unforeseen site costs, the overall project is expecting to come in £0.30m under budget.

## RISKS

3.25 The key risks to the budget were outlined in the Council's 2025/26 Budget Report, in compliance with the Council's decision-making risk management guidance. These have been reviewed and are listed below, along with any additional emerging risks:

Risk	Likelihood	Impact	Risk Management Update
Operational budget pressures due to rising demand	Likely	High	There is the risk of unplanned and unbudgeted growth in demand on Council services, 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.

## 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 2025 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, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

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

<b>Contact person</b>	<i>Gary Adams – Head of Financial Management</i> <a href="mailto:Gary_Adams@bathnes.gov.uk">Gary_Adams@bathnes.gov.uk</a>  <i>Paul Webb – Senior Finance Manager</i> <a href="mailto:Paul_Webb@bathnes.gov.uk">Paul_Webb@bathnes.gov.uk</a>  <i>Jeff Wring - Director of Financial Services, Assurance &amp; Pensions (S151 Officer)</i> <a href="mailto:Jeff_Wring@bathnes.gov.uk">Jeff_Wring@bathnes.gov.uk</a>
<b>Background papers</b>	<i>Budget and Council Tax 2025/26 and Financial Outlook (E3590)</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	