

APPENDIX 1
Bath & North East Somerset Council

MEETING:	Cabinet	
MEETING DATE:	12th February 2026	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3652
TITLE:	Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2025 to December 2025	
WARD:	All	

AN OPEN PUBLIC ITEM

List of attachments to this report:

Appendix 1 – Revenue Monitoring Commentary

Appendix 2 – Key Scheme Capital Monitoring Commentary

Appendix 3 (i) & 3 (ii) – Proposed Revenue Virements & Revised Revenue Cash Limits

Appendix 4 (i) & 4 (ii) – Capital Virements & Capital Programme by Portfolio

Appendix 5 – Revenue Savings Monitor

EXECUTIVE SUMMARY

a) Revenue Budget

The Revenue budget outturn is currently forecast to be £1.659m over budget, which is an improvement of £0.764m from the position reported at Quarter 2 (the Quarter 3 forecasts and movements in variance from Quarter 2 are set out by Portfolio in Appendix 1). Managers across the Council 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, £7.400m in total, which is 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.

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 £1.659m forecast over budget position includes the use of £9.830m budgeted contingencies and £1.721m use of the Job Evaluation and Pay Structure Reserve.

It should be noted that circa £1m worth of invoices that were raised in 2024/25 and currently remain unpaid are being reviewed in advance of year end and there is a risk that some may need to be written off. A decision will be made at year-end but this adds a further risk to the financial outturn position.

Savings of £14.012m were included in the 2025/26 budget. At present £9.149m (65%) savings are forecast as delivered, with the remainder either being mitigated through alternative measures, or flagged as delayed or undeliverable. On-going budget pressures are being considered through the Council's budget setting process to ensure they do not continue to create financial pressures in 2026/27.

In the event the above budget position cannot be fully mitigated a combination of specific service reserves (such as the Adult Social Care Reserve) and the Council's Revenue Budget Contingency Reserve will need to be utilised, subject to approval. Should this be required there would be a requirement to replenish these reserves in future years, putting further pressure on meeting the medium-term budget gaps.

b) Capital Budget

The current position of the 2025/26 Capital Programme is a forecast of £94.321m against the revised budget of £149.537m. Of the variance of £55.216m, £55.046m is anticipated will be rephased into future years. A summary by Portfolio is provided in Table 4 and by Scheme in Appendix 4(ii).

c) Council Tax and Business Rates

The current forecast on Council Tax is an in-year collection fund surplus of £0.37m. The Council's share of the surplus is £0.31m and this represents a positive variance of 0.2% against the 2025/26 budgeted income.

The current in year forecast for the Business Rate element of the collection fund is a deficit of £0.81m, of which the council's share is £0.77m and this represents a negative variance of 1.2% against the 2025/26 budgeted net rates.

d) Council Reserves

The Council holds general unearmarked reserves of £12.6m, this is held corporately to manage in year financial pressures that cannot be mitigated within existing budget levels.

1 THE ISSUE

- 1.1 This report presents the financial monitoring information for the Council for the 2025/26 financial year, using information available up to the end of December 2025.

2 RECOMMENDATION

The Cabinet is asked:

- 2.1 To note the 2025/26 revenue budget position detailed within the report (as at the end of December 2025).
- 2.2 To note and approve where required the revenue virements listed in Appendix 3(i).
- 2.3 To note the capital year-end forecast detailed in paragraph 3.32 (Table 4) of this report.
- 2.4 To note the changes in the capital programme including capital schemes that have been agreed for full approval under delegation listed in Appendix 4(i).

3 THE REPORT

- 3.1 The Budget Management Scheme requires that the Cabinet consider the revenue and capital monitoring position four times per year.

REVENUE BUDGET

- 3.2 The financial landscape for Local Government continues to be challenging. The 2025/26 Budget was agreed by Council in February 2025, which outlined the significant budget risks the organisation was facing.
- 3.3 Service Directors have been asked to outline the actual expected outturn for the year and the reasons to date for over / under budget forecasts. For revenue budgets which are forecast to be over budget, the Directors are expected to seek compensating savings to try and bring budgets back to balance.
- 3.4 A summary by Portfolio of the revenue position as at the end of the third quarter is shown in the table below:

Table 1. Revenue Budget Quarter 3 Forecast by Portfolio

Portfolio	Revised Budget	Year End Forecast	Variance Over / (Under)
	£'m	£'m	£'m
Leader of Council	(1.000)	(1.000)	0.000
Sustainable Bath and North East Somerset	3.439	3.18	(0.021)
Resources – Services	32.907	33.818	0.911
Resources – Corporate	4.797	2.164	(2.633)
Resources – Corporate Contingencies	9.830	0.00	(9.830)
Resources – Being Our Best Programme	(4.200)	0.00	4.200
Economic And Cultural Sustainable Development	(9.203)	(6.068)	3.136
Adult Services	64.157	64.708	0.551
Children’s Services	31.219	38.619	7.400
Communications and Community	5.210	5.614	0.403
Sustainable Transport Strategy	(8.781)	(9.189)	(0.408)
Sustainable Transport Delivery	19.647	19.715	0.068
Built Environment and Sustainable Development	4.079	3.683	(0.396)
Total	152.101	155.481	3.380
<i>Job Evaluation and Pay Structure Reserve</i>	0.000	(1.721)	(1.721)
Quarter 3 Forecast Outturn Variance	152.101	153.760	1.659

- 3.5 The current year-end forecast is a £1.659m over budget position, after the use of £9.830m contingency and £1.721m pay reserve.
- 3.6 It should be noted that circa £1m worth of invoices that were raised in 2024/25 and currently remain unpaid are being reviewed in advance of year end and there is a risk that some may need to be written off. A decision will be made at year-end but this adds a further risk to the financial outturn position.

Portfolio Commentary

- 3.7 Key forecast variances and associated planned mitigating actions by Portfolio are as follows (a more detailed breakdown can be found in Appendix 1):

Leader of the Council (*breakeven*)

This portfolio only contains the Housing Delivery Vehicle (Aequus), of which a breakeven position is forecast.

Sustainable Bath and North East Somerset (*£0.021m favourable variance*)

Parks and Open Spaces have a small income shortfall, which is more than offset by over-recovery of staff time to projects with the Environmental Monitoring team.

Resources – Services (*£0.911m adverse variance*)

Rental income shortfall within the Commercial Estate is one of two key areas of pressure within the portfolio, although increased service supported borrowing costs and the cost of legal representation are also forecast to be contributing to increased costs within the service, totalling £0.390m.

The second material forecast adverse variance is a pressure of £0.379m within Housing Benefit Subsidy where housing benefit claims for residents in temporary

accommodation are up 53% compared to the same period last year. The pending Renters Rights Bill has partially driven the increase with a rise in non-fault evictions before the law is implemented in May. Increases in council temporary accommodation has offset this pressure, which is a big positive for the organisation.

Staffing pressures exist across Waste and Fleet Services, Legal Services and Project Delivery team, while HR and Procurement services staffing underspends help partially mitigate these pressures

Resources – Corporate (£2.633m favourable variance)

Interest rates have been favourable when compared to what was expected at budget setting on both borrowing and cash balances, resulting in an estimated £1.4m benefit to the council.

Some of the council's capital programme needs to be reprofiled into future years, resulting in less borrowing requirement in year (£1.2m). This was also the case last financial year, resulting in a lower Minimum Revenue Provision (MRP) charge in this year's accounts (£0.2m).

Corporate contingencies and Being Our Best programme financial implications follow in the next section of the report.

Economic And Cultural Sustainable Development (£3.136m adverse variance)

A total of 993k visitors came to the Roman Baths in 2024/25, with an increase to 1.1m visitors budgeted for 2025/26. Based on current demand data, visitor numbers are expected to fall short of budget, a trend that reflects what's happening across the sector, particularly in sites with high international visitor numbers. Visitor numbers are estimated at 972k for 2025/26.

Lower retail sales linked to lower visitor numbers and cost pressures linked to the vacation of the Culverhay site are adding to the financial challenge this year, which is estimated at a £2.172m overspend. A variety of cost mitigations are being pursued, as well as extra focus on wider income generating products.

The Corporate Estate service also ended last year with a financial pressure which continues into 2025/26. The key reason is undelivered budgeted savings linked to rationalising the estate, which has not progressed as quickly as anticipated. Staffing and maintenance costs are being actively managed to help offset the pressure. The net forecast overspend is £0.506m for the service.

The Regeneration service currently holds the budget for Bath Quays South (BQS), which at present is not fully let and as such is leading to a shortfall in budgeted income to the value of £0.481m.

Adult Services (£0.551m adverse variance)

Increased activity was seen in 2024/25 with demand for package placements increasing on average by 16%. The cost of care also continued to increase during the year due to the economic and market factors experienced through 2024/25 and the increasing complexity in care needs.

The overbudget positions seen in the Older Peoples and Learning Disabilities services in 2024/25, have continued into 2025/26. The current forecast for the

Older Peoples services is £1.310m over budget and in line with the reported position at the last quarterly reporting period. Residential Care and Home care are the areas of pressure within the older people's service, the number of residential placements stood at 153 as at the end of December 2025, compared to 154 at September 2025 and 137 at December 2024. This rapid rise of over 10% year on year, continues to create budget pressure. Homecare hours stood at 4,581 as at December 2025, compared to 4,701 hours in September 2025 and 4,113 hours in December 2024. Whilst the increased use of homecare is in line with the services strategy, the continued increase in residential placements is impacting on overall costs.

The review of the pooled arrangements within the learning disabilities service was concluded in 2024/25, and new agreed joint funding arrangements are now in place. These arrangements now replace the previous long standing pooled funding arrangements with Bath & North East Somerset, Swindon & Wiltshire Integrated Care Board (BSW ICB). However, budget pressure in residential and Supported living services has continued into 2025/26, with the service currently forecasting a £0.979m overspend.

Both services continue to work to reduce the budget pressures and be assured of costs. Arrangements for hospital discharges have continued into the current year enabling close working with BSW ICB to ensure effective and efficient discharge of clients. We continue to work closely with BSW ICB on both these areas to ensure appropriate funding is agreed.

The other areas within the service are forecasting to be balanced or under budget by a total of £1.738m, which will leave the net service forecast at an over budget position of £0.551m.

Children's Services (£7.400m adverse variance)

Children's Services closed the 2024/25 financial year with a £4.78m overspend, largely driven by rising demand and Residential placement costs. At quarter 1 a risk range of £4m to £8m was projected. The Quarter 3 forecast position is an over budget position of £7.400m. This is split as £7.011m across Children's Social Care and £0.389m from Education pressures.

Despite increased budget provision for 2025/26, a late-year increase of eight additional Residential placements (Q4 2024/2025) resulted in a £2.7m pressure rolling forward. These pressures increased further during Q1 of 2025/26 following a further 4 additional placements required to safeguard vulnerable young people, increasing the pressure in Residential placements by a further £1.4m. Q3 has seen 3 further additional placements increasing the Residential pressure by £0.5m, with extensions to existing placements leading to a total Residential pressure now of £5.4m. Most of the additional Residential placements have been a result of stepping across from lower levels of support as identified needs have increased, rather than being completely new to B&NES.

Residential placements are increasingly expensive due to upward cost pressure from the market fuelled by lack of sufficiency, combined with higher cost packages required to support the most vulnerable and complex young people.

Ongoing pressures also stem from the supporting young people being cared for at home, a total of £0.5m pressure and £1m salary pressure from agency usage to cover vacancies and respond to demand.

In Education, Teachers' pension costs, and historical reduced income pressures continue from 2024/25 totalling £0.2m, along with agency staffing pressures from the Education Psychology Team £0.2m.

To mitigate these pressures Children's Services are delivering a targeted response through an enhanced Transformation Programme and detailed scrutiny of all areas of activity and spend, including but not limited to children's residential placements. This has included a focused placements taskforce responsible for cost assurance and ensuring that young people's needs are met through the most effective and sustainable means possible. This process will lead to reductions in cost for the financial year 2026/27. Other workstreams major on placement sufficiency and amending the market structure. These workstreams will deliver reduced costs over the medium term.

Schools (Dedicated Schools Grant)

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

Additional overspend for 2025/26 is anticipated circa £13.8m. This overspend is due to the costs associated with supporting pupils with SEND needs (High Needs) and is £2m above the Safety Valve plan in place currently. The Safety Valve plan seeks to address the built-up deficit of overspend of the DSG and bring spend in line with the grant allocation by the end of the Safety Valve term in 2030/31. The Department for Education's anticipated White Paper is expected to set out changes to the funding of High Needs and establish the framework for future years budgeting. It is hoped that the paper will also set out clarity over funding of the cumulative deficit.

Communications and Community (£0.403m adverse variance)

Income is lower than expected in Bereavement Services (£0.095m), and Licensing and Pest Control services (£0.223m), whilst undelivered savings and staffing pressures are generating an adverse position in Customer Services too (£0.158m).

Sustainable Transport Strategy (£0.408m favourable variance)

Parking income is exceeding budgeted levels (£0.506m), while a shortfall in staffing time recharged to projects within the Transport Strategy service is partially offsetting this (£0.098m).

Sustainable Transport Delivery (£0.068m adverse variance)

Staffing underspends and increased income across Network and Traffic Management have resulted in a £0.240m favourable variance, partially offset by a small £0.034m cost pressure within the Highways Maintenance service.

Home to School Transport has a forecast pressure of £0.274m as demand levels continue to rise across a higher volume of schools. This has led to increased routes and increased costs. This position is the net pressure post implementation of planned savings initiatives, which have been a success.

Built Environment, Housing & Sustainable Development (£0.396m favourable variance)

The majority of the favourable variance is as a result of increased income across the Development Management service area, with underspends across Building Control and Housing also contributing.

Budgeted Contingencies

3.8 When setting the 2025/26 budget, in recognition of the significant budget risks associated with national insurance changes, demand on statutory services rising above modelled levels, alongside savings delivery risk, the following contingencies and provisions were included in the budget:

- Corporate Contingency (£3.0m) for savings delivery risk and slippage
- Contract Inflation Provision (£2.6m) for the impacts of Employer National Insurance on supplies and services and contract spend across services.
- High Risk Service Demand and Cost Increase Provision (£4.2m)

All £9.830m of budgeted contingency has been released within the Quarter 3 forecast position to partially offset pressures as outlined across council services in section 3.7 and savings shortfalls outlined in section 3.9.

Savings Performance

3.9 The 2025/26 revenue budget approved savings of £14.01m. Delivery of these savings will be monitored throughout the year, with £9.15m forecast as achieved at the end of September, representing 65% delivery. Of the £4.86m not currently achieved, £2.04m are being mitigated through savings, contingency or income elsewhere in the respective service, while £0.68m of savings are currently delayed until 2026/27 and £2.15m are forecast as unachievable, resulting in material forecast pressures.

Being Our Best Programme

3.10 Included within the approved savings target is £2m of additional cost reductions relating to the organisation's Being Our Best programme. The programme was budgeted to deliver a £4.5m reduction in organisation staffing costs by 2025/26. As at the end of 2024/25, £0.5m had been delivered. Currently it is forecast that a further £1m will be delivered in year, resulting in a shortfall against the budgeted target of £2.5m.

3.11 The pay and grading review across the organisation has resulted in a net increase in salary costs. The increase has exceeded the budget by £1.721m and as such is creating both an in-year and on-going pressure. A Job Evaluation and Pay Structure reserve was created last financial year to cover any one-off impacts from the programme. It is recommended that this reserve is used to cover the in-year pressure (on top of estimated pay protection costs of £0.12m) and has been included as a direct mitigation in the quarter 3 summary table.

Budgetary Control and Management Action Plans

- 3.12 The Council has a positive record of strong financial management. Directors are actively developing mitigation plans for the service areas which are in an over budget position to manage the financial position in year and bring the Council back into a balanced position.
- 3.13 In the event the above budget position cannot be fully mitigated a combination of specific service reserves (such as the Adult Social Care Reserve) and the Council's Revenue Budget Contingency Reserve will need to be utilised, subject to approval. Should this be required there would be a requirement to replenish these reserves in future years, putting further pressure on meeting the medium-term budget gaps.

REVENUE BALANCES AND RESERVES

Key Reserves

- 3.14 The following table shows the balances of key reserves at the beginning of the year, planned use, and expected balance at the year-end based on current forecast:

Table 2. Key Reserves

Reserve Title	Balance as at 01/04/2025 £'m	Projected Use / Commitments £'m	Estimated Balance 31/03/2026 £'m
Revenue Budget Contingency	2.97	(0.59)	2.38
Financial Planning and Smoothing	6.67	(3.02)	3.65
Transformation Investment	4.53	(1.34)	3.19
Restructuring & Severance	4.83	(1.00)	3.83
Job Evaluation and Pay Structure	3.00	(1.85)	1.15

Flexible Capital Receipts

- 3.15 Flexible Capital Receipts are being utilised for revenue spend that results in ongoing revenue savings. The February 2025 Budget Report – Efficiency Strategy confirmed a continued £11.500m allocation of capital receipts for this purpose. This has now been updated to reflect the re-profiled requirement and re-phasing into 2026/27 as follows:

Table 3. Flexible Capital Receipts

	Actual Usage 2017/18 to 2024/25 £'m	Forecast Usage 2025/26 £'m	Forecast Usage 2026/27 £'m	Forecast Total Usage £'m
Flexible Capital Receipts	11.115	0.035	0.350	11.500

- 3.16 Unapplied capital receipts of £3.380m were carried forward from 2024/25, with £0.349m received in 2025/26 so far and further forecast if £1.3m against £3.8m budgeted, with the sale of Lewis House now expected in 2026/27. This reprofiling is partly offset by other new identified sales.

General Fund Un-Earmarked Reserve

- 3.17 The General Fund Un-Earmarked Reserve is retained to meet the Council's key financial risks. The risk assessment has set a range of between £11.8m and £13.0m to meet those risks in the 2025/26 financial year. The reserve has a current uncommitted balance of £12.6m in line with the level reported in the 2025/26 Budget Report.

Revenue Budget Virements

- 3.18 Any revenue budget virements which require Cabinet approval are listed in Appendix 3(i). Technical budget adjustments are also shown in Appendix 3(i) for information purposes, as required by the Budget Management Scheme.

COUNCIL TAX, COUNCIL TAX SUPPORT AND BUSINESS RATES

Council Tax & Council Tax Support

- 3.19 The 2025/26 Council Tax Base allowed for the same number of Local Council Tax Support (LCTS) recipients as at the end of November 2024 to continue into 2025/26. The budget estimate of costs of LCTS were set at £11.0m. The current cost estimate is £0.6m under budget at £10.4m with 6,232 working age claimants and 3,317 Pensioner claimants.
- 3.20 The actual outturn position on LCTS and the impact on the Council Tax collection fund will depend on a number of variables, including the change in number of claimants and the period claimants remain eligible for support whilst seeking employment and this will continue to be monitored closely during the year.
- 3.21 The current overall forecast on Council Tax is an in-year collection fund surplus of £0.37m. This is mainly due to the favourable trend against budget in LCTS costs and single person discount, partly offset by less than budgeted second homes and long-term empty properties where a premium is charged, and an increase in students occupied properties. The Council's share of the surplus is £0.31m and this represents a positive variance of 0.2% against the 2025/26 forecast income.
- 3.22 Combining the in-year projection with the Council's share of the decreased 2024/25 Council Tax Collection Fund final outturn position of £0.34m, as reported to Cabinet in July, gives an overall forecast deficit position of £0.39m.

Business Rates

- 3.23 The Government announced, as part of the Chancellor's Autumn Statement in November 2023, that the retail, hospitality, and leisure business rate relief scheme would be extended for a sixth year into 2025/26, but with a reduction in the level of relief from 75% to 40% whilst maintaining the cap on the relief at £110,000 per business.
- 3.24 The Council continues to be recompensed for the reduction in business rate income arising from this relief via a s31 compensation grant. The current level of retail business rate relief granted is £5.1m which is £0.8m above the £4.3m originally estimated for 2025/26.

- 3.25 Gross rates after reliefs is currently £1.3m adverse mainly due to the £0.8m adverse retail relief, £0.3m adverse small business relief and £0.1m adverse improvement relief against budget.
- 3.26 These adverse impacts on the collection fund are partially offset by a favourable forecast in relation to the provision for appeals, which is currently forecast to be £0.5m lower than budget. This is mainly due to some releases in respect of the 2017 rating list provision.
- 3.27 The current overall in year forecast for the Business Rate element of the collection fund is a deficit of £0.81m, of which the council's share is £0.77m.
- 3.28 The overall forecast position for the Council's share on the Collection Fund for Business rates, including the reduced surplus carried forward from the 2024/25 outturn position reported to Cabinet in July 2025 of £1.12m, is for a projected deficit of £1.88m. This has been factored into the 2026/27 Budget Report.
- 3.29 The forecast overall impact on the business rates collection fund position including reliefs and appeals will continue to be reviewed during the remainder of the year.
- 3.30 Section 31 grant income from Business rate compensation grants is currently forecast to be £0.69m above budget, this relates to increased relief granted in respect of Retail Relief, Small Business Rate Relief and Improvement Relief. This is currently planned to be transferred to the Business Rate Reserve.

CAPITAL BUDGET

- 3.31 The current position of the 2025/26 Capital Programme is a forecast of £94.321m against the revised budget of £149.537m. Of the variance of £55.216m, £55.046m is anticipated will be rephased into future years.
- 3.32 The following table shows a summary of the current position by Cabinet Portfolio. The full breakdown of the Capital Programme by Portfolio can be found in Appendix 2(ii) with key scheme commentary in Appendix 2. Appendix 4(i) sets out budget changes actioned since the February Budget setting report.

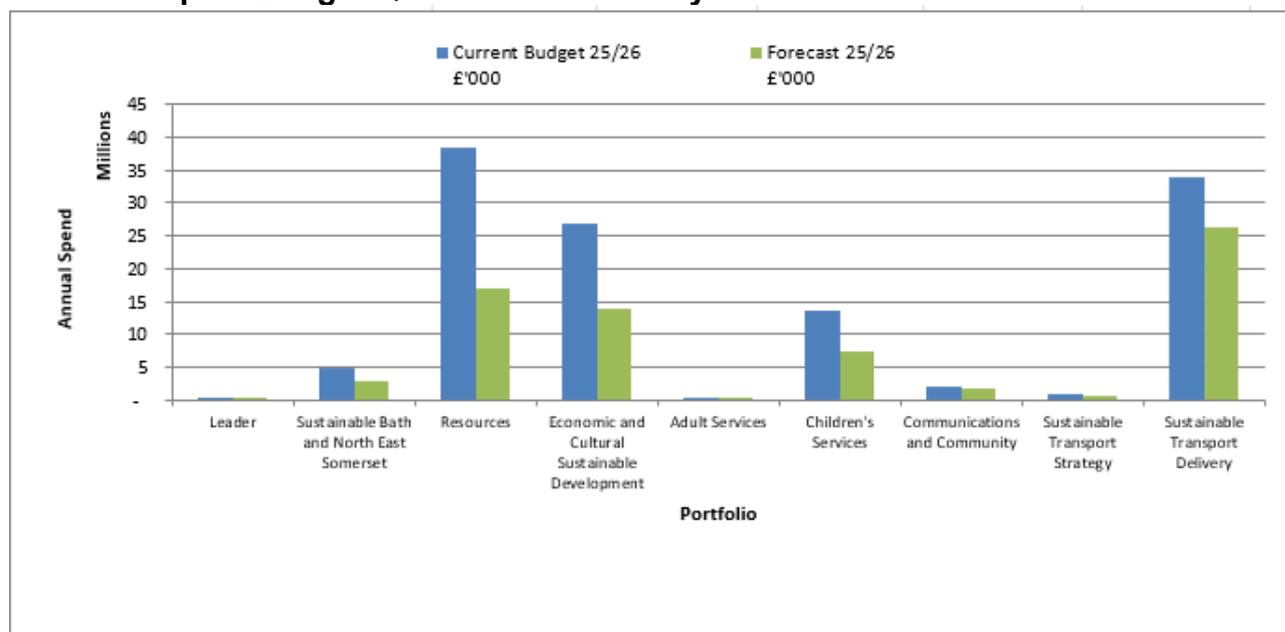
Table 4. Capital Budget Quarter 3 Forecast by Portfolio

Portfolio Summary Monitor	Annual Current Budget 2025/26	Forecast 2025/26	In-Year Variance 2025/26	Forecast Re-phasing to Future Years
	£'000	£'000	£'000	£'000
Leader	60	60	0	0
Sustainable Bath and North East Somerset	4,978	3,020	1,959	1,959
Resources	38,413	17,074	21,339	21,282
Economic and Cultural Sustainable Development	26,907	13,875	13,031	12,996
Adult Services	293	247	46	46
Children's Services	13,509	7,332	6,177	6,177
Communications and Community	2,023	1,904	119	95
Sustainable Transport Strategy	886	591	295	295
Sustainable Transport Delivery	33,826	26,324	7,502	7,447
Built Environment, Housing and Sustainable Development	28,643	23,894	4,749	4,749
Grand Total	149,537	94,321	55,216	55,046

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

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

Chart 1. Capital Budget Quarter 3 Forecast by Portfolio



Capital Commentary

3.33 The key in-year programme variances are as follows:

Resources: £21.339m favourable variance, with £21.282m rephasing to future years

- Commercial Estate Programmes - Refurbishment £2.663m, Fire Safety £1.792m, Re-Investment /Jollies £2.302m - arising from resource constraints.
- Orange Grove £0.806m – paused to review repair options.
- Neighbourhood Services Vehicles £6.038m – including 6 electric Refuse Collection Vehicles (RCVs) on order for delivery in June 2026.
- Waste Infrastructure Modernisation £4.254m – re-phased in line with signed contracts. On track for completion in September 2026.
- Property Company Investment £2.816m – lower forecast Aequus loan drawdowns.

The £0.057m favourable variance that is not proposed to be rephased relates to where St Michaels Surgery have withdrawn their bid for CIL funding.

Economic & Cultural Sustainable Development: £13.031m favourable variance, with £12.996m rephasing to future years

- Corporate Planned Maintenance £2.535m – a review undertaken on the progress of orders & historic performance has refined estimates.
- Heritage Collections Centre £0.515m – the withdrawal of Bath Spa University has stopped current project; alternative site options are being explored.
- Somer Valley Enterprise Zone £6.649m – land assembly is now expected later than previously forecast.
- Bath Quays North £0.746m and Bath City Centre Renewal £0.487m – projects continuing into future years.

Built Environment & Sustainable Development: £4.749m favourable variance, with £4.749m rephasing to future years

- Social Rent – £1.485m - Danes Lane delivery being key scheme in 2025/26.
- Bath Western Riverside 2 - £1.445m – focus is currently on £18m grant funded remediation activity with site planning permissions to be advanced in 2026.
- Disabled Facilities Grants - £0.600m no catch-up on past carry-forwards.
- Local Authority Housing Fund - £0.257m saving with all properties purchased within government grant.

Children's Services: £6.117m favourable variance, with £6.117m rephasing to future years

- Small Residential Unit (Charlton House) – £4.000m Project was paused whilst Ofsted registration was clarified but has now restarted.
- SEND (Special Education Needs & Disability) Capital Programme - £1.470m
- Capitalised Maintenance - £0.566m Programme delivery updated after summer repair programme.

Sustainable B&NES: £1.959m favourable variance, with £1.959m rephasing to future years

- Parks Improvements £0.551m – multiple S106 projects rephased.
- Bath River Line £0.500m

- Renewable Energy Development Fund £0.294m - realigned with delivery of Solar projects to increase capacity towards the 12kw target set for the corporate estate.

Sustainable Transport Delivery: £7.502m favourable variance, with £7.447m rephasing to future years

- Various City Region Sustainable Transport Settlements (CRSTS) schemes including Manvers Street £2.978m, Bath City Centre £1.416m, Liveable Neighbourhoods £0.704m and Cycling and Walking Bath Quays Links £0.604m
- Clean Air Zone £0.369m – Queen Square Wayfinding has been delayed.
- Local Active travel £0.689m – s106 funded Public Right of Way Schemes now programmed into 2026/27.

The £0.055m favourable variance that is not proposed to be rephased relates to grant funded Cycle Hangers.

RISKS

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

Table 5. Risks

Risk	Likelihood	Impact	Risk Management Update
Operational budget pressures due to rising demand	Likely	High	There is the high-risk of unplanned and unbudgeted growth in demand on Council services, particularly in Adult and Children's Social Care. Budgeted contingencies are in place to help mitigate the risk.
Contract inflationary pressure	Likely	High	With increase in wage, energy and fuel costs, and the Employers National Insurance increase, Council contracted services are at risk of above budget price increases. This is an economic risk that has been recognised in the budget with a contract inflation risk provision for potential areas that cannot be mitigated through activity management. Capital Schemes may need to be paused due to unfunded viability gaps due to increased supply chain costs.
Volatility and uncertainty around business rates	Likely	High	The impacts of the current economic challenges will increase the volatility and uncertainty around business rate income. In 2025/26 this risk has been partly offset by the extension of the business rate relief scheme for Retail, Leisure and Hospitality businesses, although the level of relief has reduced. We continue to monitor arrears, Company Voluntary Arrangements (CVAs), and liquidations with a specific reserve held to manage in-year volatility.
Changes to Government Policy	Likely	High	New government policy and funding reforms that are planned for implementation from 2026/27 are

that affects future funding			likely to have an impact on resourcing of Council services and priorities. This have been assessed against available information but will not be fully understood until December 2025 when the Local Government Finance Settlement is announced.
Viability risk on the Councils Commercial Estate assets held for income generation.	Possible	High	Current asset reviews have identified that due to the age and complexity of the Councils Commercial Estate, some assets operating costs and capital investment needs may exceed annual rental income values. This will be managed through a detailed asset review that informs a programme of prioritisation for investment in the estate.
Reinstated government restrictions in the event of a new pandemic.	Possible	High	This is certainly a material risk, whilst not one the Council has direct control over, every step would be put in place to follow government guidance following the recommendations of our Director of Public Health.
Impact on Reserves	Possible	High	Without additional government grant funding in recognition of unfunded pressures there is the risk that Council reserve levels are not enough to manage in-year and future years risk.
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Possible	High	The Council has a number of projects within this category. These risks will continue to be monitored and reported. An assessment is made as part of the budget process to ensure that revenue reserves are sufficient to meet these risks. The capital programme methodology looks to de-risk projects wherever possible.
Interest rates increase	Possible	Medium	A reserve is available for borrowing to manage market risk and long-term borrowing costs have been factored into the Medium Term Financial Strategy. Long term borrowing rates remain elevated due to market concerns around fiscal stability both in the UK & the US.
Funding pressures through West of England Combined Authority (WECA), ICB and other partners	Possible	Medium	Ensure good communication links with partner organisations.

4 STATUTORY CONSIDERATIONS

4.1 The annual medium-term financial planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities. This report monitors how the Council is performing against the financial targets set in February 2025 through the Budget setting process.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 The financial implications are contained within the body of the report.

6 RISK MANAGEMENT

6.1 The substance of this report is part of the Council’s risk management process. The key risks in the Council’s budget are assessed annually by each Director, with these risks re-assessed regularly as part of the budget monitoring process.

7 CLIMATE CHANGE

7.1 The Medium Term Financial Strategy and budget process aligns resources towards the corporate priorities and objectives set out in the Corporate Strategy, which includes tackling the climates emergency. This report monitors the Council’s financial performance against those budgets. and therefore does not include any decisions that have a direct impact on Climate Change.

8 OTHER OPTIONS CONSIDERED

8.1 None.

9 CONSULTATION

9.1 Consultation has been carried out with the Cabinet Member for Resources, Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

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

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<p>Background papers</p>	<p><i>Budget and Council Tax 2025/26 and Financial Outlook (E3590)</i></p> <p><i>Revenue & Capital Budget Monitoring, Cash Limits and Virements – April to June 2025 (E3625)</i></p> <p><i>Revenue & Capital Budget Monitoring, Cash Limits and Virements – April to September 2025 (E3651)</i></p>
<p>Please contact the report author if you need to access this report in an alternative format</p>	