

-- Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	12 th February 2026	EXECUTIVE FORWARD PLAN REFERENCE:
		E3662
TITLE:	Budget and Council Tax 2026/27 and Financial Outlook	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report		
Annex 1: Revenue Budget 2026/27 – individual service cash limits		
Annex 2: (i) 2026/27 to 2028/29 Budget Savings and Income proposals & (ii) 2026/27 to 2028/29 Funding Requirements		
Annex 3: Equalities Impact Assessment of 2026/27 Budget Proposals		
Annex 3: (i) Equality Impact Introduction & Legal Background		
Annex 4: Efficiency Strategy		
Annex 5: Capital Programme 2026/27 to 2030/31		
Annex 5 (i): New and Emerging Capital Schemes		
Annex 5 (ii): Highways Maintenance Programme		
Annex 5 (iii): Local Active Travel Safety Programme		
Annex 5 (iv): Corporate Estate Planned Maintenance Programme		
Annex 5(v): Parks Play Equipment Replacement Programme		
Annex 5(vi): IT Replacement Programme		
Annex 5 (vii): Community Infrastructure Levy (CIL) Allocations		
Annex 6: Capital & Investment Strategy		
Annex 7: MRP Policy		
Annex 8: Council Pay & Reward Policy 2026/27		
Annex 9: Advice of Monitoring Officer on the Budget Setting Process		
Annex 10: Budget 2026/27 Consultation Report		
Annex 11: Fees & Charges Brochure 2026/27		
Annex 12: PDS Panel Budget Scrutiny Feedback (to follow)		

1. THE ISSUE

- 1.1 This report presents the Council's proposed revenue and capital budgets together with proposals for increases in Council Tax and the Adult Social Care Precept for 2026/27.

2. RECOMMENDATIONS

- 2.1 The Cabinet recommends Council approves:

- The General Fund net revenue budget for 2026/27 of **£193.17m** and the individual service cash limits for 2026/27 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 general Council Tax of 2.99% in 2026/27 (an increase of £54.51 per Band D property or £1.05 per week).
- An increase of 2.00% 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 £36.46 on a Band D property or £0.70 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 £12.00m - £13.20m.
- To note the Children's Services management plan update set out in paragraphs 5.2.64 to 5.2.65 of the report.
- The Efficiency Strategy attached at Annex 4.
- The Capital Programme for 2026/27 of £110.219m including new and emerging capital bids outlined in Annex 5(i), planned sources of funding in 5.8.10, and notes the programme for 2027/28 to 2030/31 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(vi) to the relevant Director in consultation with the appropriate Cabinet Portfolio Holder.
- The Community Infrastructure Levy (CIL) allocations and amendments outlined in Annex 5(vii).
- The Capital & Investment Strategy attached at Annex 6.
- The Minimum Revenue Provision (MRP) Policy attached at Annex 7.
- The Capital Prudential Indicators outlined in 5.8.17.
- The Annual Pay Policy Statement at Annex 8.
- The Community Contribution Fund extension outlined Section 5.5.
- The Council Tax Support Scheme for 2026/27 shown in the following link:
https://www.bathnes.gov.uk/sites/default/files/2026-01/Council_Tax_reduction_scheme_April_1_2026_to_March_31_2027.pdf
 and referred to in 5.3.10
- The Fees and Charges schedule for 2026/27 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 include in its Council Tax setting, the precepts set and approved by other bodies including the local precepts of Town Councils, Parish Councils, and Charter Trustees of the City of Bath, and those of the Fire and Police Authorities.
- 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 Section 5.7.
- 2.4 That the Cabinet note the budget consultation responses in Annex 10, and the Policy Development and Scrutiny (PDS) Panel feedback in Annex 12.
- 2.5 Authorise the Council's S151 Officer, in consultation with the Portfolio Holder for Resources, to make any necessary changes to the draft budget proposal for submission to Council, including any changes arising from the final local government settlement announcement. Any changes may also require the S151 Officer's report on the robustness of the proposed budget and the adequacy of the Council's reserves outlined in Section 5.7 to be updated.

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

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

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSALS

- 4.1 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.
- 4.2 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 2026/27 Budget Summary

- 5.1.1 The Medium-Term Financial Strategy (MTFS) for Bath & North East Somerset Council (B&NES) was approved in November 2025 and outlined how the budget would be delivered over the medium to long-term. This highlighted that operating and funding the Council in the current economic environment with constrained public finances due to continued low economic growth continues to be challenging. Alongside this, there has been considerable uncertainty around the impact of the governments new mechanism for allocating funding to local government through implementation of its Fair Funding reforms. The MTFS assumed fair funding would have a significant negative impact on the Council's financial position over the medium term. 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.
- 5.1.2 The Government announced three year funding allocations based on the Fair Funding reforms as part of the Provisional Local Government Finance Settlement on 17th December 2025. The overall impacts across the three year period was broadly in line with the estimated impact included in the MTFS with a reduced impact in 2026/27, due to transitional phasing of impacts, and an overall reduced impact of £0.45m over the

three year period. The changes are shown in the table below and have been factored into the proposed budget.

Negative Impact of Fair Funding Changes	2026/27 £m	2027/28 £m	2028/29 £m	3 yr Total £m
MTFS Estimate (November 2025)	4.00	4.00	5.00	13.00
Provisional Settlement (December 2025)	2.42	5.12	5.00	12.55
Change from MTFS (November 2025)	(1.58)	1.12	0.00	(0.45)

- 5.1.3 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 2026/27 with a future year's budget gap from 2027/28, although this is expected to reduce to a balanced position once the impacts of income growth and further efficiencies and the developing transformation programme are factored into future budget planning. The figures include all estimates for future pay awards, pension costs, Council Tax, business rates, and Government grant. Service budgets have been updated to reflect changes in service demographic, inflation and ongoing pressures highlighted through the 2025/26 budget monitoring process which are unable to be directly mitigated on an ongoing basis. These increases in growth are partly mitigated by releasing £7.22m of the corporately held contingency which formed part of the 2025/26 base budget. This leaves contingency held within the 2026/27 budget of £2.62m.
- 5.1.4 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 2026/27 budget is a funding gap of £7.24m. The proposed budget meets this funding gap in two ways:
- 1) Income generation plans of £2.59m.
 - 2) Cost reduction plans of £4.65m.
- 5.1.5 After considering demands on services and inflationary pressures the Council's revenue budget requires £10.24m in budget growth. This is funded through increases in Council Tax, Business Rates, income, savings plans and grant adjustments. This is highlighted in more detail in section 5.2.62 of the report and supporting annexes.
- 5.1.6 The budget includes a recommendation that general Council Tax is increased by 2.99% in 2026/27 (an increase of £54.51 per Band D property) and the Adult Social Care Precept is increased by 2% (an increase of £36.46 per Band D property). This results in a total proposed Band D Council Tax for Bath & North East Somerset Council next year of £1,914.03 (£1,823.06 in 2025/26) an overall increase of 4.99% or £90.97 per Band D (£1.75 per week).
- 5.1.7 The proposed net revenue budget for Bath & North East Somerset for 2026/27 is £193.17m.

Corporate Strategy and the Councils' Priorities

- 5.1.8 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.
- 5.1.9 Our four values - bold, empowered, supportive and transparent - continue to underpin all of our work.
- 5.1.10 The report to cabinet in November 2025 on the [Medium-Term Financial Strategy](#) (MTFS) set out the financial framework for allocating resources across the Council which requires close alignment to the Corporate Strategy. 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.
- 5.1.11 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
- 5.1.12 The Council will also continue to work closely with the West of England Mayoral Combined Authority (MCA) 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 & 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 2026/27

2025/26 Current Budget Position

- 5.2.1 The Council is currently forecasting an over budget position at Quarter 3 of £1.66m, which is an improvement of £0.76m from the Quarter 2 position. Managers across the

organisation continue to prioritise cost control measures to bring the budget back to a balanced position before year-end. Children's Services are forecasting the largest cost pressure, primarily due to high-cost packages required to support the most vulnerable and complex young people in the area. Adult Services and Corporate Estate are also forecasting significant expenditure pressures, while staffing costs across the organisation have increased because of the pay and grading review associated with the Being Our Best programme.

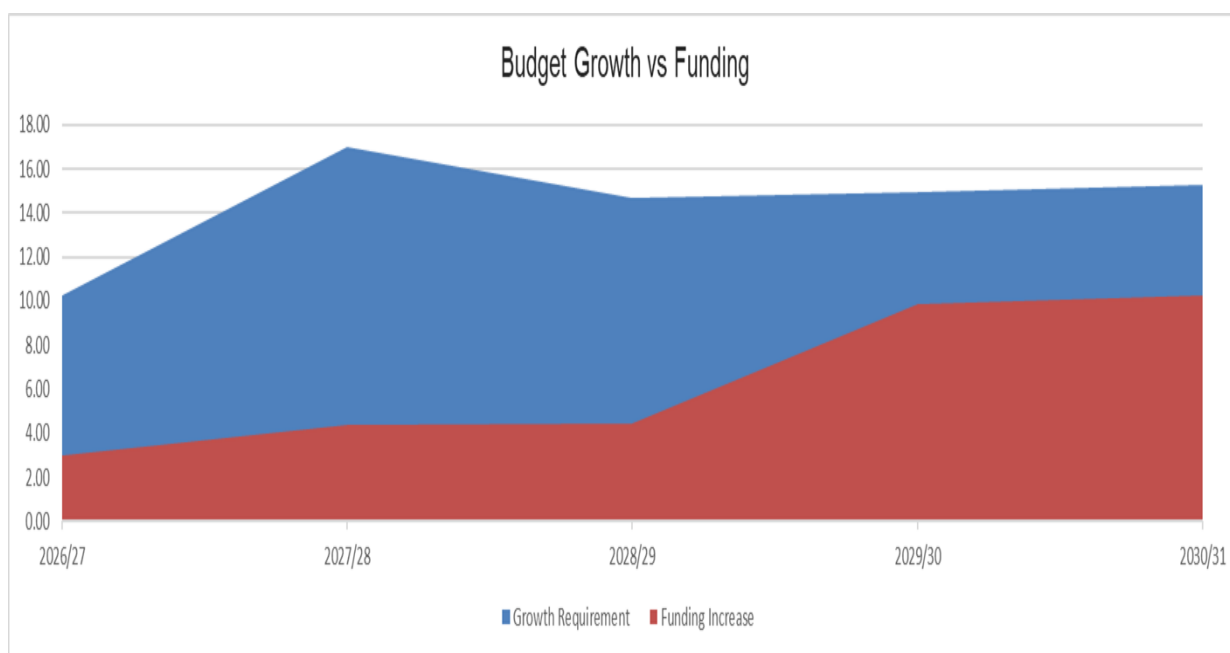
5.2.2 Income is lower than budgeted for both the Roman Baths and the Commercial Estate, however Parking Services are seeing income exceed expectations. Lower borrowing costs and strong treasury management performance are also helping offset the adverse financial position. The £1.66m forecast over budget position includes the use of £9.83m budgeted contingencies and use of the Job Evaluation and Pay Structure reserve (£1.72m).

5.2.3 Recurrent service pressures that cannot be mitigated have been incorporated into the proposed funding requirement for 2026/27.

The Budget and Medium-Term Financial Outlook

5.2.4 The budget summary is set out below showing the demand and funding changes over the next five years: The table and graph 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	10.24	16.96	14.65	14.93	15.30	72.09
Service & Business Rate Grants Transferred to Core Funding	38.46	0.00	0.00	0.00	0.00	38.46
Total Change In Net Budget Requirement	48.70	16.96	14.65	14.93	15.30	110.56
Funding Increase	3.00	4.41	4.44	9.83	10.24	31.93
Service & Business Rate Grants Transferred to Core Funding	38.46	0.00	0.00	0.00	0.00	38.46
Total Change in Core Funding	41.46	4.41	4.44	9.83	10.24	70.39
Annual Funding gap	7.24	12.55	10.21	5.10	5.06	40.17
Savings Proposals	7.24	(0.04)	(0.26)	0.15	0.15	7.24
Remaining Funding Gap	0.00	12.59	10.47	4.95	4.91	32.92



5.2.5 This illustrates a balanced budget for 2026/27 with a forecast budget gap of £32.92m from 2027/28 to 2030/31.

5.2.6 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
Budget Requirement (Previous Year)	151.71	193.17	197.58	202.02	211.86
Budget Adjustments (Reduced Corporate Contingency)	(7.22)	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	5.05	3.99	3.15	3.20	3.28
New Homes Bonus Grant	0.91	0.00	0.00	0.00	0.00
Capital Financing	1.22	2.42	2.27	1.28	1.17
Settlement grant funding	36.90	0.72	0.00	0.00	0.00
Budget pressure / rebasing	4.41	1.12	1.15	1.40	1.40
Funding Requirement Sub Total	48.70	16.96	14.65	14.93	15.30
Draft Budget Before Savings	200.41	210.13	212.23	216.96	227.16
Proposed Savings Plans	(7.24)	0.04	0.26	(0.15)	(0.15)
Estimated Savings Required	0.00	(12.59)	(10.47)	(4.95)	(4.91)
Savings Requirement Sub Total	(7.24)	(12.55)	(10.21)	(5.10)	(5.06)
Budget Requirement	193.17	197.58	202.02	211.86	222.10
Funding of Budget Requirement					
Council Tax	136.36	144.77	153.51	162.64	172.16
Business rates retention	55.36	52.81	48.51	49.22	49.94
Reserve transfers From	2.05	0.00	0.00	0.00	0.00
Reserve transfers (To)	(0.60)	0.00	0.00	0.00	0.00
Funding of Budget Requirement Total	193.17	197.58	202.02	211.86	222.10

5.2.7 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 is 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 £1.88m transfer from the Business Rate Reserve to fund the Business Rate Collection Fund deficit carried forward, £0.17m from the financial planning reserve to fund the carried forward Council Tax Collection Fund Deficit and a transfer of £0.60m to the Revenue Budget Contingency Reserve in line with the planned replenishment of the reserve following use to mitigates the impact of Covid in prior years.

The Government Settlement & Fair Funding

5.2.8 The MTFS report highlighted that this year's budget process has been taking place at a time of great uncertainty in respect of government funding for the period from 2026/27. The Government launched a consultation on its "Fair Funding Review" over the Summer which detailed the direction of travel for Local Government funding and its distribution.

5.2.9 The Funding Review updates the methodology for distributing a fixed amount of funding between local authorities. The underlying data used in the grant distribution system hadn't been updated since 2013 when the Business Rate Retention system was introduced.

5.2.10 The core principles of the Fair Funding Review as set out by the Government include:

- **Funding Simplification:** Last updated in 2013/14. Aim is to streamline the system by consolidating multiple grants into fewer, more predictable funding streams.
- **Needs-Based Allocation:** Using updated Relative Needs Formulas to assess local demand for services like adult social care, children's services, and fire and rescue.

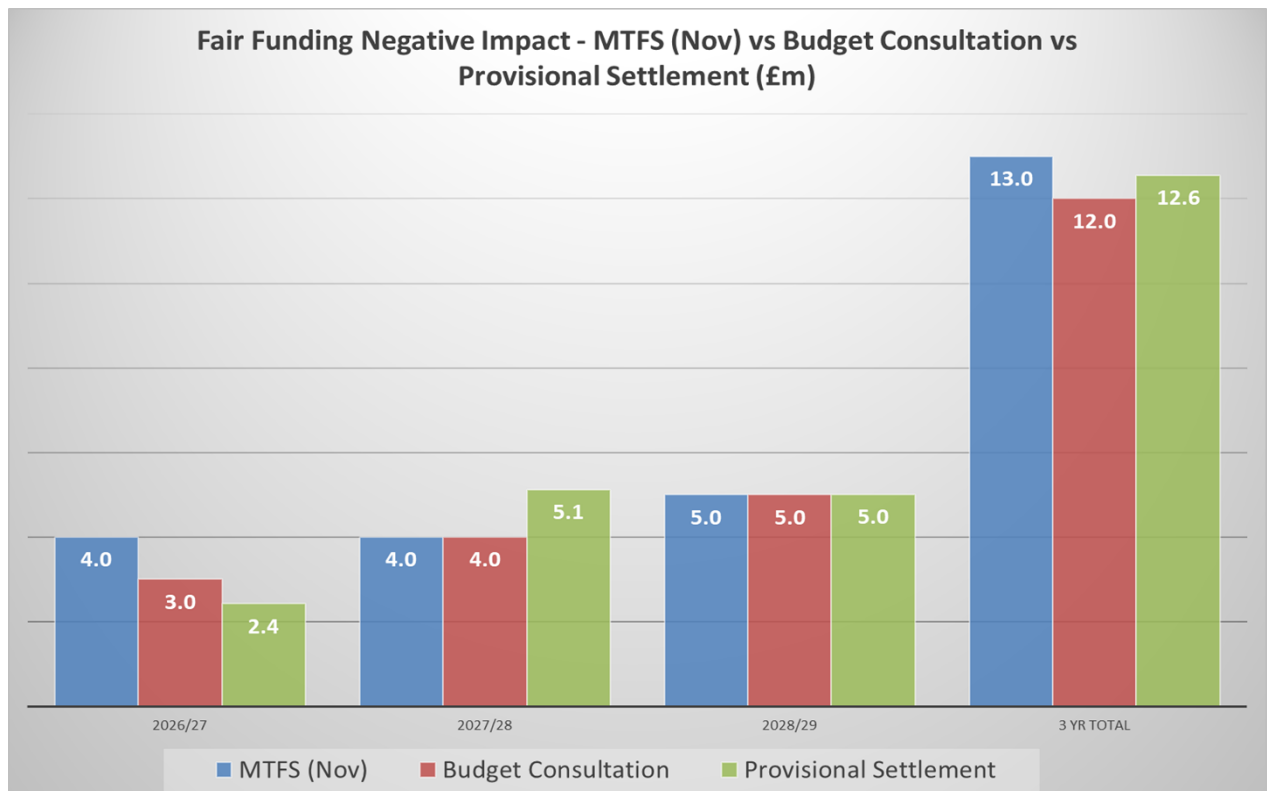
- **Area Cost Adjustment:** Recognising regional differences in the cost of delivering services, such as higher wages or transport costs in rural or urban areas.
- **Resources Adjustment:** Factoring in each authority's ability to raise revenue locally, especially through council tax.
- **Business Rates Reset:** Overhauling the Business Rates Retention Scheme to reflect current economic conditions and ensure fairer distribution.
- **Devolution and Local Empowerment:** Reducing central government micromanagement and giving councils more control over spending decisions.
- **Ending Competitive Bidding:** Phasing out short-term, competitive grant applications in favour of multi-year settlements that offer stability.
- **Transitional Protection:** Gradually implementing changes over three years (2026–2029) to avoid sudden funding shocks.

5.2.11 The Government did not provide exemplifications to show how the range of funding changes would impact on individual Councils prior to the Provisional Local Government Finance Settlement announcement on 17th December 2025. In the absence of such information, the Council used modelling undertaken by sector experts alongside our own funding information to forecast potential impacts. This uncertainty and lack of exemplifications has made financial planning extremely challenging.

5.2.12 The modelling undertaken forecasts that the Council would be a net loser from the proposed changes. The main reasons are due to the relative needs of the Council being assessed as lower than other areas who have greater levels of deprivation, the assessment that the Council has a relatively higher ability to generate resources through Council Tax (having a relatively higher Taxbase) and the redistribution of Business Rate income arising from the proposed Business Rate Reset.

5.2.13 For financial planning and updating the MTFS, which was previously based on a largely cash flat roll forward of grant funding, the estimated impact was for a reduction in funding at an overall level of £13m over the next 3 years. This was profiled with estimated reductions of £4m in 2026/27, £4m in 2027/28 and £5m in 2028/29. The 2026/27 estimate was revised prior to the Budget Consultation exercise in December, based on a forecasted improvement of £1m due to technical changes on the phasing in of impacts which were included in the policy statement announcement made by the government in late November.

5.2.14 The Government announced three year funding allocations based on the Fair Funding reforms as part of the Provisional Local Government Finance Settlement on 17th December 2025. The overall impacts across the three year period was broadly in line with the estimated impact included in the MTFS with a reduced impact in 2026/27, due to transitional phasing of impacts, and an overall reduced impact of £0.45m over the three year period compared to the original estimate made in the MTFS report. The changes are shown in the graph below and have been factored into the budget proposal.



5.2.15 The Final Settlement had not been announced at the time of finalising this report. The figures outlined in this report therefore reflect the provisional figures. The final settlement details will be updated within the report to Council if they are published before the report publication deadline.

Core Spending Power

5.2.16 The Provisional Local Government Finance Settlement sets out the Councils Core Spending Power (CSP), which is the government measure of the resources available to fund service delivery. CSP consists of:

- Core Funding – Revenue Support Grant (RSG) and Retained Business Rates
- Local Authority Better Care Grant
- Government estimate of Council Tax Income
- Ring-fenced Grants (Homelessness, Rough Sleeping & Domestic Abuse and Families First Partnership)
- Transitional Protection (B&NES = £0)
- Recovery Grant (B&NES = £0)

5.2.17 For England, CSP for local government is increasing by 15.1% across the three year period covering 2026/27 to 2028/29. For the Council, the CSP is shown to increase by 8.3%, well below the England average and reflecting the negative impact of the Fair Funding changes.

5.2.18 It should be noted that CSP includes the government's estimated council tax income for each authority and this assumes the council will implement the maximum permitted council tax increase of 4.99%, a collection rate of 100% and an increase in the council tax taxbase based on the average growth in the previous four years. This method of

calculation over estimates the council tax income available to the council, as the actual taxbase growth in 2026/27 and the future years forecast is lower than the four year average, due to it including the one-off increase to the taxbase achieved in 2025/26 through the introduction of Council Tax premiums for second homes and the increase in premiums on empty properties.

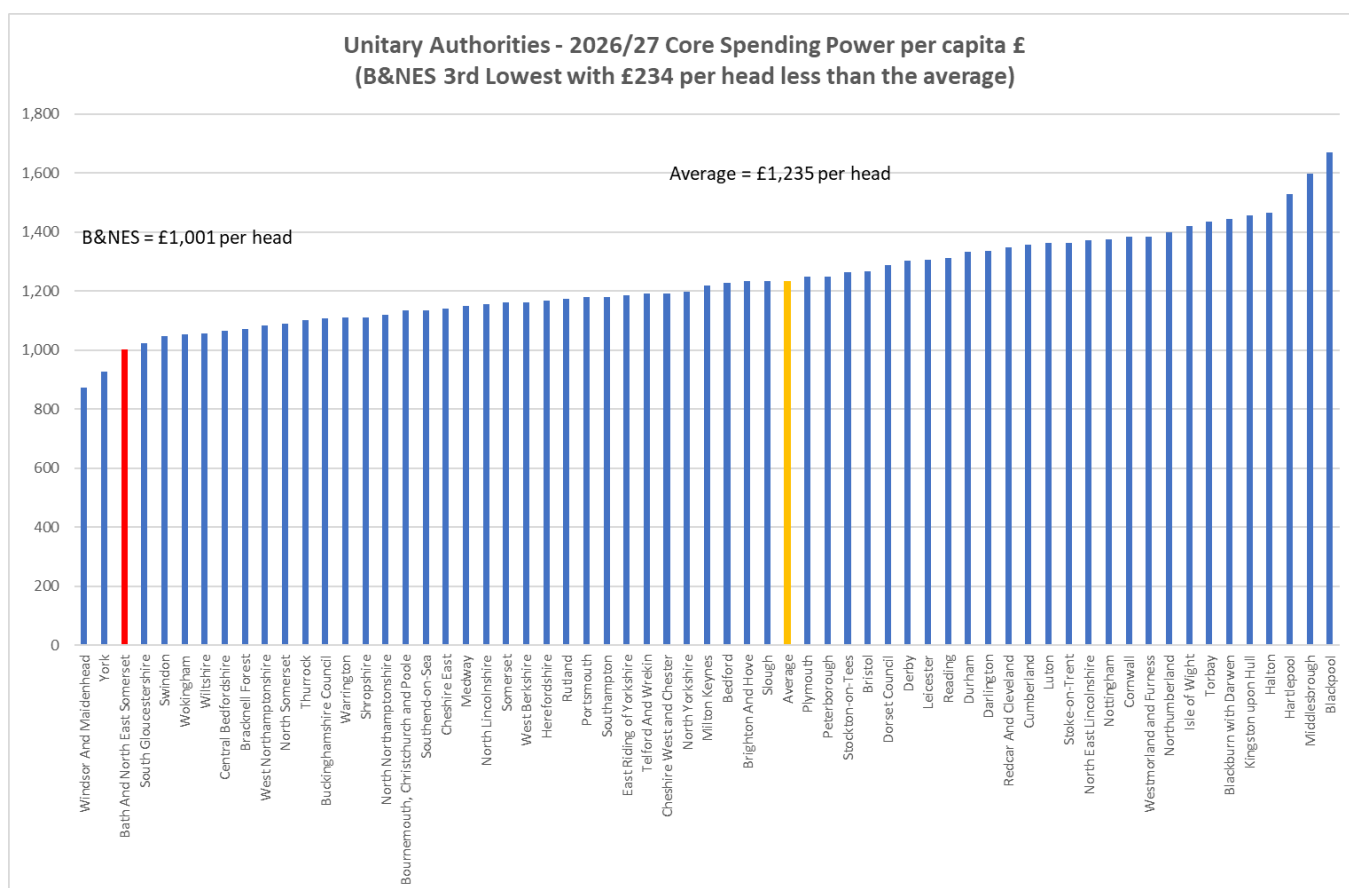
5.2.19 The table below shows the Government published figures for Bath & North East Somerset Council.

Core Spending Power - Government Published Figures	2025/26	2026/27	2027/28	2028/29
Core Spending Power (£m)	198.59	205.02	209.83	215.09
Annual Change (£m)		6.44	4.81	5.26
Annual Change %		3.2%	2.3%	2.5%
Cumulative Change since 2025/26 %		3.2%	5.7%	8.3%

5.2.20 The following tables shows the CSP figures with council tax income excluded which is more representative of the changes in government funding and highlights the negative impacts of the Fair Funding grant changes on the council, with a reduction in funding of 15.9% over the three year period to 2028/29. This continues the previous trend of increased reliance on council tax to fund rising costs and demands on local services.

Core Spending Power - Excluding Council Tax	2025/26	2026/27	2027/28	2028/29
Core Spending Power (Excluding Ctax) (£m)	69.20	67.04	62.69	58.19
Annual Change (£m)		(2.15)	(4.35)	(4.50)
Annual Change %		-3.1%	-6.5%	-7.2%
Cumulative Change since 2025/26 %		-3.1%	-9.4%	-15.9%

5.2.21 The following graph compares the overall CSP per head of population against other Unitary Authorities and shows Bath & North East Somerset Council to be the third lowest funded authority in 2026/27.



Revenue Support Grant (RSG) and Grant Simplification

5.2.22 Revenue Support Grant forms part of the updated Fair Funding allocation and as part of the grant simplification principle, a number of unringfenced service specific grants have been rolled into RSG from 2026/27. Some of the more material grants that have been rolled in are:

- Social Care Grant
- Market Sustainability & Improvement Fund
- Employers National Insurance Contributions Grant
- New Homes Bonus
- Temporary Accommodation element of the Homelessness Prevention Grant

5.2.23 The relevant service budgets have been adjusted to reflect the transfer of income and this has led to a significant increase of £22.11m in the net revenue budget due to this technical change in treatment of grant income.

5.2.24 The total Revenue Support Grant for 2026/27 is £33.00m

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

Recovery Grant

5.2.26 The Government has continued with the previously one-off Recovery Grant in 2026/27, 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

5.2.27 The New Homes Bonus was a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. This grant scheme has ceased in 2026/27 with the funding rolled into the overall financial settlement and distributed through the Fair Funding formulae.

Local Authority Better Care Fund Grant

5.2.28 The 2026/27 Settlement includes the same amount of funding for the Local Authority Better Care Grant of £6.05m as received in 2025/26.

Better Care Fund

5.2.29 The 10-year Health Plan announced reform to the Better Care Fund to focus on integrated services. DHSC and MHCLG will set out further detail on the approach to this reform. Where this involves any change to NHS and local authority minimum contributions to pooled funding, these changes will not be introduced before 2027-28.

5.2.30 The Council and ICB's Better Care Fund has a minimum funding contribution of £18.6m in 2026/27, a 3% uplift on 2025/26 which will ensure continuity of service delivery. The Strategy currently estimates that funding will continue at current levels with inflationary uplift given annually.

Children, Families and Youth Grant

5.2.31 The Children, Families and Youth Grant is a new consolidated grant from 2026/27. The ringfenced grant is targeted at supporting children and families across England, as part of the government's national reforms under the Families First Partnership Programme. The grant also supports the Holidays, Activities and Food Programme and funds the Pupil Premium Plus for post-16 looked after children and care leavers.

5.2.32 The following table shows the grants received in 2025/26 and the consolidated funding streams for 2026/27 to 2028/29.

5.2.33 The increase in funding for 2026/27 reflects the new funding for the Families First Programme announced at the Spending Review and the Local Government Finance Policy Statement.

Children, Families and Youth Grant	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Children's Social Care Prevention Grant	0.40			
Supporting Families	0.55			
Families First Partnership Programme Funding	0.95	1.66	1.66	1.42
Holiday Activities and Food Programme	0.47	0.48	0.46	0.46
Post-16 Pupil Premium Plus Programme	0.04	0.04	0.04	0.04
Total Children, Families and Youth Grant	1.46	2.18	2.16	1.91
<i>Annual Change</i>		0.72	(0.03)	(0.24)

Public Health Grant

5.2.34 For 2026/27 and future years, funding from the following grants will be consolidated into the Public Health Grant.

- Current Public Health Grant
- Drug and Alcohol Treatment and Recovery Improvement Grant
- Local Stop Smoking Services and Support Grant

5.2.35 The following table shows the grants received in 2025/26 and the consolidated Public Health Grant for 2026/27 to 2028/29

Public Health Consolidated Grant	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Public Health Grant	10.97			
Drug and Alcohol Treatment and Recovery Improvement Grant	1.34			
Local Stop Smoking Services and Support Grant	0.22			
Consolidated Public Health Grant	12.52	12.74	13.05	13.40
<i>Annual Change</i>		0.22	0.31	0.36

5.2.36 The grant continues to be ring-fenced for use on public health activity.

Homelessness, Rough Sleeping and Domestic Abuse Grant

5.2.37 This is another new consolidated grant from 2026/27. The ringfenced grant is to support councils to deliver homelessness and rough sleeping services, as well as meeting their domestic abuse duties. It brings together the following funding streams into a single consolidated grant.

- The Prevention, Relief and Staffing element of the Homelessness Prevention Grant
- Rough Sleeping Prevention and Recovery Grant and Rough Sleeping Accommodation Programme funding
- The Domestic Abuse Safe Accommodation Grant

5.2.38 The following table shows the grants received in 2025/26 and the consolidated Homelessness, Rough Sleeping and Domestic Abuse Grant for 2026/27 to 2028/29.

Homelessness, Rough Sleeping and Domestic Abuse Grant	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Homelessness Prevention Grant	1.23			
Homelessness Prevention Grant - Top Up	0.11			
Rough Sleeping Accommodation Programme	0.08			
Rough Sleeping Prevention and Recovery Grant	0.43			
Domestic Abuse Safe Accommodation Grant	0.40			
Total HRSDA Grant	2.26	2.09	2.17	2.22
<i>Annual Change</i>		<i>(0.17)</i>	<i>0.08</i>	<i>0.04</i>

Crisis and Resilience Fund

5.2.39 The Crisis and Resilience Fund consolidated grant is ringfenced funding to provide preventative support to communities and assist people when faced with financial crisis. The grant brings together the following two funding streams into a single consolidated grant from April 2026.

- Household Support Fund
- Discretionary Housing Payments

5.2.40 The following table shows the grants received in 2025/26 and the consolidated Crisis and Resilience Fund Grant for 2026/27 to 2028/29.

Crisis and Resilience Grant	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Household Support Fund	1.70			
Discretionary Housing Payments	0.22			
Consolidated Crisis and Resilience Grant	1.93	1.61	1.61	1.58
<i>Annual Change</i>		<i>(0.32)</i>	<i>(0.00)</i>	<i>(0.03)</i>

Extended Producer Responsibility for Packaging Funding

5.2.41 2025/26 was the first year of the Extended Producer Responsibility for Packaging (pEPR) scheme. The extra funding announced at the Autumn Budget included 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 £2.72m, which was incorporated into the budget reflecting the cost pressures and investment made into waste services in this and previous years budgets. 2026/27 funding will be based on data submitted by the Council to the scheme administrators, and the current projection is that this will be in line with the £2.72m. The

MTFS allows for a reduction in income of £0.72m, down to £2m, in 2027/28. This will be reviewed during the 2027/28 budget process to update the forecast income using updated scheme data.

Business Rates

5.2.42 There will be a series of changes to the Business Rate Retention System coming into effect from 2026/27. These include:

- A full reset of the Business Rate baseline, where Business Rate growth above baseline achieved since 2013 will be redistributed based on the updated needs assessments as part of the Fair Funding proposals.
- A Business Rate revaluation with the changes to properties Rateable Values implemented with effect from 1st April 2026.
- A Transitional Relief Scheme which phases in increases in business rate bills over three years (2026/27, 2027/28 and 2028/29) for those properties whose Rateable Value have increased significantly through the 2026 revaluation.
- The introduction of new lower business rate multipliers for Retail, Hospitality and Leisure properties with a Rateable Value below £500,000, funded by increasing the multipliers for businesses with Rateable Values of more than £500,000.

5.2.43 Each Local Authority has received a new Business Rate Baseline, Baseline Funding Level and a corresponding top-up or tariff based on updated needs assessments.

5.2.44 The impacts of the business rate reset have been included within the Fair Funding reductions referred to in the sections above. The existing section 31 grants received by the Council in 2025/26 in respect of government compensation for previously introduced business rate compensation for relief schemes (such as the Retail, Hospitality & Leisure reliefs) and the under-indexation of business rate multipliers have also been rolled into the Fair Funding redistribution. The relevant revenue budgets have been adjusted to reflect the transfer of income and this has also led to a significant increase of £16.35m in the net revenue budget due to the technical change in treatment of grant income in the same way as the simplification of service based grant funded highlighted in the Revenue Support Grant and grant simplification section above.

5.2.45 The 2026/27 provisional local government finance settlement announced the continuation of the West of England 100% Business Rate Retention Pilot Scheme.

5.2.46 As part of the proposed Budget, reasonable assumptions have been made for the estimated levels of future Business Rate income, together with making specific provisions for appeals, changes in reliefs and growth and deletions. Due to the significant system changes and the resetting of the Business Rate Retention Scheme in 2026/27, the government has increased the level at which a safety net payment is triggered to 100% of each Council's Baseline Funding Level for 2026/27.

5.2.47 The Council's projected retained business rate income for 2026/27 is £56.95m, which is forecast to be slightly below the Baseline Funding Level with a safety net payment of £0.29m bringing income back to the Baseline Funding Level of £57.24m in line with the 100% protection.

5.2.48 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.

2025/26 Business Rate Collection Fund Deficit

5.2.49 The forecast for the Business Rate element of the collection fund in 2025/26 is for a deficit of £2.00m. The Council's share of the estimated deficit, after allowing for amounts due to the Avon Fire Authority and the West of England Mayoral Combined Authority, is £1.88m. This includes £1.12m from the final 2024/25 business rates collection fund outturn position. The deficit will be funded by a transfer from the Business Rate Reserve which is earmarked to smooth Business Rate income over the medium term.

Schools Funding

5.2.50 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 Council's main revenue funding and included as part of the proposed budget.

5.2.51 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 95% of B&NES schools will have converted to academies by April 2026 and at least one other plans to convert in the coming year. This would leave only four primary schools maintained by the Local Authority.

5.2.52 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 Special Educational Needs and Disabilities (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 white paper anticipated in February 2026 is anticipated to provide clarity on the plans of the DFE in transferring the responsibility of High Needs Funding from Local Authorities to the DFE.

5.2.53 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 ongoing 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. In August 25 officers submitted a renewed plan

which has yet to be formally agreed by the DFE and we now expect the outcome of the plans to be incorporated in the White paper proposals.

5.2.54 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.

5.2.55 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.

5.2.56 As part of this agreement the DFE have agreed to make payments to the Council of £19.2m over a six-year period. To date payments of £8.1m have been received but further payments will be reliant on approval of the revised plan and the details of the white paper.

5.2.57 The underlying overspend on the DSG including the High Needs Block (having taken account of the additional payments) was £32.795m in 2024/25 and that balance was carried forward to 2025/26. The estimated forecast in 2025/26 (including the carry forward from 2024/25) is £46.574m.

5.2.58 The DFE have suspended the National Funding Formula for High Needs for 2026/27 until the publication of the White Paper. The Increase in funding to support inflation etc is therefore set at zero at present until the white papers explains how funding will be allocated.

5.2.59 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 £0.8m.

Savings and Income Generation

5.2.60 To deliver a balanced budget in 2026/27 savings and income generation plans total £7.24m. The Council has a good track record in savings delivery, in 2025/26 the budget had a savings requirement of £14.01m, of which 65% (£9.15m) are forecast to be delivered in full, 15% (£2.04m) forecast to be mitigated through savings, contingency or income elsewhere in the respective service, with the remaining 20% (£2.82m) delayed until 2026/27 or addressed through the budget setting proposals.

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

Budget Funding Requirements

5.2.62 Budget growth and additional pressures across portfolios of £10.24m 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(ii).

5.2.63 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 £5.51m
- Children's Services budget growth £4.07m
- Heritage Services income rebasing £1.33m

Children's Services Management Plan

5.2.64 Children's services were inspected by Ofsted in 2025. 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:

- Complexity of needs
- Increasing cost in the numbers of children in care
- Unfavourable external market conditions in residential care and more children (than budgeted) in residential care
- Support costs for children and families with disabled children
- The use of agency staff to fulfil safeguarding duties, with costs being higher than budgeted vacant posts

5.2.65 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 2026/27 and includes:

- An enhanced Transformation programme and detailed scrutiny of all areas of activity and spend.
- Focused placements taskforce responsible for cost assurance and ensuring young people's needs are met through the most effective and sustainable means possible.
- 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

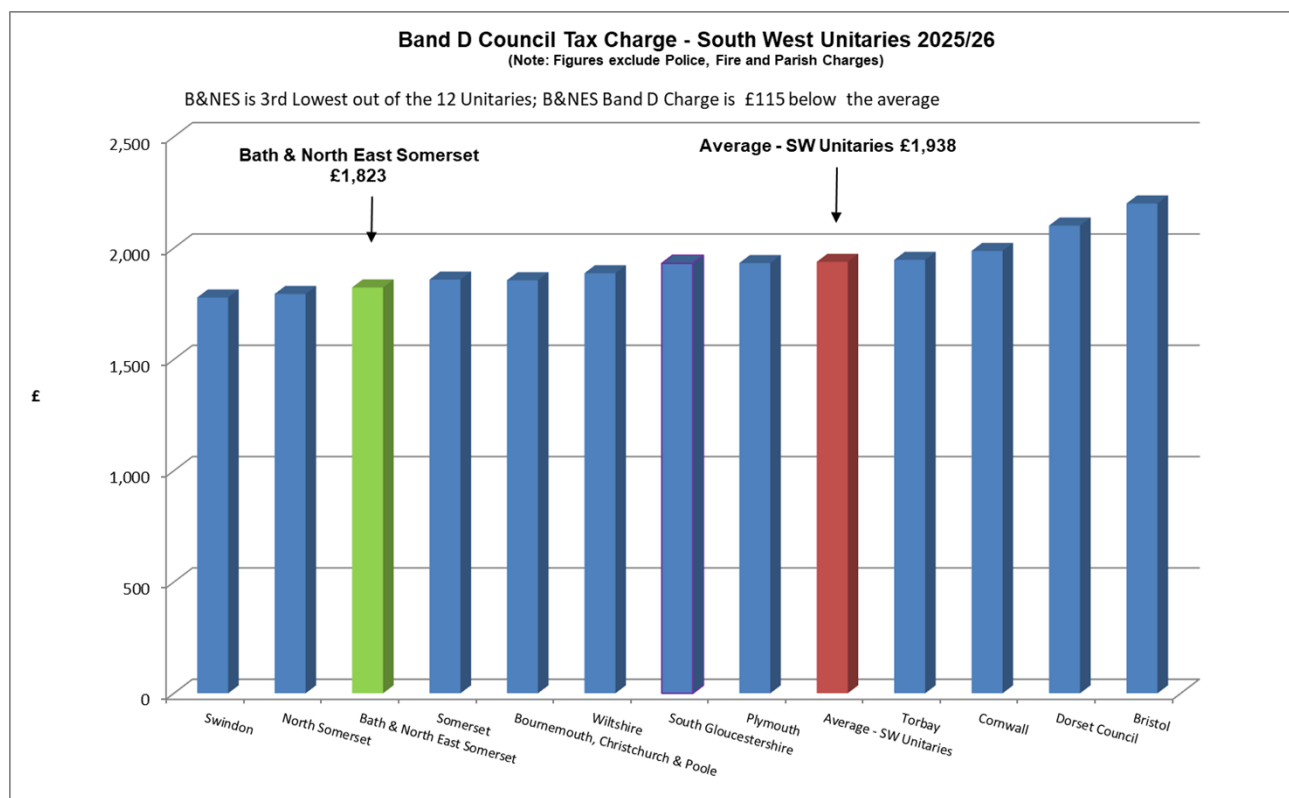
- Transitions team across adult social care, children's social care, and SEND, to support young people as they move from children's to adult services

5.3 Council Tax

Band D Equivalent Council Tax

5.3.1 The Government has announced the same referendum cap of 3.00% will be in place for 2026/27. The proposal therefore within this report is to increase general Council Tax by 2.99% in 2026/27. This will increase a Band D by £54.51 for 2026/27 to £1,590.57. The overall proposed Band D Council Tax for Bath & North East Somerset Council next year, including the Adult Social Care Precept increase of 2.00%, is £1,914.03 (£1,823.06 in 2025/26) an increase of 4.99% and £90.97 per Band D (£1.75 per week). The Council Tax Base for 2026/27 is 71,327.90 Band D Equivalents, an increase of 354.04 (+0.50%) from 2025/26.

5.3.2 The diagram below shows that B&NES had the third lowest Council Tax of the South West Unitary Authorities in 2025/26:



5.3.3 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 & 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 24th February 2026.

Adult Social Care Precept

- 5.3.4 The Government, in recognising the continued pressures facing Adult Social Care (ASC) authorities, has allowed for a further 2.00% increase for 2026/27. The Council's plans include this for 2026/27 (this would increase the Adult Social Care Precept to £23.07m an increase of £2.70m from 2025/26) and future years.
- 5.3.5 The funding requirement for Adult Social Care before savings and grant funding is £5.5m (Annex 2ii) which will be part funded from the Adult Social Care Precept increase.

2025/26 Council Tax Collection Fund Surplus

- 5.3.6 The forecast for the Council Tax element of the collection fund in 2025/26 is for a deficit of £0.200m. The Council's share of the estimated deficit, after allowing for amounts due from Avon Fire Authority and Avon & Somerset Police, is £0.166m. The Council's share of the deficit consists of the Collection Fund position carried forward from 2024/25 of £0.344m and the forecast in year surplus of £0.178m. The £0.166m one-off deficit is funded by a drawdown from the Financial Planning Reserve.

Estimates for Future Years Band D Council Tax

- 5.3.7 The current Medium Term Financial Plan has factored in an annual increase of 2.99% for 2027/28 and future years for general Council Tax together with 2.00% 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.

Local Council Tax Support

- 5.3.8 The base Local 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 2026.
- 5.3.9 The Government have announced that from April 2026, most elements of Universal Credit will be increased by 6.2%. We are proposing to set the lowest income band in line with the standard allowance for Universal Credit for 2026 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.
- 5.3.10 The 2026/27 Scheme is available at the following link:

https://www.bathnes.gov.uk/sites/default/files/2026-01/Council_Tax_reduction_scheme_April_1_2026_to_March_31_2027.pdf

5.4 West of England Mayoral Combined Authority (WECA)

- 5.4.1 The West of England Mayoral Combined Authority (MCA) works in partnership with its constituent councils to plan and deliver strategic priorities across the region, including transport, skills, housing and economic growth.

5.4.2 In 2025, the MCA approved a new 10-year Growth Strategy, which sets the long-term direction for the region. The MCA's 2026/27 budget has been developed to support the delivery of this Strategy, focusing on translating agreed priorities into delivery while maintaining financial sustainability.

5.4.3 The MCA's Revenue and Capital Budget will be approved by the West of England Combined Authority Committee on 31 January 2026. Based on current budget proposals, the following elements have been incorporated into budget assumptions.

Revenue Transport Levy

5.4.4 An annual revenue transport levy reflecting the cost of core regional Integrated Transport services, including:

- Concessionary travel
- Supported bus services (delivered jointly with constituent councils)
- Real Time Information and bus service information
- Community transport
- TravelWest and Metrobus operations

5.4.5 The levy for 2026/27 is £5.724m. Levy contributions are pooled and managed regionally by the MCA. Increasing costs and demand for transport services will continue to be monitored to ensure services remain affordable within available funding.

Highways Maintenance Funding

5.4.6 Through the City Region Sustainable Transport Settlement, the MCA allocates capital funding to Unitary Authorities for highways maintenance. Indicative allocation for 2026/27 is £6.997m and additional £1.968m of funding announced in December 2025. This funding supports the Council's Highways Maintenance and Local Active Travel Safety Programmes.

Projects and Programmes

5.4.7 The MCA budget continues to support a range of projects and initiatives with approved budgets for 2026/27 summarised in the table below.

Project	Approved £000s
B&NES Liveable Neighbourhoods	2,772
Bath City Centre Sustainable Corridor - Phase Two	571
Bath City Centre Sustainable Corridor Phase 1	4,032
Bath Sustainable Walking & Cycling Links	4,757
CRSTS AC - Midsomer Norton & Westfield Walking, Wheeling and Cycling Links	2,297
FEAS BT - Strategic Master Planning - North Keynsham	100
FEAS CS - Bath Quays Bridge Cycle/Pedestrian Links	475
FEAS GB - Scholars Way Walking and Cycling Route	2,349
IF DI - Bath City Centre High Streets Renewal Project	146
IF EM - Somer Valley Links	5,900
IF GE ISTART Phase 0	200
Maintenance Challenge Fund - Manvers Street Cleveland Bridge	2,679
Total	26,278

5.4.8 Further bids for funding may be brought forward in line with the MCA's Investment Strategy and Local Growth Assurance Framework.

5.4.9 The MCA does not have the power to raise Council Tax and therefore no precept will be requested.

5.4.10 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

5.5.1 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 since that time reached £51,413.12 as of 20th January 2026. Over 500 donations have been received, and over the last financial year, these have ranged from £5 to £150. The largest donation to date has been £5,000.

5.5.2 The scheme has been promoted through local press 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.

5.5.3 To date, £48,735 from the fund has been allocated to local causes.

5.5.4 In 2022, grants of up to £2,000 were awarded to 15 community organisations. A total of £25,235 was distributed. 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.

5.5.5 In 2023, 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 with a total of £6,000 distributed.

5.5.6 In 2024, 20 grants of £500 were awarded in support of low cost/free food projects, including those at registered Warm Spaces, with a total of £10,000 distributed.

5.5.7 In 2025, 8 local organisations received grants of either £500 or £1,000 for projects that both reduce inequality and primarily benefit people over the age of 55 with a total of £7,500. A broad range of projects have been funded – from entertainment in care homes to research relating to those living with cancer and seed funding for the new, B&NES Older People’s Voice group.

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

5.5.9 Subject to sufficient donations being received, it is recommended that the scheme continues into 2026/27.

5.6 Revenue Balances, Contingency & Reserves

5.6.1 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 2026/27 and future years.

	Estimated Balance 1/4/26 £’m	Estimated Balance 31/3/27 £’m	Estimated Balance 31/3/28 £’m	Estimated Balance 31/3/29 £’m
Revenue Budget Contingency	3.0	3.0	3.0	3.0
Financial Planning and Smoothing Reserve	3.6	2.8	2.6	2.4
Transformation Investment Reserve	3.2	2.6	2.5	2.5
Job Evaluation & Pay Structure Reserve	1.2	0.9	0.7	0.5
Restructuring & Severance Reserve	3.8	2.8	1.8	1.8
Commercial Income Risk Reserve	5.2	5.2	5.2	5.2

Revenue Budget Contingency £3.0m

- 5.6.2 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 2025 forecast a £1.66m 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, after considering use of relevant service specific reserves, the revenue budget contingency will be utilised. The Budget proposal includes a planned transfer of £0.6m to replenish the reserve balance following its use in previous years to mitigate the Covid impact on the Council's income levels.

Financial Planning and Smoothing Reserve £3.6m

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

Transformation Investment Reserve £3.2m

- 5.6.4 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.

Job Evaluation & Pay Structure Reserve £1.2m

- 5.6.5 The reserve is to cover the one-off costs of implementing the "Being Our Best Programme" with a revised pay offer and new structures.

Restructuring and Severance Reserve £3.8m

- 5.6.6 The reserve is to cover potential costs 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 carried forward to 2026/27.

Commercial Income Risk Reserve £5.2m

- 5.6.7 A new Commercial Income Risk Reserve is being established in 2026/27 to recognise the risks in relation to fluctuations in the Council's key commercial income streams, for example, Commercial Estate, Heritage and the Council's housing company. The reserve will be created from repurposing the existing Commercial Estate Reinvestment Reserve (current balance £1.67m) and transferring £3.5m from the Business Rate Reserve, following a review of the level of that reserve and the current risks in respect of business rate income.

Flexible Capital Receipts

- 5.6.8 Flexible Capital Receipts can be used for revenue spend which results in ongoing revenue savings. Estimated usage for 2025/26 is expected to be up to £0.03m with the remaining £0.35m carried forward for use in 2026/27 as outlined in the Efficiency Strategy attached at Annex 4.

	Actual Usage 2017/18 – 2024/25 £'m	Estimated Usage 2025/26 £'m	Available Balance 2026/27 £'m	Est. Total Usage £'m
Flexible Capital Receipts	11.12	0.03	0.35	11.50

General Fund Un-Earmarked Reserve

5.6.9 The General Fund Un-earmarked reserve is retained to meet the Council's key financial risks. Budget Monitoring for the period April to September 2025 estimated that Un-earmarked reserves would total £12.58m by 31st March 2026.

5.6.10 The budget risk assessment has set a range of between £12.0m and £13.2m to meet those risks. The available balance is £12.58m which is within the budget risk assessment range.

5.6.11 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 Chief Finance Officer's Report on the Robustness of the 2026/27 Budget

Introduction

5.7.1 Under Section 25 of the Local Government Act 2003 there is a requirement for the Council's Chief Finance Officer, which for Bath & North East Somerset Council is the Director of Finance (S151 Officer), to report to Council on:

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

5.7.2 Council in considering its Budget should have regard to this advice.

5.7.3 In expressing this opinion, the S151 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 2026/27 budget to inform the advice.

Robustness of Estimates

5.7.4 The Council's Medium Term Financial Strategy, presented to Cabinet on 13th November 2025, considered the national economic outlook that has informed the 2026/27 budget assumptions that are in section 5.2.8. of the report.

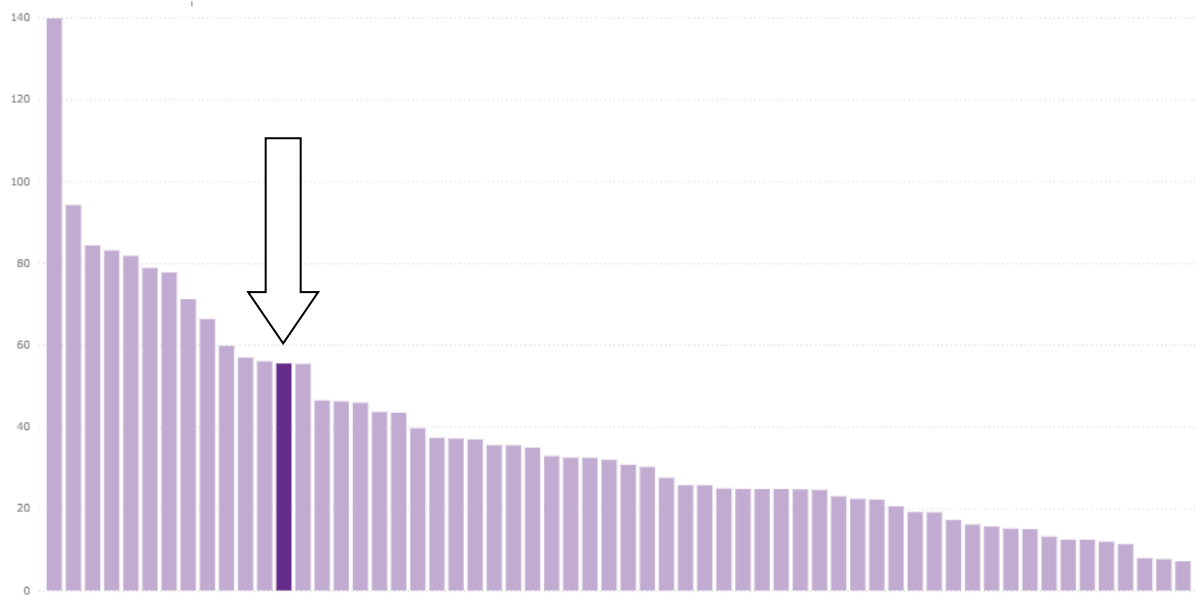
- 5.7.5 Cost and income estimates have been informed by 2025/26 Budget Monitoring and have taken into account current activity levels alongside future years projections to ensure the budget proposals are aligned to operating costs.
- 5.7.6 Budget sensitivity analysis in the Medium Term Financial Strategy was modelled taking into account best and worst case scenario's using budget estimates covering the fair funding and government settlement changes, service demographic and demand cost risk, and key service income budget risks, totalling with the worst case estimate a budget gap at that time of c£14.37m.
- 5.7.7 The budget savings requirement for 2026/27 is £7.24m, 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).
- 5.7.8 In recognition of the budget risks from demand on statutory services rising above modelled levels, alongside savings delivery risk, a corporate contingency of £2.62m has been included in the budget.

CIPFA Financial Resilience Index

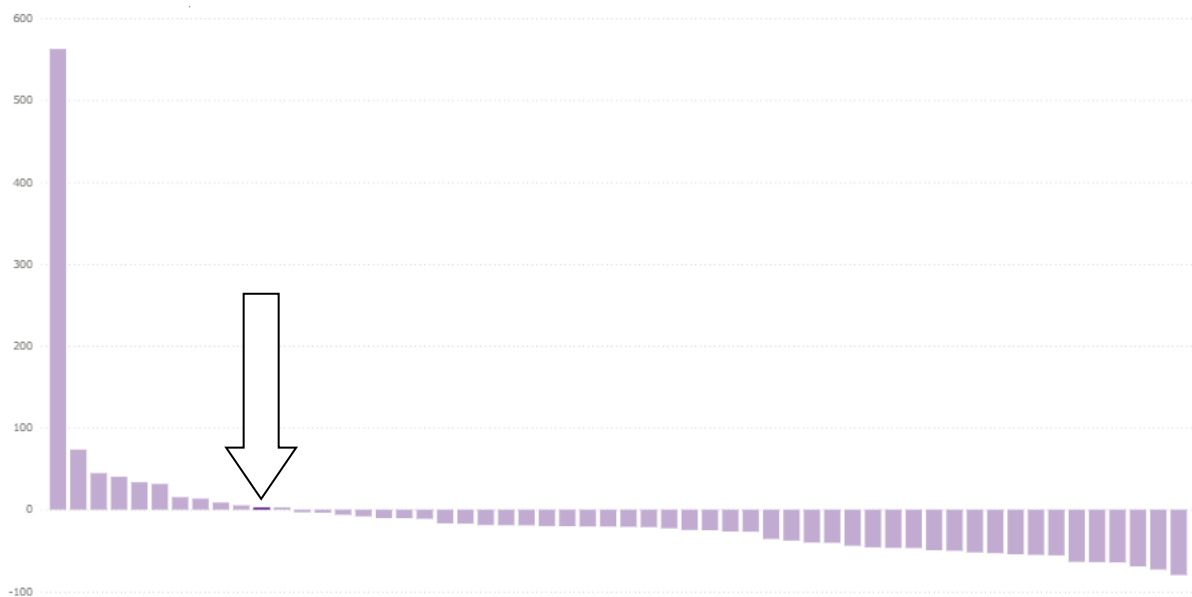
- 5.7.9 The CIPFA Financial Resilience Index is a comparative analytical tool intended for use by Chief Financial Officers to support good financial management. The index shows a council's position on a range of measures associated with financial risk, highlighting where additional scrutiny may be required. The 2024/25 index for Bath & North East Somerset Council as compared to other Unitary Councils is as follows:



- 5.7.10 The majority of these indicators show the Council to be medium to low risk within the CIPFA family group of Unitary Councils.
- 5.7.11 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. As at 31st March 2025, the level of reserves held by Bath & North East Somerset Council equated to 55.46% (53.44% as at 31st March 2024) of the Council's net revenue expenditure. The following chart shows the level of reserves of all Unitary Councils, with Bath & North East Somerset Council, highlighted as the darker coloured bar within the chart, being the 13th least exposed Unitary Council (15th as at 31st March 2024).



5.7.12 The following chart shows the percentage change in Useable Reserves (excluding Public Health Grant Reserve and School's Balances) over the last three years. For Bath & North East Somerset Council this equates to 2.84% (as indicated by the arrow) and is considered a low risk.



5.7.13 The most significant risk highlighted within the index for the Council is Ratio of Interest Payable and Net Revenue Expenditure. This indicator value is 6.33% for 2024/25, which has increased from 4.90% for 2023/24 and reflects the increase in the reliance of external borrowing, and the associated interest costs, of funding the Council's Capital Programme. Whilst this is considered to be a Medium risk, rather than a High risk within the index, this is a risk worth noting and keeping under review.

5.7.14 The index has identified the Social Care Ratio (the cost of delivering social care in comparison to net revenue budget) as the second most significant risk for the Council. This indicator is 78.32% for 2024/25 which is a slight increase from 78.17% for 2023/24. There have been continuing increases in the cost of Children's Social Care,

this has been recognised in the 2026/27 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.

Adequacy of Reserves

- 5.7.15 The level of reserves a council should maintain is a matter of judgement. The consequence of not having adequate reserves can be significant. In the event of a serious problem or a series of events, the Council could run the risk of a deficit or be forced to cut expenditure in a damaging or arbitrary way should reserves not be available.
- 5.7.16 The General Fund Reserve is retained to meet the Council's key financial risks. Budget Monitoring for the period April to September 2025 estimated that this reserve would total £12.58m by 31st March 2026.
- 5.7.17 The budget risk assessment has set a range of between £12.0m and £13.2m to meet those risks. The available General Fund Reserve balance of £12.58m is within the budget risk assessment range and represents 6.5% of the Net Budget Requirement. I consider this to be an adequate working balance.
- 5.7.18 The Council's General Fund revenue reserves, including earmarked reserves but excluding Public Health and Schools ring-fenced reserves, were £89.38m on 31st March 2025. As set out in the CIPFA Financial Resilience paragraphs above, the level and change in reserve balances is currently considered to be of low risk to the Council.
- 5.7.19 The Council's Statement of Accounts 2024/25 were signed off by the Council's external auditors on 29th September 2025 with an "unqualified opinion". I therefore have external assurance to rely on with regards to the level of the Council's useable reserves.

Risk

- 5.7.20 Local Government finance continues to be a significant challenge across the country. Since 2018, there has been a significant increase in the number of 'section 114; notices, which notifies of severe financial distress, issued by Local Authorities compared to just 2 in the preceding 18 years. Moreover, local authorities are increasingly reporting concerns about their financial positions and their ability to maintain delivery of their services. In 2025/26 the Government has agreed to provide 30 councils with support to manage financial pressures via the Exceptional Financial Support process.
- 5.7.21 The financial crisis that local authorities are encountering comes after significant reductions in local authorities' spending power which has itself coincided with increasing demand for their services and inflationary pressures driving up costs. Ultimately, the levels of funding available to local authorities, through Council Tax, Retained Business Rates, and Government Grants have not kept pace with these pressures. Fair Funding Reform has resulted in the various formulae used in the Government's calculations for allocating funding to Local Authorities being revised for the first time in many years. Ultimately however, this process primarily results in funding

being moved around the country to where the new formulae derive that it is needed most, and this has impacted negative on Bath & North East Somerset Council as set out in 5.1.2.

5.7.22 Key risks to the budget are set out further in Section 6.

Executive Summary of the Section 151 Officer on the budget position

5.7.23 For 2026/27 the savings requirement is £7.24m 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 2026/27 as the amounts proposed have been profiled to consider the delivery timeframe. To recognise risk the revenue budget has provided a £2.62m budget contingency to mitigate slippage on savings delivery as well as service demand & cost increases.

Consequences of Failing to Deliver a Budget

5.7.24 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 5.7.32 of this report).

5.7.25 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.

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

5.7.26 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.

5.7.27 Risk Robustness statements 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 £2.62m budget contingency to mitigate slippage on savings delivery as well as service demand & cost increases.

5.7.28 The budget has recognised the current and future years funding requirement with £10.24m allocated to portfolios in 2026/27 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 2025/26.

5.7.29 The Council in 2025/26 is forecasting a deficit balance on the Dedicated Schools Grant of £46.57m 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.

5.7.30 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.

5.7.31 With regard to the adequacy of balances, the 2026/27 planned level of the un-earmarked General Fund Reserve is £12.58m (which is within the required risk assessment range of £12.0m to £13.2m).

5.7.32 The conclusion of the CFO is that the estimates for 2026/27 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 2026/27 to 2030/31

Capital & Investment Strategy

5.8.1 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.

Overall Capital Programme & Financing including New Capital Schemes

5.8.2 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.

- 5.8.3 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.
- 5.8.4 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.
- 5.8.5 The Capital Programme will retain the clear separation of schemes for **Full Approval** and those which are for **Provisional Approval**.
- 5.8.6 Items gaining **Full Approval** are clear to proceed to full scheme implementation and delivery, subject to appropriate project management and governance.
- 5.8.7 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.
- 5.8.8 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.
- 5.8.9 The capital programme is aligned with the Community Infrastructure Levy allocations agreed for the coming financial year.
- 5.8.10 A summary of the proposed capital programme and its financing for 2026/2027 – 2030/2031 is shown below

Capital Schemes for Approval

Cabinet Portfolio: Capital Schemes	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Budget 2029/2030 £'m	Budget 2030/2031 £'m	Total £'m
Resources	39.651	38.820	22.970	4.766	0	106.207
Economic & Cultural Sustainable Development	18.776	10.306	24.922	0.550	0.050	54.604
Communications & Civic Services	1.247	0.05	0.05	0.05	0.05	1.447
Leader	0	0	0	0	0	0
Sustainable Transport Strategy	0.745	0	0	0	0	0.745
Built Environment, Housing & Sustainable Development	12.667	7.597	2.229	1.789	1.789	26.072
Adult Services	0.166	0	0.05	0	0	0.216
Children's Services	7.059	2.070	0	0	0	9.129
Sustainable BANES	2.402	0.327	0.049	0	0.044	2.822
Sustainable Transport Delivery	27.506	0	0	0	0	27.506
Total	110.219	59.170	50.270	7.155	1.933	228.747

Capital Schemes for Provisional Approval (Subject to)

Cabinet Portfolio: Capital Schemes	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Budget 2029/2030 £'m	Budget 2030/2031 £'m	Total £'m
Resources	6.033	19.703	7.579	6.520	3.720	43.555
Economic & Cultural Development	28.506	5.454	16.821	9.141	3.606	63.528
Communication and Civic Services	1.500	0.500	0.500	0.750	0	3.250
Leader	0.272	0	0	0	0	0.272
Sustainable Transport Strategy	0.110	0	0.270	0	0	0.380
Built Environment, Housing & Sustainable Development	9.122	24.230	3.195	1.135	0.635	38.317
Adult Services	2.265	0.149	0.150	0.050	0	2.614
Children's Services	16.073	7.229	0	0	0	23.302
Sustainable BANES	11.900	1.668	1.155	1.050	1.006	16.779
Sustainable Transport Delivery	24.598	24.087	16.907	9.267	9.267	84.126
Total	100.380	83.019	46.576	27.913	18.234	276.122

Funded By

Financing	Budget 2026/2027 £'m	Budget 2027/2028 £'m	Budget 2028/2029 £'m	Budget 2029/2030 £'m	Budget 2030/2031 £'m	Total £'m
Grant	98.653	38.414	15.856	8.786	8.786	170.495
Capital Receipts/RTB	6.025	1.762	0.635	0.202	0.635	9.259
Revenue	6.121	0.050	0.050	0.050	0.050	6.321
Borrowing	83.632	100.911	80.300	26.030	10.696	301.570
3rd Party (inc S106 & CIL)	16.168	1.050	0.005	0	0	17.224
Total	210.599	142.188	96.846	35.068	20.167	504.868

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.

5.8.11 Attached at Annex 5(ii) is the Highways Maintenance Programme, at 5(iii) Local Active Travel Safety Programme, at 5(iv) the Corporate Capital Property Maintenance Programme, at 5(v) Parks Play Equipment Replacement and at 5(vi) IT Replacement 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.

Efficiency Strategy

5.8.12 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.

5.8.13 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 £0.35m of capital receipts held under this scheme to provide one-off funding for the Business Change function to meet eligible costs associated with the delivery of transformation savings as outlined in Annex 2(i). The Strategy must be approved by Full Council.

Capital Risk Contingency

5.8.14 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 £2.829m;
- 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.

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

Minimum Revenue Provision (MRP) Policy

5.8.16 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 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 2025/26 policy.

Prudential Indicators

5.8.17 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	2024/25 Actual	2025/26 Forecast Outturn	2026/27	2027/28	2028/29
Estimate of Capital Expenditure (£'000s)					
Actual/estimates of capital expenditure	53,041	98,420	210,599	142,188	96,846
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			(£1.38)	£6.14	£3.36
Cumulative totals:			(£1.38)	£4.76	£8.12
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			12.90%	14.86%	17.36%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			5.06%	5.97%	7.07%
Borrowing Limits (£m)					
Operational boundary – borrowing			£438m	£526m	£587m
Operational boundary – other long-term liabilities			£8m	£8m	£7m
Operational boundary – total			£446m	£534m	£594m
Authorised limit – borrowing			£465m	£552m	£612m
Authorised limit – other long-term liabilities			£8m	£8m	£7m
Authorised limit – total			£473m	£560m	£619m
Loans Capital Financing Requirement (£'000s) (as at 31 March)					
Actual/estimate of loans capital financing requirement	373,047	392,816	464,627	552,118	611,968

Gross Debt and the Capital Financing Requirement

5.8.18 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.

5.8.19 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

5.8.20 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.

5.8.21 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.

Community Infrastructure Levy (CIL) Spend Proposals 2026/27

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

6. RISK MANAGEMENT

6.1 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.
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. Changes in the charges for Retail, Leisure and Hospitality businesses will be introduced by the government for 2026/27.</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 being implemented from 2026/27 will have an impact on resourcing of Council services and priorities. The MTFs includes the impact on funding based on the provisional local government finance settlement announcement,
Contract inflationary pressure	Possible	High	With increase in wage, energy and fuel costs, Council contracted services are at risk of above budget price increases. Capital Schemes may need to be paused due to unfunded viability gaps due to increased supply chain costs.

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 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. Long term borrowing rates remain elevated due to market concerns around fiscal stability both in the UK & the US.
Funding pressures through WECA, ICB and other partners	Possible	Medium	Ensure good communication links with partner organisations.
Pay Award	Possible	Medium	As set out in the report, the Council has assumed a Pay Award increase of 3% for 2026/27 however this has not yet been agreed and the initial claim from the NJC Unions is in excess of this allowance. Any increase in excess

			of 3% would be required to be met from the Contingency budget and/or reserves and this has been included within the risk assessment of the Council's reserve levels.
--	--	--	--

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

6.3 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

7.1 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

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

9. CONSULTATION

9.1 Details of the consultation carried out on the budget process for 2026/27, 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 12th December 2025 until 19th January 2026.

9.2 In addition, scrutiny of the savings proposals, priorities, one-offs, pressures and capital bids took place at the 3rd February 2026 Corporate Policy Development and Scrutiny (PDS) 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.

Contact person	Stuart Donnelly, Director of Finance (S151 Officer) Stuart_Donnelly@bathnes.gov.uk Gary Adams, Head of Financial Management Gary_Adams@bathnes.gov.uk
Background papers	Medium Term Financial Strategy 2026/27-2030/31 https://democracy.bathnes.gov.uk/documents/s89332/E3661%20-%20Appendix%201%20-

	%20Medium%20Term%20Financial%20Strategy.pdf
Please contact the report author if you need to access this report in an alternative format	