

## Bath & North East Somerset Council

|          |   |
|----------|---|
| MEETING: | <b>Climate Emergency and Sustainability Policy Development &amp; Scrutiny Panel</b> |
| DATE:    | <b>22<sup>nd</sup> January 2026</b>   |
| TITLE:   | <b>2026/27 Budget and Financial Outlook – Draft proposals</b>                       |
| WARD:    | All   |

### **AN OPEN PUBLIC ITEM**

#### **List of attachments to this report:**

Annex 1: 2026/27 Draft Savings & Income Proposals

Annex 2: 2026/27 Draft Funding Requirements

### **1 THE ISSUE**

1.1 This report will present the draft revenue budgets together with proposals for increases in Council Tax and the Adult Social Care Precept for 2026/27.

### **2 RECOMMENDATION**

The Panel is asked to;

2.1 Note and discuss the proposals that impact the Council's 2026/27 revenue budget.

### **3 THE REPORT**

3.1 The Council's 2026/27 Budget and Council Tax proposal will be considered by Cabinet on 12<sup>th</sup> February 2026 and presented to Council for approval on 24<sup>th</sup> February 2026. This report includes the draft proposals that are relevant to this panel, the scrutiny of these plans will provide assurance on the completion of the Council's 2026/27 budget plans.

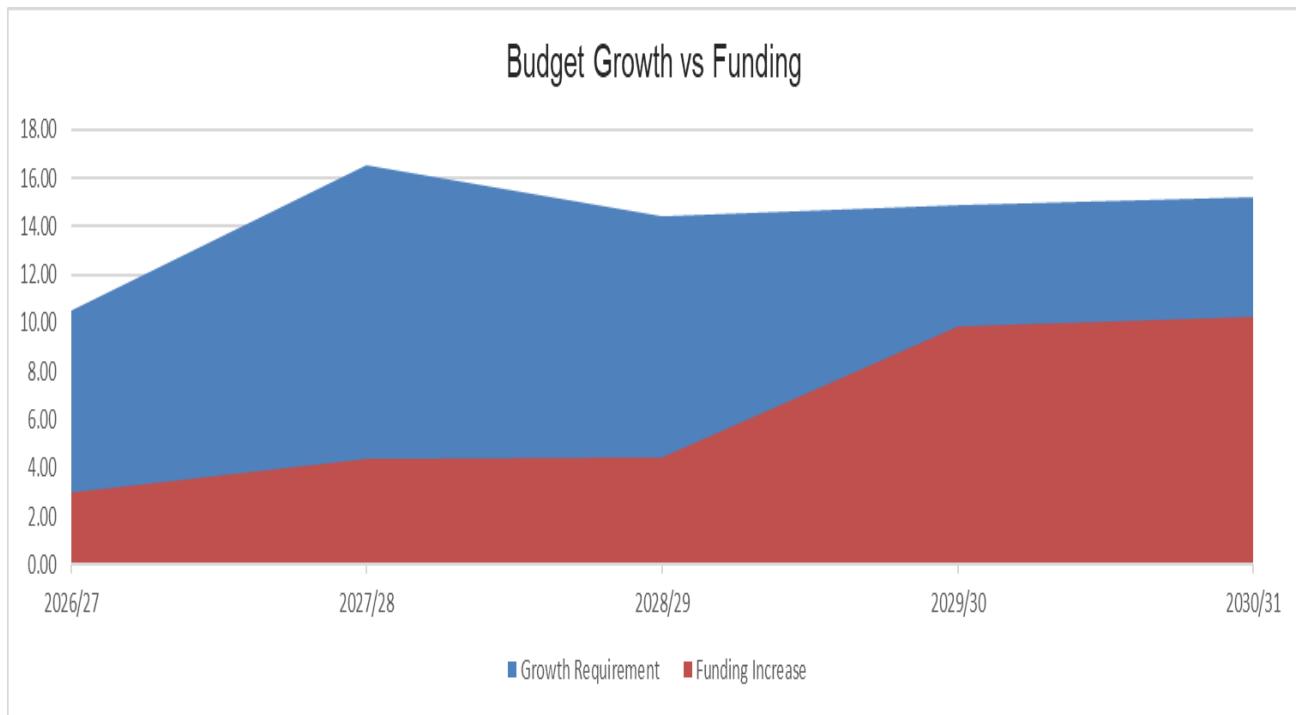
3.2 The current draft budget funding and savings requirement over the next five years is set out in the tables below.

3.3 This includes an initial view of the impacts of the fair funding changes as provided in the Provisional Local Government Finance Settlement, which was announced on 17<sup>th</sup> December 2025. The details of the settlement are still being reviewed and therefore figures are subject to change between now and the Budget Report, which will be considered by Cabinet on 12<sup>th</sup> February 2026.

3.4 The table and graph below summarises the assumed movements in the Net Budget Requirement and Core Funding and also highlights the significant

transfer of service and business rate grant funding of £38.46m received in 2025/26 that have moved into core funding as part of the fair funding grant simplification changes for 2026/27.

| Budget Planning                               | Future years assumptions £m |              |              |              |              | Total         |
|---|-----------------------------|--------------|--------------|--------------|--------------|---------------|
|   | 2026/27                     | 2027/28      | 2028/29      | 2029/30      | 2030/31      |               |
| Growth Requirement                            | 10.49                       | 16.52        | 14.41        | 14.87        | 15.19        | 71.47         |
| Service Grants Transferred to Core Funding    | 38.46                       | 0.00         | 0.00         | 0.00         | 0.00         | 38.46         |
| <b>Total Change In Net Budget Requirement</b> | <b>48.95</b>                | <b>16.52</b> | <b>14.41</b> | <b>14.87</b> | <b>15.19</b> | <b>109.94</b> |
| Funding Increase                              | 3.00                        | 4.41         | 4.44         | 9.83         | 10.24        | 31.93         |
| Service Grants Transferred to Core Funding    | 38.46                       | 0.00         | 0.00         | 0.00         | 0.00         | 38.46         |
| <b>Total Change in Core Funding</b>           | <b>41.46</b>                | <b>4.41</b>  | <b>4.44</b>  | <b>9.83</b>  | <b>10.24</b> | <b>70.39</b>  |
| <b>Annual Funding gap</b>                     | <b>7.49</b>                 | <b>12.11</b> | <b>9.97</b>  | <b>5.03</b>  | <b>4.95</b>  | <b>39.55</b>  |
| Savings Proposals                             | 7.49                        | (0.04)       | (0.26)       | 0.15         | 0.15         | 7.49          |
| <b>Remaining Funding Gap</b>                  | <b>0.00</b>                 | <b>12.15</b> | <b>10.23</b> | <b>4.88</b>  | <b>4.79</b>  | <b>32.05</b>  |



### Indicative Budget Forecast

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

| Budget Planning                                    | Future years assumptions £m |                |               |               |               |
|--|-----------------------------|----------------|---------------|---------------|---------------|
|  | 2026/27                     | 2027/28        | 2028/29       | 2029/30       | 2030/31       |
| <b>Budget Requirement (Previous Year)</b>          | <b>151.71</b>               | <b>193.17</b>  | <b>197.58</b> | <b>202.02</b> | <b>211.86</b> |
| Budget Adjustments (Reduced Corporate Contingency) | (7.80)                      | 0.00           | 0.00          | 0.00          | 0.00          |
| Pay & Pension                                      | 4.04                        | 5.15           | 4.50          | 5.10          | 5.35          |
| Demographic Growth                                 | 3.39                        | 3.58           | 3.59          | 3.95          | 4.11          |
| Contract Inflation                                 | 5.16                        | 3.99           | 3.15          | 3.20          | 3.28          |
| New Homes Bonus Grant                              | 0.91                        | 0.00           | 0.00          | 0.00          | 0.00          |
| Capital Financing                                  | 1.31                        | 1.97           | 2.02          | 1.21          | 1.05          |
| Settlement grant funding                           | 37.53                       | 0.72           | 0.00          | 0.00          | 0.00          |
| Budget pressure / rebasing                         | 4.41                        | 1.12           | 1.15          | 1.40          | 1.40          |
| <b>Funding Requirement Sub Total</b>               | <b>48.95</b>                | <b>16.52</b>   | <b>14.41</b>  | <b>14.87</b>  | <b>15.19</b>  |
| <b>Draft Budget Before Savings</b>                 | <b>200.66</b>               | <b>209.69</b>  | <b>211.99</b> | <b>216.89</b> | <b>227.04</b> |
| Proposed Savings Plans                             | (7.49)                      | 0.04           | 0.26          | (0.15)        | (0.15)        |
| Estimated Savings Required                         | 0.00                        | (12.15)        | (10.23)       | (4.88)        | (4.79)        |
| <b>Savings Requirement Sub Total</b>               | <b>(7.49)</b>               | <b>(12.11)</b> | <b>(9.97)</b> | <b>(5.03)</b> | <b>(4.95)</b> |
| <b>Budget Requirement</b>                          | <b>193.17</b>               | <b>197.58</b>  | <b>202.02</b> | <b>211.86</b> | <b>222.10</b> |
| <b>Funding of Budget Requirement</b>               |                             |                |               |               |               |
| Council Tax  | 136.36                      | 144.77         | 153.51        | 162.64        | 172.16        |
| Business rates retention                           | 56.13                       | 52.81          | 48.51         | 49.22         | 49.94         |
| Reserve transfers From                             | 1.28                        | 0.00           | 0.00          | 0.00          | 0.00          |
| Reserve transfers (To)                             | (0.60)                      | 0.00           | 0.00          | 0.00          | 0.00          |
| <b>Funding of Budget Requirement Total</b>         | <b>193.17</b>               | <b>197.58</b>  | <b>202.02</b> | <b>211.86</b> | <b>222.10</b> |

The forecast includes the following cost pressures and assumptions:

- **Pay Inflation** – Estimated 3.00% in 2026/27 and future years.
- **Council Tax** – General assumed at 2.99% and Adult Social Care precept 2.00% in 2026/27 and future years.
- **Pension Costs** – Reduction in Employer's Pension Contributions of 3.50% with effect from 2026/27 from the triennial revaluation and the associated improvement in the funding levels of the Avon Pension Fund.
- **Demographic Growth & Increase in Service Volumes** – Additional demand from new placement and market pressures in Adult & Children Social Care.
- **Interest Rates** – Short Term Interest rate reductions to follow movement in Bank of England base rate currently 3.75% for treasury management cash investments with borrowing rates estimated at 5.00%. The Council will fix budget interest rates following the provisional settlement.
- **Inflation** – Impacts of Contract and Commissioning inflation across services.
- **Budget Pressures / Rebasing** – 2026/27 budget rebasing currently informed from the 2025/26 Q2 Council monitoring position 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 Medium Term Financial Strategy (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 MTFS includes a £1.1m transfer from the Business Rate Reserve to fund the Business Rate Collection Fund deficit carried forward from the 2024/25 outturn position, £0.2m from the financial planning reserve to fund the carried forward Council Tax Collection Fund Deficit and a transfer of £0.6m to the Revenue Budget Contingency Reserve in line with the planned replenishment of the reserve following use to mitigate the impact of Covid in prior years.

### 3.5 Savings and Income Generation

To deliver a balanced budget in 2026/27 savings and income generation plans total £7.49m, with income and savings to find of £32.05m in the following four years covering 2027/28 to 2030/21. The Council has a good track record of delivering proposed savings, in relation to the Cabinet Portfolio's being Scrutinised by this Panel there are savings and income generation plans of £2.24m

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

The material areas of new savings include:

- Changes to Parking charges and Parking Service improvements (£530k)
- Efficiency savings and service optimisation within the Waste Service (£578k)
- A rebasing of Planning Services fee income to reflect the impact of the new statutory planning fees introduced in April 2025 (£250k)
- Review of Park & Ride fares for use of the service (£100k)

### 3.6 Budget Funding Requirements

Budget growth and additional pressures across all portfolios of £10.49m have been added to ensure that the budget remains robust and to add additional budget funding to areas that require rebasing. This does not mean that savings cannot be found from these areas in future once savings opportunities are identified, but this ensures that spend and budget are aligned especially in high demand areas. In relation to the Cabinet Portfolio's being Scrutinised by this Panel there is budget growth covering demand, inflationary pressures and new funding requests of £1.79m

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

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

- Waste service delivery growth including staffing and contract increases (£794)
- Home to School Transport contract inflation (£336k)
- Reduction in Licencing income targets to match statutory fee income (£150k)

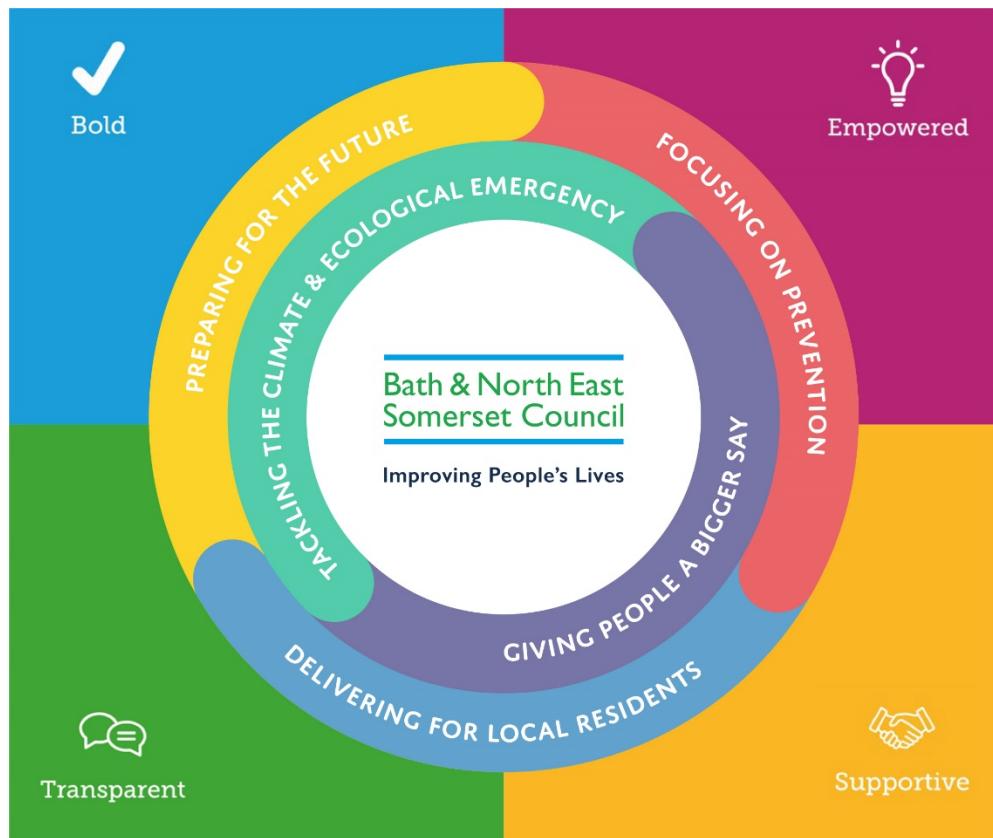
When developing these proposals, the budget settings principles below have been followed:

### **3.7 Budget Setting Principles**

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

### **3.8 Corporate Strategy and Council priority areas**

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



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

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

### Prioritising and allocating resources

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

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

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

- To tackle the climate and ecological emergency and deliver for our residents

#### **4 STATUTORY CONSIDERATIONS**

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

#### **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 These are contained throughout the attached report and appendices.

#### **6 RISK MANAGEMENT**

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

#### **7 CLIMATE CHANGE**

7.1 Addressing Climate Emergency is one of the two core policies within the new Corporate Strategy. The budget has recognised this priority through providing ongoing revenue funding for the Climate Emergency team and also introduced capital items to explore and implement renewable energy schemes.

#### **8 OTHER OPTIONS CONSIDERED**

8.1 None

#### **9 CONSULTATION**

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

|                          |  |
|--------------------------|--|
| <b>Contact person</b>    | <i>Chris Major, Director of Place Management</i>   |
| <b>Background papers</b> | <p>2026/27 Medium Term Financial Strategy<br/><a href="https://democracy.bathnes.gov.uk/documents/s89332/E3661%20-%20Appendix%201%20-%20Medium%20Term%20Financial%20Strategy.pdf">https://democracy.bathnes.gov.uk/documents/s89332/E3661%20-%20Appendix%201%20-%20Medium%20Term%20Financial%20Strategy.pdf</a></p> <p>2025/26 Quarter 2 Revenue and Capital Budget Monitoring<br/><a href="https://democracy.bathnes.gov.uk/documents/s89338/E3651%20-%20Revenue%20and%20Capital%20Budget%20Monitoring%20Cash%20Limits%20and%20Virements%20-">https://democracy.bathnes.gov.uk/documents/s89338/E3651%20-%20Revenue%20and%20Capital%20Budget%20Monitoring%20Cash%20Limits%20and%20Virements%20-</a></p> |

[%20April%20to%20September%202025.pdf](#)

2026/27 Budget Consultation

<https://www.bathnes.gov.uk/budget-consultation-2026-2027>

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