

North Somerset Council

REPORT TO THE EXECUTIVE

DATE OF MEETING: 5 FEBRUARY 2019

SUBJECT OF REPORT: MTFP UPDATE & REVENUE BUDGET 2019/20

TOWN OR PARISH: ALL

OFFICER/MEMBER PRESENTING: LEADER OF THE COUNCIL & RICHARD PENSKA, INTERIM HEAD OF FINANCE

KEY DECISION: YES

RECOMMENDATIONS

The Executive is asked to:

- i. Recommend to Council a revenue budget for 2019/20 for approval as detailed within this report;
- ii. Recommend that Council approve a council tax increase of 2.75% for 2019/20;
- iii. Note the Equality Impact Assessment report attached at Appendix 3, and familiarise themselves with the published Equality Impact Assessments (EIA's) that underpin the 2018/19 budget savings plans: [2019 Equality Impact Assessments](#)

1. SUMMARY OF REPORT

Reports to Executive in September and December 2018 and to Council in January 2019 have provided updates on the likely level of revenue resources that the council will receive over the next five years, together with out-lining the current and future service spending commitments, and also plans to address funding short-falls through reducing implementing proposals to reduce costs and increase income.

This report finalises the MTFP assumptions and recommends a draft revenue budget to Council for 2019/20.

2. POLICY

The MTFP is a core strategic document which aims to support delivery of the council's Corporate Plan, and which looks ahead at the key financial challenges and opportunities for the council over a five-year horizon. In addition, there is a legal requirement to produce a robust revenue budget for the 2019/20 financial year along with relevant council tax bandings and rates. These will be published and approved by Council at the meeting on 12 February 2019.

3. DETAILS

3.1 Financial strategy

The MTFP is a core strategic document which will support the delivery of the council's Corporate Plan objectives. These core objectives and principles of the current Plan aims to make North Somerset an even better place to live by enabling people, businesses and communities to flourish. It is also recognised that flourishing communities become more resilient and are better placed to support themselves.

The council's financial strategies and core plans seek to drive growth, improve the awareness and understanding of the impacts of changes in demand levels upon the costs of our services, and forge much closer links between capital investment and borrowing decisions, with the impact on revenue costs and financial reserves. It is recommended that the proposed revenue budget should be read in conjunction with the Capital Budget report and Treasury Management Strategy report which are also presented for consideration at this Executive meeting.

It is proposed that a combined Medium Term Financial Plan and Budget Book document will be published in March 2019, which will reflect the detailed revenue and capital budgets for all service areas, after they have been approved by Council in February, as well as the various financial strategies and key assumptions that support the MTFP forecasts, prior to the start of the new financial year.

3.2 Updated resource assumptions

Members will be aware that the previous MTFP report, presented to Council at its meeting in January 2019, updated some elements of the resource projections following the publication of the provisional local government finance settlement and approval of the tax base. This report provides a final update to resources, and covers business rate income, associated section 31 grant allocations, and council tax income.

Council Tax

As in previous years the council has applied an indicative proposed council tax increase of 1.75% per annum within its financial modelling, across the period of the MTFP, this being in line with the governments' four-year settlement modelling for local councils. Final decisions on council tax increases are included as part of the draft budget proposals submitted by the Executive. Proposed increases in council tax must be in accordance with government regulations, the local government finance settlement confirmed a 3% capping limit for 2019/20.

Due to having an historically low council tax base, and with the proportion of the councils' revenue expenditure which is funded through council tax significantly increasing year on year, this report recommends that council tax income levels for next year should be increased by 2.75%.

This increase is higher than the earlier provision included within MTFP reports but recognises that the demand and costs for council services is more than the resources currently available.

Business Rates

In addition to the council tax increase, the council's MTFP resource assumptions have been further updated to include the latest forecast of business rates income and associated section 31 grants which will be used to support the 2019/20 revenue budget.

It is proposed that these forecasts be aligned to the council's annual business rate submission to the Ministry of Housing, Communities and Local Government, which is a statutory return due by the end of January each year, as this should make the transition to the new system of 75% business rate retention more transparent when it is implemented in 2020/21.

Shown below is a summary of the revised resource assumptions now being included within the MTFP for each of the 5 years within the planning period.

Revenue Resource Assumptions - February 2019	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Government Grant Funding - RSG	6,919	2,132	1,280	179	-471	-471
Government Grant Funding - Business Rate S31 - SBRR	2,298	2,554	2,606	2,658	2,711	2,765
Government Grant Funding - Business Rate S31 - Other	0	642	622	631	643	656
Government Grant Funding - Business Rate S31 - Threshold	748	996	1,016	1,037	1,057	1,078
Government Grant Funding - Business Rate S31 - Top Up	2,565	2,610	2,610	2,610	2,610	2,610
Government Grant Funding - Business Rate Returned Surplus	0	480	649	649	649	649
Government Grant Funding - New Homes Bonus Grant	3,651	2,783	1,637	1,122	494	0
Government Grant Funding - Adult Social Care Support Grant	577	1,578	0	0	0	0
Government Grant Funding - Winter Pressures Grant	0	924	0	0	0	0
Council Tax Income - General - increased taxbase	98,737	106,486	111,249	115,075	119,034	120,099
Council Tax Income - General - increased in %	2,952	2,928	1,929	1,995	2,064	2,064
Council Tax Income - ASC Precept	2,962	0	0	0	0	0
Business Rates Income	30,754	29,584	30,443	31,119	31,703	32,327
Use of General Reserves	365	0	0	0	0	0
Use of Council Tax Smoothing Reserve	323	0	0	0	0	0
Use of AIS Project Reserve	936	0	0	0	0	0
Collection Fund Surplus (forecast estimate) - Council tax	-399	650	0	0	0	0
Collection Fund (Deficit) (forecast estimate) - Business rates	-129	-371	0	0	0	0
Total Resources Identified	153,259	153,976	154,041	157,075	160,494	161,777

Whilst the values for 2019/20 are robust and unlikely to change, the estimates included for future years will be updated following the changes associated with the proposed 75% business rates retention reforms and also the fair funding review.

The fair funding review is an exercise to ensure that local authorities are funded by using an up-to-date assessment of their relative needs and resources, using the best available evidence. The government are considering a wide range of options for developing an updated funding formula for councils by looking at the factors that drive costs for local authorities. Further information on both of these issues will be included within later reports to the Executive, when it becomes available.

3.3 Building a sustainable budget

When preparing the draft budget for next year the council has ensured that key areas have been updated and refreshed to incorporate the latest information on all component parts of the planning forecasts and underlying assumptions.

Information has been gathered from a variety of sources, including external drivers covering inflation rates and the national living wage, as well as internal information such as the numbers and volumes within demand led services such as waste, home to schools transport,

adults and children's social care, as well as projections for new housing developments and business growth.

The results of budget monitoring forecasts in respect of the current financial year have also been reviewed to ensure that the draft budget for next year does not feature any legacy issues and is set at robust levels wherever possible. Shown below are some of the core elements of the council's draft budget proposals for 2019/20.

Integrated Transport Unit

An additional £600k of growth has been included within the 2019/20 budget for additional demand-led pressures for Special Educational Needs transport and mainstream transport pressures. This represents an increase in gross budget of around 20%.

Budget monitoring reports show that there has been significant pressure within the Home to School Transport service during the 2018/19 financial year. The main reasons for the issues include significant upward demand and inflation in the local market due to the limited number of providers in the area. Also, there has been an increase in the number of Out of County placements that the Council must pick up the costs for.

The allocation of additional resources to this service area should go a long way to alleviate the financial pressures although there is a residual risk that placement numbers will continue to rise in the following years. To mitigate this, there is a significant transformation plan formulated to aim to mitigate some of these market pressures and bring more clarity in processes.

Car Parking Review

Previous reports to the Executive have referenced the council's car parking review, which aims to scope and define the overall parking strategy in the Authority. The intention is to target, review and alleviate issues within a range of areas and also ensure that parking charges are used effectively, and deliver a balance between the needs of the local community and visitors. The review will also consider issues such as seasonal activity, as well as the impacts on shops and residents.

As a result of linking this Review to the MTFP process, £250k of additional funding has been identified and included within the budget for next year. This will fund additional capacity required to support the delivery, consultation and options appraisal process, as well as any financial impacts associated with future decisions. It should also be noted there is no budgeted increase in car parking fees and charges for next year.

School Improvement and Early Years Attainment

In line with the government's drive to encourage all schools to join multi-academy trusts (MATs) and for schools to develop school-to-school support, there has been a huge reduction in the monies given to local authorities for school improvement and support activity. However North Somerset currently retains 18 local authority maintained schools, and we continue to have a role as 'the champion for all children.'

Recent data in regard to attainment levels in North Somerset shows a growing gap emerging at the Early Years Foundation stage between all pupils, and those from vulnerable groups. This is after successive years of North Somerset narrowing that gap and so it is right that we

focus on those children and work across the education community with MATs, Ofsted and the Regional Schools Commissioner to ensure that the gap is narrowed, and even removed. It is therefore proposed to increase the budget by £75k next year in order to providing funding for this area. The council recognises that this is not a quick piece of work and so it is critical that the resource we commit can be deployed wherever there is evidence that we need to challenge schools or challenge and support those to whom we have responsibility.

Streetscene Contract

Previous draft budget proposals reflected a reduction in respect of the Streetscene contract of £50k for 2019/20, this being the continuation of a proposal approved by Members when setting the budget in February 2018, which aimed to reduce the cost of the contract by 10% over a 2-year period. However following a review of the service and the potential impact on communities, the latest budget proposals reflect a change in approach for this service area which mean that the savings item has been removed, and a further £20k of growth will be added to the budget next year to fund smaller initiatives which directly benefit communities in areas of need, such as verge and pavement maintenance and the provision of litter and dog bins. It is also proposed to review the contract over the next year as part of the pre-procurement process, to scope and confirm the councils' core requirements and priorities.

Adult Services

In adult services, a relatively sustainable budget position has been reached following successive years of budget growth to address pressures, combined with a programme of savings designed to impact both on demand and on unit costs. However, significant expenditure relies on funding from one-off government grants. This will continue into 2019/20 and the government's Spending Review will determine whether this additional funding will be sustained. It is worth noting however, that central government has consistently allocated additional grant monies to adult social care since 2017/18. On average, this has amounted to c. £4.2m per annum. It is not thought unreasonable to assume that the spending review would lead to a continuation of funding at roughly this level, although clearly this is a significant risk in the medium term.

The MTFP principle of providing **budget growth** for inflation and demand matched by sustainable savings is likely to continue in the medium term, although the long-awaited Government Green Paper on Social Care may require a new approach. In addition, as described above, one-off resources of c.£3m are proposed to be used to supplement the funding available for supporting adult care needs, relieving pressure on the NHS and supporting the social care provider market.

2019/20 Budget Growth Item	Growth within the MTFP £000	Funded from one-off grants / reserves £000
Inflation for pay and pensions	293	0
Social care provider inflation, including National Living Wage; increasing demand, including transitions from children's services	3,406	906
Mitigating demands pressures, relieving pressure on the NHS and supporting the provider market	2,113	2,113
Changes in income from the CCG	250	0

TOTAL	6,062	3,019
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Detailed activity and unit cost analysis has been undertaken, and in broad terms the inflation allocation will lead to an increase in costs of between 3% and 5% depending on the type of provision. The growth for demand pressures is designed to fund a 1% increase in demand.

Whilst many past **savings** have been made through improved commissioning and demand management, material reductions have also been made to universal and preventative services, with the 50%+ cut to the housing floating support contract in 2018/19 worthy of note, together with previous year's significant cuts to supporting people contracts and funding for voluntary organisations.

The new Adult Social Care Vision for Maximising Independence and Wellbeing is the cornerstone of future approach to service provision and funding and is directing our 2019/20 programme. The main elements of the 2019/20 programme, which are targeted to deliver savings, are as follows:

- Bringing forward additional alternative care accommodation solutions that are more cost effective and increase independence – Extra Care Housing, Supported Living and Shared Lives
- Increasing the efficiency and effectiveness of existing arrangements through “whole home” reviews of shared supported living schemes, and recommissioning accommodation-based supporting people contracts
- Undertaking timely reviews of care assessments and ensuring that the best use is made of assistive technology to release capacity, particularly in domiciliary care and supported living
- Ensuring income from health partners represents an appropriate contribution in relation to the health aspects of care packages

The main **risks** and concerns associated with the adult care budget going forwards are:

- The stability of, and increasing costs in, the adult social care provider market, particularly in relation to the 4.9% increase in the National Living Wage and the potential impact of BREXIT on the employment market;
- Financial pressures facing the health economy (specifically the new combined Clinical Commissioning Group) and their impact on our income and expenditure;
- The growing demand for services for the elderly and those with complex disabilities, particularly those moving from childhood to adulthood;
- Any consequential impact on statutory services of the reductions made to early intervention and prevention services;
- The sustainability of grant funding, including the Better Care Fund grant.

Children's Services

Children’s Services continues to experience budget pressures in areas which have long been established as volatile. The main areas of overspend relate to looked after children, services for disabled children and delayed budget savings. The current year total forecasted overspend is c. £1.9m, although, notably, forecast spend on children’s placements has reduced by c. £650k when compared with last year. The council is not alone in experiencing pressures in this area - the 2017/18 overspend on children’s services across English local authorities amounted to £800m.

The 2019/20 budget setting process will see a continuation of the principle of providing budget **growth** to close the gap caused by significant demand-led pressures. In addition, growth is proposed to be allocated to increase resources to improve services for children with SEND following the Joint Local Area Review of SEND Services.

2019/20 Budget Growth Items	£000
Inflation for pay and pensions	425
Inflation for energy costs	21
Re-base children’s placement budgets aligned to current cost and volume	1,300
Growth for inflation and demand pressures	1,250
Growth for services for children with Special Educational Needs	200
Growth for historical pressures in relation to the Education Inclusion Service	100
Growth for outcome payments associated with the Social Impact Bond	50
TOTAL	3,346

The Children’s Transformation Programme is designed to address some of the underlying issues. A Programme Board is in place and has identified the following work streams:

- Visioning;
- Culture and Workforce
- Early Intervention; and
- Commissioning, governance and financial management

Detailed scoping of each of these work streams is underway with priority given to those that will underpin MTFP **savings** proposals. In 2019/20, the priorities for savings are the Positive Steps project (£500k), which is designed to move appropriate children who are currently in residential care into foster care, and a reduction in staffing costs (£235k).

Significant cost avoidance savings (£945k) associated with the Edge of Care Social Impact Bond (SIB), are also included in the MTFP. Analysis indicates that the number of children aged 10 and over coming into care under Section 20 of the Children Act 1989 in 2018/19 (April to August) has reduced by over 60% when compared with 2016/17.

Initial **activity and unit cost data** analysis in relation to placements spend has been completed, and the table below illustrates the 2019/20 proposed budget in terms of those metrics. Comparison with the current year’s forecast spend indicates that the proposed placements budget is robust.

	2018/19 forecast out-turn			2019/20 budget		
	Average numbers per annum	Unit Cost (£ / annum)	Total Spend £	Average numbers per annum	Unit Cost (£ / annum)	Total Spend £
In-house fostering	103	20,350	2,096,032	108	21,424	2,310,664

Independent fostering	56	42,881	2,394,499	59	45,714	2,706,231
Residential	18	172,455	3,061,072	15	171,938	2,561,851
Sub-total	176	42,802	7,551,602	182	41,652	7,578,746
Kinship	37	10,903	403,421	38	11,121	418,959
Special Guardianship	67	7,489	505,230	68	7,639	520,743
Parent and Baby	1.7	76,398	132,169	3	77,926	243,402
Supported Living	4.4	103,522	456,533	5	105,593	573,826
Secure Accommodation	0.9	354,045	322,181	1	361,126	330,413
Sub-total	112	16,317	1,819,534	115	18,102	2,087,344
TOTAL	288	32,545	9,371,136	297	32,517	9,666,090

The table below illustrates the continued increased investment overall into children's services (a 9% increase in the last two years). This, together with a focus on cost reduction is resulting in a continuing improvement in the robustness and sustainability of the children's services budget.

	2017/18 budget	2017/18 outturn	2018/19 budget	2018/19 forecast outturn	2019/20 budget
Placements	7,808,590	10,050,701	8,561,090	9,371,136	9,666,090
Other	18,708,678	19,438,978	19,328,555	20,370,761	19,248,077
Total	26,517,268	29,489,679	27,889,645	29,741,897	28,914,167

However, some key **risks** remain. The delivery of the Positive Steps project is challenging – it involves finding appropriate and cost effective alternative placements for looked after children in residential care with complex needs. The other main risks going forward include existing and sustained budget pressures, the potential impact of reductions in preventative services, the ability to recruit and retained experienced social work staff, the increasing needs of families with disabled children, the volatility associated with looked after children numbers and the availability of cost effective placements.

Public Health

The public health budget has seen consecutive years of savings (c. £1.5m over the last three years) following the continuation of the Government's policy to reduce the public health grant. This has meant that the Council has had to focus its activity on statutory and high priority services that improve health outcomes.

The government will, again, be clawing-back approximately 2.5% of the £9.5m Public Health Grant in 2019/20. The Council will, therefore, need to find **savings** of £250k to account for this, plus £26k for salary inflation. It is proposed that this is achieved by delivering efficiencies in some externally provided services (£150k) and continuing to use the public health reserve (£126k on top of the existing £124k). Since the government's decision to make on-going reductions to the Public Health Grant was based on many councils holding substantial ring-fenced PH funding reserves, it is considered prudent to manage some of the 2019/20 grant cut by using part of the remaining reserve. This approach would reduce the reserve as follows:

Year ending	Balance
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	£000s
31 March 2018	581
31 March 2019 est.	427
31 March 2020 est.	177

In addition, it is proposed that a staffing restructure is implemented in order to achieve further savings (£150k) to be invested in higher-priority health improvement areas, such as family peer support, health checks and smoking cessation.

There are a number of **risks** associated with the medium-term position, including uncertainty in relation to the future value and conditions associated with the public health grant and the need to find additional sustainable savings to offset the temporary use of reserves described above. Opportunities will exist in 2020/21 to address these through the recommissioning of the substance misuse contract and a review of the delivery of children's community-based healthcare services. In addition, the investment in new priority areas described above will only take place once there is greater clarity in relation to future funding.

Contingency budget

The council's net revenue budget for 2018/19, excluding town and parish precepts, totals £153m, with the gross expenditure budgets being significantly higher than this at over £370m. The budget does contain some provision for unknown or unplanned spending commitments, as well as being available to meet the financial impacts from rising demand levels and budgets pressures from increased costs or falling income levels.

This provision is held in the contingency budget and stands at £500k, having been reduced from higher levels over recent years. This sum equates to just 0.3% of the net revenue budget, and provides little capacity or headroom should the council experience several unbudgeted financial impacts.

The draft budget for 2019/20 does increase the contingency budget to £900k for next year, although it should be noted that this is still a relatively small sum in comparison to the overall budget. The ongoing re-basing of budgets in core service areas will help mitigate some of the council's financial risk, however it is recommended that no further reductions to the contingency are made.

One-off spending plans

As part of the MTFP proposals, work to review one off expenditure costs to support corporate priorities has been undertaken. One such area regarding this funding is supporting the Joint Spatial Plan and Local Plan. This includes early delivery work to demonstrate delivery of sites/housing numbers at examination.

By funding work upfront, the risk of later cost increases is lessened, as the reliance on short-notice commissions and emergency legal advice will be decreased. The creation of robust planning and delivery frameworks also reduces the likelihood of developer challenge and/or unsustainable, inappropriate growth. Putting a master-plan in place would help defend such a case at appeal and/or should ensure that future proposals come forward in a more cohesive manner.

Costs are grouped into four categories:

- Joint Spatial Plan and Local Plan examination stage costs.
- Strategic Development Locations development.

- Non-strategic growth.
- Infrastructure planning and viability.

The total cost is £1.42m, with £0.645m to be met from reserves. Other contributors include partner organisations and developer contributions. These costs have not been included within the revenue base budget at this time, as they are not recurring in nature however, Member approval will be sought prior to spending decisions being taken, and the financial impacts will be incorporated into the relevant budgets and reporting framework.

3.4 Budget savings and income generation plans

The budget report to Executive in December 2018 detailed savings and income generation proposals of circa £10.86m for the 2019/20 financial year, and a further update showing minor amendments was provided to Council at the meeting in January.

Further review of these savings plans has continued throughout January, both internally, as well as with a range of external stakeholders, formal consultations and equality groups.

There are no material changes to the majority of savings proposals from those published in January, although some minor amendments to the narrative descriptions have been made to improve clarity of the proposals.

In addition, the savings proposal relating to the reduction in the council's minimum revenue provision (CC4), has been increased by £75k as a result of reviewing and aligning the level of charge to that in the current financial year, and savings item DE9, reductions in the Streetscene contract, has been removed from the schedule.

The financial climate still remains extremely challenging and it is recognised that the nature and extent of savings that are being proposed will, inevitably, impact on some services users and residents of North Somerset. An Equalities Stakeholders group considered relevant savings proposals on 15 January 2019 and made recommendations to help mitigate negative impact where possible. Equality Impact Assessments under-pinning our budget can be seen at [Equalities - North Somerset Council](#).

3.5 Addressing the 2019/20 Financial Gap of £1.039m

The budget report to Council in January 2019 presented a financial gap of £1.039m to find, although did indicate some areas that would require further updates. The impact of these changes, together with final proposals to address the funding gap, are summarised in the following table:

Changes to the budget	£000
Revenue budget gap reported to Council, January 2019	1,039
Net change in resources, associated with business rate activities	-396
Budget change linked to the car parking review	250
Budget change for the Streetscene contract	
– removal of savings proposal DE9	50
- increase in contract costs, to include verges, gullies, litter and dog bins	20
Provision for Early Years Attainment	75

Increase in costs of the Waste contract – in addition to £300k growth currently included, bringing total increase to £400k	100
Change to savings item CC4, minimum revenue provision	-75
Increase in council tax income – further rise of 1%, bringing a total increase of 2.75%	-1,065
Revised revenue budget gap for 2019/20	0

After incorporating these changes within the financial modelling, the draft budget for 2019/20 now reflects a balanced position, and can be recommended to Council for approval. The draft budget for next year is summarised in Appendix 1, this summary also provides details of the net budgets allocated to each of the council's directorates.

An updated schedule of all savings, income generation plans and grant income allocations incorporated into the budget is included within Appendix 2, which also reflects changes in the council's allocations of the Better Care Fund income.

3.6 Alternative budgets

The council has, and will continue to consider and develop other budget options and proposals across the period of the MTFP, this includes those items that were put forward within alternative budgets submitted by other political groups.

A review of these options has helped to inform the final budget proposals and specific changes that now feature within the draft budget include items such as investment linked to the review of car parking, changes to the Streetscene contract, services relating to litter and dog bins, as well as additional income from increases to council tax.

In addition, it should be noted that some other items included within the alternative budget proposals have already been incorporated into the draft budget for next year, for example, savings within the marketing and procurement services, as well as changes and reductions to training, agency and consultancy costs.

3.7 Revised MTFP forecasts

Having reviewed and updated all assumptions in relation to resources and grant income as well as growth and savings proposals it is clear that the financial future of the council over the MTFP period remains challenging.

The table below summarises the various movements highlighted within this, and previous financial reports and presents Members with a high level view of the council's revenue budget forecasts over the next five years. It can be seen that a balanced budget for 2019/20 is being recommended, although at this time there remains an estimated shortfall of over £13m over the following four years of the planning period.

MTFP SUMMARY - FEBRUARY 2019

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
- Resources	153,259	153,976	154,041	157,075	160,494	161,777
- Base Spending Position	154,888	153,259	153,976	154,041	157,075	160,494
- Budget Pressures / Growth	13,055	11,571	7,461	4,574	5,533	4,841
- Savings Proposals / Grant Income	-14,684	-10,854	-539	-330	-330	-330
- Revised Spending Base	153,259	153,976	160,898	158,285	162,278	165,005
- Budget Gap	0	0	6,857	1,210	1,784	3,228
			13,079			
- Council Tax Assumptions;						
- Council Tax Increase	2.99%	2.75%	1.75%	1.75%	1.75%	1.75%
- Adult Social Care Precept	3.00%	0.00%	0.00%	0.00%	0.00%	0.00%

3.9 Looking ahead 2020-2024

The council's financial planning forecasts will continued to be reviewed and updated regularly to reflect any material changes in locally generated resource assumptions, national funding reforms as well as any spending pressures identified through our budget monitoring reports.

However as referenced in section 3.2 above, there remains significant uncertainty in terms of government resource allocations and constraints beyond 2019/20. For example, not only does the budget for 2019/20 include nearly £2m of one-off government grant allocations largely relating to social care pressures, the resource forecasts assume that council tax increases from 2020/21 and beyond will be held at the government's original four-year modelling of 1.75% per annum, and also that the business rate income remains at the current level of 49%, rather than the proposed new system of 75% retention.

Likewise, there are no further assumptions regarding increased funding or changes that may arise for either adult or children's social care from the much awaited Green Paper. Similarly other national pressures linked to schools and top-up funding may bring further changes, or solutions could be included within the fair funding review. It is anticipated that further information will be contained within the next Spending Review, following which, the council will be able to update these resource forecasts with more certainty.

That being said, forecasts show that the council will still have a budget gap to close over the MTFP period and so we will continue to explore all possible opportunities to generate further revenue income to mitigate future year service reductions wherever possible, but clearly this is becoming increasingly difficult having delivered £100m of savings since 2010.

Financial planning will be a key element of the formulation of the council's new strategic Corporate Plan which will seek to provide clarity over the council's future ambitions and transformation plans and deliver a robust budget position to match funding projections in the longer term.

Irrespective of the above, there are a number of other items that the council will continue to pursue in 2019/20 which could result in a financial impact over the longer term, as follows:

Review Integrated Transport plans to incorporate Adult Social Care requirements
Deliver the strategic review of car parking
Review opportunities for further partnership working
Review of pay and pension arrangements, including officer terms and conditions
Ongoing review of contractual arrangements and procurement initiatives
Review opportunities for further transformation projects, including those linked to greater use of technology
Review the council's fees and charges, including aspects such as full cost recovery

3.10 Schools Budget

The Council, through the Strategic Schools' Forum (SSF), is responsible for managing the Dedicated Schools Grant (DSG) and distributing funding to schools and early years providers. The total DSG for 2019/20 is expected to be c. £155.8m, but is paid to the Council minus deductions ("recoupment") for funding direct to academies. The net amount due to be paid to the Council in 2018-19 is c. £50m.

Each year, the SSF consults with schools and interested stakeholders, and then takes decisions on the formula for distributing resources to providers (including academies), along with associated funding arrangements, including the deficit recovery. The current projected deficit as at the end of 2018/19 is c. £2.4m and this is discussed elsewhere on this agenda.

From April 2018, the DSG has consisted of 4 blocks of funding:

- Schools block (£122.519m)
- Central school services block (£2.115mm)
- High needs block (£20.436m)
- Early years block (£10.752m)

The schools block is “ring-fenced”, but local authorities may transfer up to 0.5% of their schools block into another block, with the approval of the SSF. Transfers in excess of 0.5% require the approval of the Secretary of State. In 2018/19 the Secretary of State approved a 0.97% (c. £1.2m) transfer into the high needs block.

In common with many others, the Council is continuing to experience significant pressures in the “High Needs Block” of the DSG – this largely comprises place funding for special schools and pupil referral units, top-up funding (TUF) to schools for children with SEND and out of authority placements; the largest component is TUF.

The budget setting process has reiterated the need to control spending in the High Needs Block and, whilst overall funding in the High Needs Block has been increased, on 16 January 2019, the SSF agreed a revised process, criteria and funding bands for TUF in order to mitigate further increases.

In addition, on 16 December, the DfE announced additional funding for 2018/19 and 2019/20 for High Needs – for North Somerset this amounted to £457k in each of those 2-years. On 16 January, the SSF agreed that the 2018/19 funding be used to support the current year commitment to spend on high needs (which will reduce the DSG deficit). In 2019/20, the funding will allow a smaller transfer from the schools block to the high needs block. The Council has submitted a request for a transfer of 1.65% (c. £2m), which will support continuing increasing demand and a contribution to the repayment of the deficit.

Even if the transfer of funding into the High Needs Block is approved by the Secretary of State, action will need to continue to be taken to prevent costs from continuing to increase. Short term measures include the implementation of the review of top-up funding; medium term measures include the implementation the Specialist and Alternative Provision Review.

The proposed budget for 2019/20 for the dedicated schools grant is as follows

	Gross Expenditure	Income (Dedicated Schools Grant)	Net Expenditure
	£000s	£000s	£000s
Schools Block	120,716,166	122,519,000	1,802,834
Less: DSG paid direct to academies	-108,270,000	-108,270,000	0
Central Services Block	1,931,243	2,115,000	183,757
Early Years Block	10,752,235	10,752,000	-235
High Needs Block	21,922,356	20,436,000	-1,486,356
Deficit reduction	500,000	0	-500,000
TOTAL	47,552,000	47,552,000	0

4. CONSULTATION

The government expects that local authorities will be able to demonstrate that they have in place mechanisms to ensure that 'representatives of local people' are being appropriately informed, consulted or involved in services, policies or decisions that affect or interest them.

The councils' previous focus has been on specific savings proposals which particularly impact on service users and the general public. Budget proposals have been scrutinised by Member panels, shared with the public as well as other key stakeholders such as local business, partner organisations and other groups such as the equality related forums.

Individual savings proposals that impact directly on service users have also been subject to specific consultation arrangements prior to implementation.

5. FINANCIAL IMPLICATIONS

Financial implications are contained throughout the report.

6. LEGAL POWERS AND IMPLICATIONS

The Local Government Act 1972 lays down the fundamental principle by providing that every local authority shall make arrangements for the proper administration of their financial affairs, although further details and requirements are contained within related legislation. The setting of the council's budget and the resultant council tax levels for the forthcoming year is an integral part of the financial administration process.

7. RISK MANAGEMENT

In setting the revenue and capital budgets, the council takes full account of the known key financial risks that may affect its plans. The most significant financial risks are either being explicitly provided for in the base budget or are covered by either the unallocated contingency budget, the Corporate Risk Reserve or Working Balances.

The residual uncertainty of local government finance including business rate retention, the wider economic conditions and fairly short-term nature of funding settlement attracts a high degree of risk in terms of financial planning.

Officers will continue to test the impact of varying key assumptions in the medium term financial strategy to assess the sensitivity of the indicative budget figures. This informs decisions about the level of working balances needed to provide assurance as to the robustness of the budget estimates.

A working balance of £8.6m was set for the 2018/19 financial year which represents approx. 5% of the council's net revenue budget. For 2019/20 it is recommended that this level of balance is retained. In addition, the draft budget includes a contingency element of £0.9m.

A full review of all reserves and balances will be detailed as part of the 2018/19 end of year out-turn report.

In addition a risk register is continually updated, which reflects the most significant areas of the council's financial planning, although at this time some of the most significant risks associated with the revenue budget are shown below;

- Potential legacy over-spending from the ongoing revenue budget;
- Increasing costs of looked after children;
- Increasing demand for services for the elderly and adults and children with complex disabilities;
- Stability of and increasing costs in the social care provider market;
- Increasing demands for education services for those with SEND
- Continued inflationary pressures;
- Financial pressures facing the health economy and their impact on our income and expenditure;
- Ability to identify robust, deliverable and timely budget action plans and savings proposals to close the budget gap, which are not counter-productive and which minimise impact on individuals and communities;
- Interest rate risks linked to our investment and borrowing plans;
- Our ability to invest and regenerate in order to create income and growth.

The council does face a wide range of other financial risks, for example, those linked to the capital investment programme and associated financing resources, although these are considered and reflected within the relevant risk register.

8. EQUALITY IMPLICATIONS

The Equality Act 2010 (Section 149) sets out public sector equality duties, which elected Members must consider in their decision making role. Members will recall that the general duties are to have due regard to the need to:

- eliminate unlawful discrimination
- advance equality of opportunity; and
- encourage good relations between groups.

As per previous years, we have undertaken thorough Equality Impact Assessments, (EIA), for all significant budget savings proposals which are published on the Council's website which can be accessed through the following link:

The information provided within the EIAs provide Members with important information to help them fulfil equality duties and it is therefore vital for all Members to familiarise themselves with these documents. : [2019 Equality Impact Assessments](#)

Potential 'medium or high' impact assessed EIAs have also been discussed in detail at the Equality Stakeholder Group meeting, held in January 2019, and the feedback from this consultation has been taken fully into account within the final assessments.

Appendix 2 provides an overall summary and assessment of the details within the full list of all EIA's that underpin the £10.854m budget savings and increased income proposals as recommended within the 2019/20 revenue budget.

9. CORPORATE IMPLICATIONS

The Corporate Plan and MTFP are vital tools to help align effort across the organisation and ensure that services are all pulling in the same direction. With continuing national austerity,

it is essential that the councils' limited resources continue to be prioritised and allocated in line with the identified priorities.

11. OPTIONS CONSIDERED

The council is required to formally approve a revenue and capital budget for 2019/20. This could be undertaken as a stand-alone annual process. However, we have adopted, and will maintain a 5-year funding horizon and MTFP period which sets the context in which annual budgets are set.

APPENDICES

Appendix 1	Draft Budget for 2019/20, including Directorate Net Revenue Budgets
Appendix 2	Savings proposals incorporated into the Draft Revenue Budget
Appendix 3	Equality Impact Assessment report on the 2019/20 Budget Reduction Proposals

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BACKGROUND PAPERS

MTFP & 2019/20 Budget Setting Reports (Executive & Council - February–January 2019)
Budget Monitoring Report (Executive – July–December 2018)

APPENDIX 1

PROPOSED NET REVENUE BUDGETS 2019/20								
	People & Communities £000	Development & Environment £000	Corporate Services £000	Capital Financing £000	Non Service & Contingency £000	TOTAL BUDGET Excl £000	Town & Parish Precepts £000	TOTAL BUDGET Incl £000
Revised Base Budget 2018/19 - incl recharges	93,961	35,443	6,603	13,791	3,462	153,260	4,671	157,932
Revised Base Budget 2018/19 - excl recharges	83,101	29,486	23,420	13,791	3,462	153,260	4,671	157,932
Budget movements;								
- Inflation	779	920	1,100	180	255	3,234	0	3,234
- Growth	7,540	903	1,006	0	400	9,849	TBA	TBA
- Removal of one-off spend	-1,513	0	0	0	0	-1,513	0	-1,513
- Savings Proposals & Grant income	-4,772	-1,610	-1,797	-2,575	-100	-10,854	0	-10,854
- Budget Virements	556	426	-261	-145	-577	0	0	0
Total movements in budget	2,590	640	48	-2,540	-22	716	TBA	TBA
Proposed Base Budget for 2019/20 - excl recharges	85,692	30,125	23,468	11,251	3,441	153,977	TBA	TBA
	3%	2%	0%	-18%	-1%	0%		

Notes:

1. Virements relate to functions or services which have been transferred between directorates, including items such as the Adult Social Care base budget from the Contingency, Sport and Active lifestyles into Public Health, and Highways functions into Corporate Services
2. As in previous years, central recharge allocations will be added to directorate budget and included within the Council Tax Setting report.
3. Precept information from Town and Parish Councils is still being received, and will be included within the Council Tax Setting report.

Area / Reference	Saving Proposal	2019/20 £000	2020/21 £000	2021/22 £000	Further information
Corporate	CC1	-330	-330	-330	Additional income above these levels will be included within other directorate savings proposals
Corporate	CC2	-100	0	0	Continuation of prior year proposal, year 3 of 3, and is reflective of reductions to central government funding.
Corporate	CC4	-2,575	0	0	Financial adjustment following the council's decision to back-date its revised Minimum Revenue Provision (MRP) policy from 2016/17 to 2008, with the resultant benefit being applied over 8 years. Budget will need to be reinstated in 2024/25.
Grand Total - Corporate & Council-wide		-3,005	-330	-330	
CSD	CSD 1	-275	0	0	Reprocurement of third party ICT contracts and the maximisation of Microsoft storage facilities in order to reduce costs.
CSD	CSD 2	-180	0	0	Rescoped Housing Benefit service to align with changes to Universal Credit and policy changes around hard to collect debt and revenue schemes.
CSD	CSD 3	-40	0	0	Revisions to the security provision for the Town Hall Gateway
CSD	CSD 4	-30	0	0	Reductions linked to reductions in paper related activities through increased use of technology, e.g. reduced printing and postage costs
CSD	CSD 5	-90	0	0	Baseline external income received for Registrars and School Appeal services. Restructure and reductions within Electoral services.
CSD	CSD 6	-142	0	0	Baseline income received for shared services and reductions in costs aligned to current spending levels. Restructure and reductions within Emergency Planning, Business Intelligence and Health & Safety services.
CSD	CSD 8	-57	0	0	Use of earmarked transformation reserves to complete the current phase of the Programme which reviewing future priorities and delivery arrangements, plus efficiencies in support and services.
CSD	CSD 9	-15	0	0	Review of activity and costs associated with Marketing and Communications
CSD	CSD 10	-216	0	0	Increased occupation and income from external partners, together with rationalisation of external property and insurance costs
CSD	CSD 11	-105	0	0	Reduce expenditure within Social Care finance, Financial Management and Procurement support service teams.
CSD	CSD 12	-70	0	0	Align vacancy management provision to current outcome levels, from 4% to 5%
CSD	CSD 13	-5	0	0	Reduction in supplies budgets, aligned to current spending levels
CSD	CSD 14	-565	0	0	Continuation of prior year proposal, and is reflective of agreed investment programme decisions.
Grand Total - Corporate Services		-1,790	0	0	

Area / Reference		Saving Proposal	2019/20 £000	2020/21 £000	2021/22 £000	Further information
D&E	DE1	Concessionary Fares- Reduced demand	-300	0	0	Demand for this service area has reduced as the eligibility criteria has changed. These national changes related to increasing eligibility in line with pension age. Demand within the Weston area has also reduced due to market conditions and less competition on routes. This saving is based on the lower level of usage continuing. There is no impact on service delivery.
D&E	DE2	Income generation- moving income in line with current performance	-110	0	0	Income targets within planning and regulatory services has been increased in line with current year performance. There is an expectation that the current performance will continue.
D&E	DE3	Directorate wide savings focusing on reviewing partner arrangements and centralised budgets	-200	-100	0	There has been a review of D&E repairs and maintenance and IT budgets. These have been reduced on a risk based approach to the levels of spend over the previous years. There has also been a review of the contribution in relation to Hutton Moor, as the new gym and pitches have exceeded expected performance. Further reviews continue to be undertaken in relation to concessionary income and contributions to partner arrangements.
D&E	DE4	Staffing- Review of current vacant posts including senior management posts.	-413	-7	0	The Department are undertaking a review of current vacant posts with the aim of deleting some that have been vacant for long periods, including a review of the senior management posts in the Directorate. The vacancy management provision is also changing to the current outcome level, from 4% to 5% in line with the longer periods it is taking to recruit. There are also a number of restructures occurring in the Directorate which will lead to a small number of middle tier management roles changing, releasing savings through amalgamation of posts.
D&E	DE5	Parking- increase in income generated by the parking service	-120	0	0	Increase in parking income - £100k to be delivered from more effective patrolling following a restructure within the Civil Parking Enforcement team - further £20k to be achieved following a review of fees and charges, aligned to current demand. This element will be subject to the outcome of the parking review.
D&E	DE6	Efficiency of capitalisation policy	-150	0	0	Review project officer time to maximise the costs put to externally funded projects.
D&E	DE7	Efficiency of highway funding methods	-170	0	0	Review of policy in relation to permanent highway repairs and fund through capital resources, rather than revenue.
D&E	DE8	Highways- cash limit budget	-50	0	0	Reviewing spend on a risk management basis
D&E	DE10	Development Management- moving building control to cost neutral	0	-50	0	Reviewing Building Control function to breakeven, with full cost recovery programme
D&E	DE11	Transport- review of service-wide efficiencies including safer routes to school & market intervention.	0	-150	0	Continue to review efficiencies within the Integrated Transport Unit to review more safer routes to school, collective pick up points and market intervention.
Grand Total - D&E			-1,513	-307	0	
P&C - Pub Hlth	PCPH1	0-19 services efficiencies	-25	0	0	Increased integrated working with children's centres targetting higher risk families
P&C - Pub Hlth	PCPH1	Sexual health services efficiencies	-50	0	0	Contracted sexual health planned savings and end of non-recurring work
P&C - Pub Hlth	PCPH1	Substance misuse services efficiencies	-45	0	0	Revised service delivery model to deliver efficiencies
P&C - Pub Hlth	PCPH1	Obesity services efficiencies	-30	0	0	Funding unallocated following cessation of a funded pilot and one off grant
P&C - Pub Hlth	PCPH1	Staffing reductions	-150	0	0	Staffing restructure
P&C - Pub Hlth	PCPH1	Use of public health reserve	-126	0	0	Increased use of public health reserve to smooth the impact of government grant reductions
Grand Total - Public Health			-426	0	0	

DRAFT SAVINGS PROPOSALS

APPENDIX 2

Area / Reference		Saving Proposal	2019/20 £000	2020/21 £000	2021/22 £000	Further information
P&C - Adults	PCA1	New Supported Living Scheme	-160	0	0	New supported living accommodation (Clifton Road) with 8 places for adults with complex learning difficulties. This represents alternative more cost effective accommodation for those who are / would be in residential care and also supports increasing independence.
P&C - Adults	PCA2	Full Year impact of 2018/19 savings programme - re-commissioning of Care and Repair services	-65	0	0	Recommissioning of the Home Improvement Agency Contract / Care and Repair Service (advice and home maintenance services for vulnerable adults) - new service implemented on 1 October 2018
P&C - Adults	PCA3	Increase charges for community meals to make service more sustainable	-40	0	0	Second year of price increase to ensure that the costs of the service are fully recovered
P&C - Adults	PCA4	New Extra Care Housing Scheme	-15	-210	0	New facility at Yatton with nomination rights for 30 units of affordable rented extra care housing. This represents alternative more cost effective accommodation for those who are / would be in residential care and also supports increasing independence.
P&C - Adults	PCA5	Additional Shared Lives Carers	-145	0	0	Additional Shared Lives carers, providing more cost effective solutions for adults with learning difficulties and also supporting increasing independence.
P&C - Adults	PCA6	Re-commission accommodation-based Supporting People contracts	-150	-50	0	Redesign and re-commission accommodation-based supporting people contracts to ensure they are focussed on those most in need and that housing benefit is maximised
P&C - Adults	PCA7	Reviews of Supported Living Schemes	-150	0	0	Review of various workstreams related to Supported Living Services for adults with learning disabilities, including: - Whole home reviews of shared supported living schemes to maximise shared resources - Clawbacks for double funding/over charging - Housing Benefit applications to offset social care costs
P&C - Adults	PCA8	Provision management (reviews and assistive technology)	-150	0	0	A planned and systematic approach to reviewing care packages and pathways and an expansion of the use of assistive technology (AT) to ensure an effective monitoring response and skilled support and access to AT. This will also support provider-led reviews of packages to release capacity particularly in home care and supported living.
P&C - Adults	PCA9	Increased income from Continuing Health Care / joint funding from health	-300	0	0	Increase income from the CCG to ensure an appropriate contribution is made in relation to the health aspects of care packages. Savings proposal made on the basis of recent successful challenges, esp. in cases of people with Learning Difficulties. There is an opportunity to continue to challenge and maximise funding provided by the CCG for Continuing Health Care (CHC) needs
P&C - Adults	PCA10	Review costs and income in relation to the Carlton Centre	-50	0	0	The Carlton Centre provides education for adults out of work or who are in recovery from mental illness or substance misuse. It is jointly run with the DWP. The review will look at opportunities for generating more income and / or reducing the contribution that the Council makes to the running of the
P&C - Adults	PCA11	Directorate Strategy & Policy and Housing Teams	-65	0	0	Reduction in staffing and associated service costs in strategy and policy team, and review of external funding
P&C - Adults	PCA15	Improved Better Care Fund government grant	-940	1,303	0	Changes in levels of government grant funding in respect of the Improved Better Care Fund
Grand Total - Adults			-2,230	1,043	0	
P&C - Childrens	PCC3	Children's placements savings - Social Impact Bond	-945	-945	0	Edge of Care early intervention services focussed on reducing the number of children aged 10 and over entering care
P&C - Childrens	PCC4	Children's placement savings - Residential Step Down Project	-500	0	0	Project focussed on the transition of appropriate children in a planned way from residential care to a foster family with an increased package of support to enable the foster carer to meet the needs of the child or young person.
P&C - Childrens	PCC5	Staffing reductions in social care teams	-235	0	0	Reduce social work staffing costs by minimising the use of agency staff, using AYSEs to fill vacancies as opposed to being supernumerary, reviewing vacant posts and other structural
P&C - Childrens	PCC6	Increase in income from CCG for Continuing Health Care / joint funding	-50	0	0	Increase income from CCG to ensure an appropriate contribution is made in relation to the health aspects of care packages
P&C - Childrens	PCC7	Reduction in Early Years Team	-50	0	0	Restructure the Early Years team on the basis of a reprioritisation of work and further integration with Children's Centres
P&C - Childrens	PCC1 + 2	Children's Centres and Nurseries	-110	0	0	Full Year impact of 2018/19 savings (Children's Centres and Nurseries)
Grand Total - Children's			-1,890	-945	0	
TOTAL SAVINGS / RESOURCES			-10,854	-539	-330	