

North Somerset Council

REPORT TO THE EXECUTIVE

DATE OF MEETING: 5 FEBRUARY 2020

SUBJECT OF REPORT: MTFP UPDATE & REVENUE BUDGET 2020/21

TOWN OR PARISH: ALL

**OFFICER/MEMBER PRESENTING: COUNCILLOR ASHLEY CARTMAN,
EXECUTIVE MEMBER FOR FINANCE & PERFORMANCE**

KEY DECISION: YES

RECOMMENDATIONS

The Executive is asked to:

- i. Note the updated projected revenue budget forecasts in respect of the 2019/20 financial year as detailed within section 3.1 of the report;
- ii. Recommend to Council a revenue budget for 2020/21 for approval as detailed within this report;
- iii. Recommend that Council approve a council tax increase of 1.99% for 2020/21;
- iv. Recommend that Council approve an adult social care precept on the council tax of 2% for 2020/21;
- v. Note the Equality Impact Assessment report attached at Appendix 6, and familiarise themselves with the published Equality Impact Assessments (EIA's) that underpin the 2020/21 budget savings plans

1. SUMMARY OF REPORT

Reports have been presented to the Executive over recent months providing updates on the council's financial planning assumptions for the four-year period to 2023/24, giving particular focus to the preparation of the detailed revenue budget for the 2020/21 financial year.

The Executive approved a draft budget at the meeting in January 2020, together with indicative allocations for each directorate area, which has since been subject to consultation with residents and other stakeholders. This report further updates the MTFP planning assumptions and recommends a final revenue budget to Council for 2020/21, in readiness for setting the council tax charges for 2020/21.

2. POLICY

The MTFP is a core strategic financial planning document which aims to support delivery of the council's Corporate Plan. Work has been progressing over recent months to revise the Corporate Plan and set a new vision and priorities for the period 2020 to 2024. The new Plan will clearly reflect what the council aims to achieve for local people and the area and how successful outcomes will be measured.

The draft Corporate Plan was approved by the Executive at the meeting in January 2020 and has since been subject to a consultation and engagement process with residents, staff and other stakeholders in order to seek their views. It is anticipated that the new Plan will be considered for approval by the Executive at the same meeting as this report.

The MTFP itself describes the council's current and projected financial position and compares these to the anticipated resources available. It highlights the key risks inherent within the budget planning processes and incorporates a range of financial strategies and mitigations to address these.

As the final budget described within this report has been prepared along-side the new Corporate Plan it features areas of investment which start to recognise the council's changing priorities, although it should be noted that this is an evolving process and so it is anticipated that further changes will be reflected within the MTFP in future years.

The council's financial strategies and core plans are very much inter-linked and so it is important to understand the impacts and changes in demand levels upon the costs, and the assets that are being used to support delivery of our services, meaning that there needs to be closer links between capital investment and borrowing decisions, with the impact on revenue costs and financial reserves. It is recommended that the revenue budget report should be read in consultation with the Capital Budget report and Treasury Management Strategy report which are also presented for consideration at this Executive meeting.

There is a legal requirement to prepare a robust revenue budget for the 2020/21 financial year along with the relevant council tax bandings and rates. These will be approved by Council at the meeting on 18 February 2020.

3. DETAILS

3.1 Update on the 2019/20 revenue budget monitoring position

When preparing budgets for future years it is important to firstly review the baseline position for the current financial year, to understand and quantify the extent to which any existing risks and pressures will impact on the council's budget in the future. Should ongoing pressures be identified as part of this review, it is essential that they are addressed as part of the council's work to prepare a sustainable budget going forwards.

Shown below in Table 1 is an update on the council's revenue budget position for the current financial year as at the end of December 2019, which has been prepared by using forecast information provided by Directors and their nominated budget managers.

Table 1: Revenue budget monitoring summary for 2019/20

Revenue Budget Monitoring 2019/20							
	Month 7 Forecast			Month 9 Forecast			Movement from Month 7
	Revenue Budget £000	Projected Out-turn £000	Projected Variance £000	Revenue Budget £000	Projected Out-turn £000	Projected Variance £000	
People & Communities;							
- Adult Social Care	65,840	66,130	290	65,840	66,097	257	(33)
- Children & Young People	28,929	30,105	1,176	28,929	30,334	1,405	229
- Housing	1,646	1,645	(1)	1,646	1,646	0	1
- Public Health	0	0	0	0	0	0	0
- Schools & DSG	0	0	0	0	0	0	0
	96,415	97,880	1,465	96,415	98,077	1,662	197
Development & Environment	36,138	36,940	802	36,138	36,912	774	(28)
Corporate Services	6,762	6,996	234	6,762	6,729	(33)	(267)
Capital Financing & Interest	11,221	10,787	(434)	11,221	10,621	(600)	(166)
Non Service - Precepts & Levies	5,135	5,135	0	5,135	5,135	0	0
Non Service - Contingency & Other	3,157	2,102	(1,055)	3,157	2,072	(1,085)	(30)
Total Revenue Budgets	158,828	159,840	1,012	158,828	159,546	718	(294)
General Fund Financing Budgets	(158,828)	(158,828)	0	(158,828)	(158,828)	0	0
NET REVENUE BUDGET TOTALS	0	1,012	1,012	0	718	718	(294)

0.64%

0.45%

DSG deficit at 1 April 2019	-2,376	-2,376
Projected net movement during 2019/20	-1,232	-1,756
Projected DSG deficit at 31 March 2020	-3,608	-4,132
Public Health Reserve Balance at 1 April 2019	472	472
Projected net movement during 2019/20	-120	-135
Projected Public Health Reserve at 31 March 2020	323	352

The table indicates that at an overall level the council will spend more on delivering its services to the public, compared to the resources it has available in the current financial year, and at this point the forecast shows that there is likely to be a projected net overspend of £0.718m, or 0.45% compared to the budget for the year.

The information presented is a high-level financial summary and does bring together all the council's more detailed budgets however, when further analysis is carried out it can be seen that there are several areas where material budget variances are forecast to continue into the future. A summary of these items is provided below, together with confirmation of the additional growth that has been added into the budget for next year in order to provide a more realistic baseline for these services.

- £925k - Legacy issues within children's services budgets
- £500k - Increasing demand pressures for children's placements
- £500k - Increasing demand pressures within home to schools transport budgets

Whilst the latest monitoring forecast does not present a balanced budget it can be seen that the council's financial position has improved when compared to the information presented to the Executive at the meeting in January 2020, as officers have been working to identify ways to reduce costs where appropriate.

It should also be noted that the financial summary does not yet reflect any drawdown from the council's earmarked financial risk reserve, which was previously established to cover key risks such as excessive demand pressures, changes in service delivery plans or one-off spending proposals. Decisions surrounding the utilisation of this reserve will be carried out at the end of the financial year in order to allow officers time to review activity levels during the

winter period and assess this impact on the budget, and also provide an opportunity to identify further budget mitigations to reduce any overspending.

3.2 Updated resource assumptions 2020-2024

The council has recently updated its resource assumptions following the release of the provisional local government finance settlement on 20 December 2019, and also confirmation of its tax bases for council tax and business rates.

Government funding

The council's draft budget, released for consultation in January 2020, reflected the announcements that were made by the Chancellor in the Autumn Budget in respect of government funding. At that time the Spending Round confirmed a one-year funding position rather than a multi-year settlement period, and was essentially a roll-over position of its core grants. The government did however, also provide additional funding for social care which will be accessed through receipt of a specific grant, and also the opportunity to levy a 2% Adult Social Care Precept charge on local council taxpayers.

The provisional local government finance settlement has not substantially changed those assumptions, although details of specific grant allocations have been released which are marginally higher than the values included within the council's previous forecast. The government has indexed up the base sums to allow for inflationary increases.

The government has advised that the Winter Pressures funding will be rolled into the Better Care Fund grant mechanism in the future, this will mean that the grant no longer forms part of the 'resources' part of the council's budget, it will instead be shown within the adult social care net revenue budget – this presentational change will be reflected within the council tax setting report considered by Council.

Locally generated income

The council has completed its own calculations in respect of both council tax and business rate income, which are linked to the latest numbers and values of dwellings and businesses within the area. These income forecasts are not materially different to the previous budget forecasts although there is a small improvement in the net position for the 2020/21 financial year, after allowing for Section 31 business rate grants, and the collection fund surplus / deficit positions for the previous financial year. These forecasts also allow for associated transactions relating to reserves, e.g. the collection fund smoothing reserve.

3.3 Building a sustainable budget

When preparing the 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.

As noted in para 3.1 above, the results of budget monitoring forecasts in respect of the current financial year have been reviewed to ensure that the budget for next year does not feature any legacy issues and is set at robust levels wherever possible.

In addition to that, information has been gathered from a variety of sources, including external drivers covering government funding allocations, interest and inflation rates and the national living wage, as well as internal information such as the forecast numbers and volumes within demand led services such as waste, home to schools transport, adults and children's social care, and also projections for new housing developments and business growth.

As the MTFP is an iterative process, officers continue to review and assess demand-led pressures to understand the financial impacts on the budget in future years. Recent work has shown that the council is facing an emerging pressure in relation to the demands to deliver an increased number of assessments for, and production of Education and Health Care Plans (EHCPs) for children and young people with Special Education Needs and Disabilities (SEND). An EHCP is the legal document that describes a child or young person's special education, health and social care needs, and explains the extra support that will be provided to meet such needs. The council has a statutory duty to carry out this work, including delivering within specified timeframes and it is proposed that additional resources of £220k be allocated within the recommended budget for next year (in addition to the £50k that was included in the previous version of the MTFP). This will enable the council to increase capacity both within the Council's SEND Team and also in relation to the input required from the Education Psychology Service, which is a service provided by Support Services for Education (SSE), a traded unit within Somerset County Council. By way of context, it is worth nothing that the number of children with EHCPs increased by 81% between January 2015 and July 2019 and an even bigger increase has been seen in the number of requests for assessments.

The council has therefore provided within its budget for known legacy issues, inflationary cost pressures, and increased demand for its services, which total almost £11.5m.

The final budget recommended to Council continues to include resources to fund new investment in the changing priorities of the new political alliance over the period of the MTFP. It can be seen from the modelling that some of the proposed investment will be recurring and included within the base budget going forwards, whilst other elements have been reflected within the MTFP for specific timeframes. These areas of the budget along with other priorities emerging from the new Corporate Plan, will be reviewed during the year to assess their impact and if successful or deemed important to residents and communities, may feature in future budgets, subject to improvement within the council's overall financial position.

3.4 Budget savings and income generation plans

The Executive presented the draft financial strategies and savings proposals for inclusion within the budget at the meeting in January 2020, which have been published and consulted upon since that time.

The primary focus of the Executive has been to retain and protect front-line services wherever possible and to introduce savings plans which generate viable and targeted income streams, deliver transformational change with services which can reduce costs, and to ensure best value is achieved through contracts and commissioning arrangements. The ambition of the Executive has been to reduce the number of savings plans which cut service provision, and it is expected that this objective will largely be delivered in 2020/21.

A schedule of the saving strategies and proposals included within the MTFP is shown at Appendix 2, and has been updated to reflect the results of the due diligence work and further

information and views gathered by officers in recent weeks. This has resulted in three changes to the schedule;

- Remove values within CSD 9.1 – £38k - double counting of cash collection savings for car parking,
- Remove DE6 - £50k – income proposal no longer deliverable following change in contract arrangements,
- Reduce CSD 21- change saving to £2k – to enable further review and consultation of expenditure in this area.

Each of the proposals is supported by an Equality Impact Assessment to enable the council to understand their impact and mitigate any potential inequalities. Further information is provided in section 9 of the report.

3.5 Update from consultation and engagement

Consultation on the council's draft MTFP and revenue budget has been undertaken over recent weeks in order to inform residents and other stakeholders about the services the council offers as well as its spending plans and funding sources, all set within the overall context of the financial challenge.

Residents and stakeholders were encouraged to respond to a series of questions to understand the issues that were important to them, how satisfied they are with the current services being provided and also to seek their views the potential approaches the council could take to help with the financial challenge, as well as share ideas on issues which could be fed into the future budget planning process.

Consultation on the budget was linked with the arrangements to update the council's Corporate Plan which will also be approved for the period 2020-2024. It is important that both the MTFP and the Corporate Plan are fully aligned to ensure that the vision and aims of residents can be delivered, with sufficient resources being in place.

The process was launched through the e-consult portal on the council's website and was supported by a social media campaign, press release and an e-Life publication that reached 50,000 residents. The consultation closed on 17 January 2020 with 78 individuals submitting their responses.

The detail of the consultation exercise is provided at Appendix 3, although the main messages are summarised below.

Respondents were evenly split over whether they felt the council delivered value for money services and there was strong support for:

- Making more services on-line, broadening the use of digital technology and for making better use of technology in its operations,
- Making more efficient use of council assets,
- Bringing services back in-house from commercial companies.

There was a significant number of free text responses to the question: "Do you have any ideas about ways in which we can save money and improve services?' These suggestions were linked to the delivery and provision of council services, many of which are already part of the council's current approach, such as: sharing services with other local authorities; moving transactions on-line; and increasing energy efficiency initiatives in council offices.

A number of suggestions were comments on current savings plans with broadly 10% of respondents expressing concerns over proposed car parking and Garden Waste charges. Both of these initiatives will be subject to further targeted public consultation exercises where residents will be able to share views on specific proposals.

Other comments made by a number of respondents were around: a lack of support for outsourced delivery models; improving public transport; and promoting community involvement and volunteering opportunities.

A more detail response to the consultation will be provided within a future edition of North Somerset Life.

3.6 Summary of changes from the draft budget

The draft budget presented to the Executive in January 2020 was broadly balanced for the 2020/21 financial year, showing a small financial gap of £0.024m. The report advised that the budget would require further updates and the impact of these changes, together with final adjustments, are summarised in the following table:

Table 2: Changes to the revenue budget as February 2020

	£000
Revenue budget gap reported to the Executive, January 2020	24
Net change in resources, associated with business rate activities	-360
Remove values for saving CSD9.1 – cash collection costs	38
Remove saving DE6 – increase in regulatory service income	50
Reduce saving CSD 21 – reduce Chairman’s expenditure	5
Increase growth provision for Educational Health Care Plans	220
Emerging issue - increased costs of external audit fees	20
Transfer balance into the contingency budget	2
Revised revenue budget gap for 2020/21	0

After incorporating these changes within the financial modelling, the budget for 2020/21 now reflects a fully balanced budget 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 proposals and income generation plans incorporated into the budget is included within Appendix 2.

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. That being said the council’s future financial position could change significantly when more information is known about the planned changes for funding local government in general. The council continues to press for more certainty so that it is possible to understand and model specific impacts for North Somerset, so that we can plan decisions relating to future service delivery more appropriately.

The Table below summarises the various movements highlighted within this, and previous financial reports, and presents 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 2020/21 is being recommended, although at this time there remains an estimated shortfall of £19m over the following three years.

Table 3: MTFP financial summary as at February 2020

MTFP SUMMARY - FEBRUARY 2020	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
- Resources	153,976	160,954	159,573	162,955	166,469
- Base Spending Position	153,259	153,976	160,954	159,573	162,955
- Budget Pressures / Growth	11,570	12,208	11,158	9,681	9,838
- Savings Proposals / Grant Income	-10,854	-5,230	-3,350	-1,865	-930
- Revised Spending Base	153,975	160,954	168,762	167,389	171,863
- Budget Gap	0	0	9,189	4,434	5,394
			19,017		
- Council Tax Assumptions;					
- Council Tax Increase	2.75%	1.99%	1.99%	1.99%	1.99%
- Adult Social Care Precept	0.00%	2.00%	0.00%	0.00%	0.00%

3.8 Update on reserves

The council has a series of reserves which can be used to support spending within the revenue or capital budgets, or which it can hold to cover future financial risks. These are known as 'usable' reserves and are held on the council's balance sheet, some of these reserves are 'general' in nature whereas other reserves are 'earmarked' and held for specific purposes.

Earmarked reserves are largely created in order to:- provide resources for a range of one-off programmes, invest in planned future expenditure or service improvements, deliver the outcomes required by unconditional service related grants received from the government and / or external partners, or to provide the council with cover from financial risks.

Reserves are also held for statutory purposes and are sometimes outside of the council's control, for example, the balance held by schools or on behalf of partners. The council is permitted to set-aside resources in a reserve to smooth financial impacts over several financial years rather than allow significant financial fluctuations to distort the annual revenue budget.

The management of reserves is an essential part of a sound strategic financial plan and is recognised within the Local Government Act 2003 which states the council has a responsibility to ensure that such reserves are adequate, and so are regularly monitored throughout the year. An additional review is undertaken as part of the council's budget setting process, shown below is a table summarising the potential balances on council's usable reserves at the end of the financial year, some of which would be available to support spending or cover financial risks in 2020/21.

Table 4: Summary of Usable Reserves

SUMMARY OF RESERVES			
		Balance Held 1/4/2019 £000	Projected Bal 31/3/2020 £000
General Fund Working Balance	1	9,053	9,053
Financial Risk Reserve	2	3,609	2,894
Earmarked Reserves - directorates	3	10,103	8,843
Earmarked Reserves - corporate	4	12,516	10,962
Dedicated Schools Grant Reserve	5	-2,376	-4,132
School Reserves & Balances		829	1,289
Capital Deposits & Reserves	6	10,655	8,755
Capital Grants & Receipts	6	11,288	7,842
		55,677	45,506

Further information is provided below;

1. The general fund working balance is likely to be held at £9.053m, and is considered to be a satisfactory level, being within the range of 4-6% of the net revenue budget.
2. The financial risk reserve reflects the potential funding of the forecast overspend in respect of the 2019/20 year. Should the overspend be before the year-end then this balance would increase.
3. Directorate reserves reflect the planned drawdown to support spending plans in the current financial year, such as the Better Care and Public Health reserves. Further details are provided within the monthly budget monitoring reports considered by the Executive.
4. Corporate reserves include resources set aside to support the council's wider plans, such as the insurance and severance reserves, as well as technical reserves such as the city-deal and collection fund smoothing reserves. The council does not have anticipate significant movements in its risk reserves, but will need to account for movements within its technical reserves at the end of the financial year and so these forecasts may change slightly.
5. The dedicated schools reserve reflects a deficit position which signifies that expenditure in this area has exceeded the allocated resources, and is consistent with information included within budget monitoring reports throughout this, and previous financial years. The council is not alone in facing this position and spending on special educational needs is very much a national issue. Additional resources have been allocated by the government in 2020/21 although it is considered unlikely that they will be sufficient to fund the deficit or future spend. Representatives from the government will be meeting officers in the coming weeks to discuss the issue in more detail. Further information will be shared in future reports.
6. Capital grants, receipts and reserve balances are currently being held to fund projects within the council's approved capital programme, and cannot be used to support the revenue budget. Further information is provided within the Capital Strategy report being considered by the Executive elsewhere on the agenda for this meeting.

3.9 Chief Finance Officer review of the recommended budget

The Chief Financial Officer (CFO) is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act which states the following:

a) Where an authority to which section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) applies is making calculations in accordance with that section, the Chief Finance Officer of the authority must report to it on the following matters:

- The robustness of the estimates made for the purposes of the calculations, and
- The adequacy of the proposed financial reserves.

b) An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made. This includes reporting and taking into account:

- The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.
- The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council.

The CFO Statement has to be considered and approved by full Council as part of the budget approval and council tax setting process and although it concentrates on the General Fund revenue budget and associated capital programme, it must also consider key issues faced by the council over the medium-term. The Statement covering the council's MTFP and 2020/21 budget is detailed at Appendix 5, although key points are listed below:

- In preparing the budget during an ongoing period of significant financial constraint remains challenging, as evidenced by performance over the last three years. There is inevitably some residual risk particularly with regards to demand led services, especially care for older and vulnerable people, children looked after, and home to school transport services where demand is continuing to increase. Account has been taken of current spending trends and, where known, additional unavoidable cost pressures have been built into the recommended 2020/21 budget proposals.
- Provision has also been made for pay awards, pension and national insurance increases, contractual inflationary pressures and the forecast impact of the National Living Wage which will largely arise through increased provider costs. The reserves held by the council are invested and the interest received will support the council's budget. Some consideration to the funding pressures within the DSG High Needs Block Funding has been made although whilst the council has a programme in place to try to resolve this issue, if the High Needs block continues to overspend, further measures will need to be taken to reduce expenditure. Ultimately if these measures are not successful then eventually there would be a risk that this liability could fall on the council.
- The council has prepared its resource forecasts for future years based upon the information available at this time however it is recognised that there remains a great deal of uncertainty regarding the funding position for future years.

- Other risks faced by the council have been reviewed and assessed to identify and quantify potential financial impacts on the budget, and where appropriate have either been provided for, or aligned to resources held by the council within its reserves.
- The level of reserves has been examined and will continue to be closely monitored during the period of this MTFP, in the context of protecting the council from existing and future liabilities.
- On the basis of the above, the Section 151 Officer's advice is that the financial standing of the council is sound in the context of the key risks, that the recommended budget for 2020/21 has been prepared robustly and is achievable, and the level of reserves held are adequate.

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 2020/21 is expected to be £169.379m, although this is paid to the council minus deductions for funding which is made directly from central government to academies (this is known as "recoupment").

Each year, the council and 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 any proposals for moving funding from one block to another.

From April 2018, the DSG has consisted of 4 blocks of funding, and the values (before recoupment) for the current year and next year are shown below.

Table 5: Dedicated Schools Grant allocations 2019-2021

	2019/20	2020/21	Change	Change
	£	£	£	%
Schools Block	122,518,633	129,968,128	7,449,495	6.1%
High Needs Block	23,866,532	26,017,648	2,151,116	9.0%
Early Years Block	11,295,856	11,504,608	208,752	1.8%
Central Services Block	2,115,071	1,888,682	-226,389	-10.7%
TOTAL DSG	159,796,092	169,379,066	9,582,974	6.0%

The schools block is "ring-fenced" and must be allocated to schools, although 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. The previous and proposed approved transfers are shown in the table below and are used to mitigate spend in the High Needs Block (see below).

In view of the increase in High Needs funding provided by the government in 2020/21, and the clear Government policy to protect funding for schools, the council and the SSF restricted its request to a transfer of 0.7% for 2020/21. However, this was rejected by the Department for Education in favour of a 0.5% transfer, which represents c. £650k.

	2018/19	2019/20	2020/21
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% transfer from Schools Block to High Needs Block (HNB)	0.97%	1.65%	0.50%
£s transfer from Schools Block to High Needs Block (HNB)	1,152,341	2,021,557	649,841

In common with many other authorities, 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 area school placements.

The pressures are largely driven by increases in the number of children with Education and Health Care Plans (EHCPs), who require specialist placements / support. In 2019/20, it is expected that the spend on out of area placements alone will increase by £1.5m (33%) when compared with last year and the total 2019/20 estimated overspend in the High Needs Block is c. £1.8m, meaning that the overall DSG deficit by the end of 2019/20 is estimated to be c. £4.1m.

Whilst the government announced an increase in funding in the HNB of £2.1m for North Somerset for 2020/21, this is not sufficient to offset the continuing increase in demand and the reduction in funding being transferred from the Schools Block. As a result, despite the council putting in measures to mitigate spend in the HNB, the DSG deficit is expected to rise further in 2020/21.

The proposed budget for 2019/20 for the dedicated schools grant is shown in the table below.

Table 6: 2020/21 Schools budget funded by the Dedicated Schools Grant

Block	Income (DSG) (£s)	Gross Expenditure (£s)	Net Expenditure (£s)
Schools Block	129,968,128	129,318,287	649,841
Less: DSG paid direct to academies	-117,088,821	-117,088,821	0
Schools Block, after recoupment	12,879,307	12,229,466	649,841
High Needs Block	26,017,648	26,667,489	-649,841
Less: Direct funding of high needs places	-3,198,000	-3,198,000	0
High Needs Block after deductions	22,819,648	23,469,489	-649,841
Early Years Block	11,504,608	11,504,608	0
Central Services Block	1,888,682	1,888,682	0
TOTAL	49,092,245	49,092,245	0

The allocation to schools that is distributed through the formula will increase from £120.069m in 2019/20 to £128.388m in 2020/21, which represents a 6.9% increase in funding for schools. This increase will ensure that all primary schools receive at least £3,750 in funding per pupil and all secondary schools £5,000 per pupil, with some schools receiving significantly more than that.

3.11 Looking ahead

The council's financial planning forecasts will continue 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 the budget monitoring reports.

However as referenced in para 3.2 above, there remains significant uncertainty in terms of government resource allocations and constraints beyond 2020/21, and little detail regarding the long-term funding solutions for areas such adults and children’s social care and special educational needs. Although the council continues to lobby for answers and does expect further information to be released on these issues at some point, the timing of such will be crucial to ensuring that the council is sufficiently prepared and can make the best decisions for its communities and the impact on its resources.

Notwithstanding that, the council will continue to plan for the future and formulate strategic financial proposals to close the budget gap, which will require new savings ideas to be generated and delivered. It is anticipated that some of these will focus upon the council’s technological ambitions and transformational approach as evidence of pilots in these areas have been successful in the past and shown potential for further progress. All such initiatives will be set within the Corporate Plan vision, and will seek to promote independence and well-being.

4. CONSULTATION

Consultation on the council’s draft MTFP and revenue budget has been undertaken over recent weeks alongside the preparation of the new Corporate Plan. Further information on this process, and the results generated, is provided within para 3.5 above.

In addition to formal consultation all of the budget proposals were also scrutinised by Member panels and other key stakeholders such as partner organisations and the equality forums, Weston College and the CCG.

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. CLIMATE CHANGE & ENVIRONMENTAL IMPLICATIONS

As indicated in the report climate change and environmental implications will flow both directly and indirectly from the proposals being put forward and included within the budget. Specific proposals include the appointment of a Climate Change Policy Officer, which is a two-year fixed-term post, funded from earmarked reserves.

8. RISK MANAGEMENT

In setting the revenue and capital budgets, the council takes full account of the known financial risks that may affect its plans. At this time the most significant financial risks are either being explicitly provided for in the base budget, are offset by either the unallocated contingency budget or covered by the financial risk reserve and working balances, in addition some continuing issues are being built into future plans for 2020/21 onwards.

The uncertainty of local government finance, particularly with regards to proposed changes to business rate retention, social care funding levels and a national fair funding review, combined with the wider economic conditions and continued short-term nature of funding settlements, does attract a high degree of risk in terms of financial planning. However, it is important to recognise that the Corporate Plan and MTFP are vital tools to help align effort across the organisation to ensure that services are focused on delivery to agreed community and organisational priorities.

In addition, 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.

An MTFP 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 are shown in Appendix 5.

9. EQUALITY IMPLICATIONS

There are many aspects of service delivery which impact on our residents, customers and other stakeholders and members of the public, and so we recognise that it is our responsibility to ensure that any changes we make to them through the revenue budget, need to be considered and consulted upon. Failure to do so adequately could result in aspects of the budget being subject to challenge.

The Equalities Act 2020 (Section 149) sets out public sector duties, the general duties are to have due regard to the need for:

- Eliminate discrimination, harassment, victimisation and other conduct prohibited by the Act,
- Advance equality of opportunity between people who share a protected characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

These duties should be considered in the development and approval of the council's budget. To aid understanding and the consideration of these important equality duties, managers complete Equality Impact Assessments (EIAs) for each budget proposal.

Appendix 6 provides an overall summary and all of the EIAs that underpin the £5.235m budget savings and increased income proposals as recommended for inclusion within the 2020/21 revenue budget.

Three of the areas included in the budget savings were initially identified as having a potential 'medium' impact on equality groups so those EIAs have been discussed in detail at the Equality Stakeholder Group meeting, held in January 2020, and the feedback from the consultation has been taken fully into account within the final Assessments.

10. CORPORATE IMPLICATIONS

The Corporate Plan and MTFP are vital tools to help align effort across the organisation and ensure that services are all are focused on delivery to agreed community and organisational priorities. With continuing financial pressures and demands for services, it is essential that the councils' limited resources continue to be prioritised and allocated in line with the identified priorities and changes reflected within the budget where required.

11. OPTIONS CONSIDERED

The council is required to formally approve a revenue and capital budget for 2020/21. This could be undertaken as a stand-alone annual process however, planning will continue to focus on a multi-year funding horizon and MTFP period which sets the context within which decisions relating to the setting of annual budgets are taken.

APPENDICES

- Appendix 1 Recommended budget for 2020/21, allocated across Directorates
- Appendix 2 Savings proposals incorporated into the recommended budget
- Appendix 3 Summary of budget consultation responses
- Appendix 4 Risk register summary
- Appendix 5 Section 151 Officers statement on the adequacy of reserves and the robustness of the budget
- Appendix 6 Equality Impact Assessment report on the 2020/21 savings proposals

AUTHOR

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BACKGROUND PAPERS

MTFP & 2020/21 Budget Update reports (Exec & Council, February 2019-January 2020)
Budget Monitoring Reports (Exec, July-December 2019)
Spending Round 2019, HM Treasury, September 2019
Provisional Local Government Finance Settlement, MHCLG, January 2020
[Executive Member Decision CSD103](#) - Council Tax Base 2020/21

RECOMMENDED NET REVENUE BUDGETS 2020/21								
	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 Precepts £000
Revised Base Budget 2019/20 - incl recharges	96,416	36,138	6,732	11,251	3,440	153,976	4,852	158,828
Revised Base Budget 2019/20 - excl recharges	85,692	30,125	23,468	11,251	3,440	153,976	4,852	158,828
Budget movements;								
- Inflation, demand and other pressures	8,199	1,115	1,402	0	747	11,463	0	11,463
- Investment in new priorities	195	260	50	0	240	745	TBA	TBA
- Removal of one-off spend	0	0	0	0	0	0	0	0
- Savings Proposals & Grant income	-2,633	-1,437	-660	-400	-100	-5,230	0	-5,230
- Budget Virements	22	195	135	-250	-102	0	0	0
Total movements in budget	5,783	133	927	-650	785	6,978	TBA	TBA
Proposed Base Budget for 2020/21 - excl recharges	91,474	30,258	24,395	10,601	4,225	160,954	TBA	TBA
	7%	0%	4%	-6%	23%	5%		
Notes:								
1. Virements relate to functions or services which have been transferred between directorates, including items such as the Major Projects Delivery team into Corporate Services, and the realignment of resources for the digital strategy.								
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.								
4. It is anticipated that the Winter Pressures Grant for 2020/21 will be incorporated into the Better Care Fund total, rather than as a funding resource - when confirmed, a presentational change will be reflected within the Council Tax setting report.								

MTFP SAVINGS PROPOSALS - FEBRUARY 2020						
Dir	Dir Ref	MTFP Savings Proposals	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
CORP	CORP S1	Annual uplift to fees and charges to cover inflationary cost of services	-380	-380	-380	-380
CSD	CSD S1	Support Services contract - value for money service reviews	-30	-80	-40	0
CSD	CSD S4	Support Services contract - ICT asset review	-10	-10	-5	0
CSD	CSD S6	Support Services contract - reductions agreed in 2015	-80	-80	0	0
CSD	CSD S7	Increase in trading opportunities	-20	-20	-20	0
CSD	CSD S8	Transformation - Paperless journey - reduce postage costs	-20	-20	-10	0
CSD	CSD S9.1	Transformation - Cashless journey - reduce cash collection costs	0	0	0	0
CSD	CSD S9.2	Transformation - Cashless journey - reduce giro fees	-23	0	0	0
CSD	CSD S10	Office Accommodation income	-30	-70	-300	0
CSD	CSD S14	Internal audit contract reductions	-10	-20	-20	0
CSD	CSD S15	Introduce Empty Homes Premium	-100	20	40	0
CSD	CSD S17	Review of capital recharges, linked to Programme and Asset Review	-150	0	0	0
CSD	CSD S19	Reduce frequency of NS Life printed editions - Digital journey	-30	0	0	0
CSD	CSD S20	Increase in income from Legal & Democratic Services	-30	0	0	0
CSD	CSD S21	Reduction in Chairman's budget	-2	0	0	0
CSD	CSD S22	Introduce leave buy-back scheme	-30	0	0	0
CSD	CSD S23	Community Safety Budget efficiencies	-10	0	0	0
CSD	CSD S26	PA support team service review - Digital journey	-15	0	0	0
CSD	CSD S27	Increase in investment interest and reduction in capital costs	-400	0	0	0
CSD	CSD S28	Reduction in former employee pension costs	-30	0	0	0
CSD	CSD S29	Reduction in insurance premiums (subject to procurement)	-60	0	0	0
CSD	CSD S30	Use of S38 highways income to fund staffing cost	-60	0	0	0
D&E	DE1	Concessionary Fares-reduced patronage	-50	0	0	0
D&E	DE2	D&E Staffing Review	-100	-100	0	0
D&E	DE3	Events programme to become cost neutral or minimal support	-25	-65	0	0
D&E	DE7	Introduce break-even policy for Building Control	-30	-20	0	0
D&E	DE8	Introduce garden waste charging	-450	-450	0	0

MTFP SAVINGS PROPOSALS - FEBRUARY 2020						
Dir	Dir Ref	MTFP Savings Proposals	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
D&E	DE10	Parking review	-150	-150	-150	-100
D&E	DE11	Review Community Transport services	-5	-15	0	0
D&E	DE12	Reduce Supported Bus services subsidy	-50	0	0	0
D&E	DE14	Review consultant spend and contractual agreements	-50	0	0	0
D&E	DE17	Revisit safe Home To Schools Transport routes	-50	-50	-100	-100
D&E	DE18	Safer roads initiatives (additional sites meeting relevant criteria)	-20	-30	0	0
D&E	DE19	Seafront concessions - additional income / review model of service	-50	-50	-40	0
D&E	DE20	Street Lighting- reduction in utility costs due to rollout of LED	-300	0	0	0
D&E	DE21	Toilets- reduction in running costs	-5	-5	0	0
PCA	PCA1	Efficiencies from consolidation of joint finances	-200	0	0	0
PCA	PCA2	Closure of Castlewood Staff Canteen	-20	0	0	0
PCA	PCA3	Re-procurement of Health Watch contract	-50	0	0	0
PCA	PCA4	Supporting People - Restructuring of Housing with Support contracts	-50	0	0	0
PCA	PCA5	Adults Continuing Health Care contributions	-175	-175	0	0
PCA	PCA6	Reduced use of home-care pending beds following building of domiciliary care	-50	0	0	0
PCA	PCA7	Reduced residential placements following increased Shared Lives capacity	-180	-180	0	0
PCA	PCA8	Reduced residential placements following new / increased Extra Care capacity	-225	-200	0	-250
PCA	PCA9	Reduced residential placements following new Supported Living schemes	-100	-100	-100	-100
PCA	PCA10	Review of adult social care and support packages	-200	-50	0	0
PCA	PCA11	Review of Direct Payments for adult social care and support	-100	-50	0	0
PCA	PCA12	Changes to Adult Care non-residential Financial Assessments	-150	-50	0	0
PCC	PCC1	Completion of more Parenting Assessments in-house	-5	0	0	0
PCC	PCC2	Children's Continuing Care / Health Contributions	-125	-125	0	0
PCC	PCC3	Children's Residential Step Down	-200	0	0	0
PCC	PCC5	Review processes and support for in-house foster carers to improve recruitment	-60	-40	0	0
PCH	PCH1	Housing efficiencies	-55	0	0	0
PCPH	PH1	Review of Public Health 2019/20 growth funded projects	-100	0	0	0
PCPH	PH2	Temporary use of public health reserve	-180	0	0	0
PCPH	PH4	Reduce expenditure on the drug and alcohol misuse contract	-150	0	0	0
All	Various	Other savings proposals, to be delivered from 2021/22	0	-785	-740	0
		TOTAL - SAVINGS PLANS	-5,230	-3,350	-1,865	-930

SUMMARY OF RESPONSES TO THE BUDGET CONSULTATION

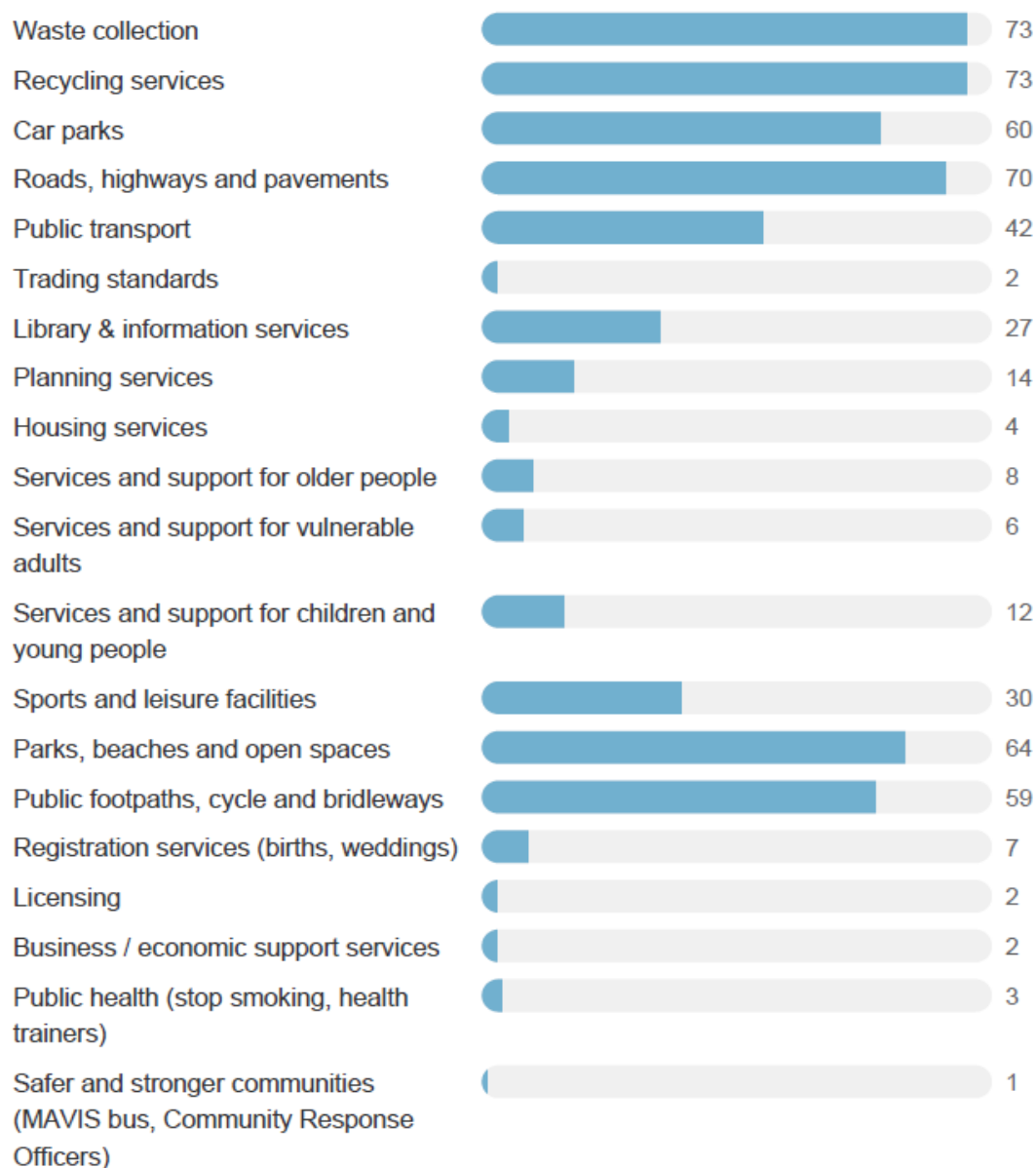
The budget consultation for the draft MTFP 2020/21–23/24 was carried out via the council’s e-consult portal on the council’s website and was supported by a social media campaign; press release and an e-Life publication that reached 50,000 residents.

The consultation closed on 17th January 2020 with 78 individuals responding to the consultation, approximately half of those responding where in the “over 60” age bracket with the remainder predominantly being within the “30-60” age bracket; only 3 responses were received from individuals under 30 years of age.

Not all respondents disclosed their gender, ethnicity or whether they were disabled, but predominantly responses were received from those identifying as “white”; the genders were identified either male or female and there was an even split of respondents and 4 respondents identified themselves as disabled.

Use of Services:

Now you know how we spend your money, which of these public facing council services have you or your family used in the past year? *Please tick all that apply*



Perception of value for money

Value for money

Do you feel the council delivers value for money for the services you use?



Looking ahead

Looking ahead

Over the coming years we will need to continue to find innovative and transformative ways to make services more affordable to run.

How strongly do you agree or disagree with using the following approaches?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Targeting resources on the most vulnerable and people most in need	11	30	20	10	4
Reducing the quality of some services provided		7	7	38	24
Increasing fees and charges for some services	2	25	12	22	16
Making more services available online	21	30	18	4	2
Using digital technology more widely to support the delivery of services	27	29	15	3	1
Making more efficient use of council assets such as land and buildings	30	41	5		

How strongly do you agree or disagree with using the following approaches?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Scaling back or stop providing some services	2	8	21	31	14
Stopping provision of some discretionary services to protect services to older people and the vulnerable	5	24	22	15	10
Changing working practices to make better use of technology and more efficient ways of working	37	29	9	1	
Working in partnership and sharing services with other councils and public sector agencies	28	30	11	4	3
Transferring services to other organisations like commercial companies	2	10	20	20	23
Transferring services to other organisations like community groups, social enterprises and town and parish councils	5	34	25	10	2

MTFP RISK REGISTER

	Risk area	Initial Risk Score			Potential mitigation	Risk Score After Mitigation		
		P	I	S		P	I	S
1	Legacy overspending through not delivering a balanced budget in 2019/20	4	4	16	Month 9 budget monitor shows a projected net over spend of £0.7m. The 2020/21 draft budget has allocated growth to key areas of ongoing pressure meaning that there is a low probability that adverse variances will continue into future years.	3	3	9
2	Unable to achieve financial savings in all areas of the council's budget	4	4	16	Detailed delivery plans have been drawn up to support achievement of savings plans, and attention given to capacity and existing service pressures. Savings plans will be embedded within the council's monitoring framework to ensure continuous review and scrutiny.	3	4	12
3	Unable to mitigate budget demand pressures within social care and other related areas, such as Home to Schools Transport	4	4	16	Cost & volume has been incorporated into the monitoring processes along with indicative growth for core demand in future years, which reflects demographic and demand growth.	4	3	12
4	Unable to deliver the Housing and economic growth required to deliver forecasted income streams	4	5	20	Strong partnership working with partners, incl the Homes and Communities Agency, along with increased place-making and development aspirations will help support delivery of housing growth. Direct intervention using council resources to influence the local economy will help to sustain and build business rate growth.	4	4	16
5	Uncertainties in funding for Adult Social Care in future years and potential implications arising from the Green Paper	3	4	12	Prudent assumptions have been reflected within the MTFP about the extent to which increases in adult social care funding will be sustained. Any changes to the way in which adult social care is funded will need to be modelled at a national and local level once any proposals are announced.	3	3	9
6	Financial stability of adult social care providers	3	5	15	The council will continue to annual uplift fees to providers taking into account increases in costs, whilst maintaining affordability for the council	3	4	12
7	Changing market conditions for major contracts could lead to a changed risk profile	4	4	16	Clarity and flexibility in the council's contracting processes, exploring different delivery models, monitoring of contract performance, ability to renegotiate terms and conditions as a last resort.	3	4	12
8	Uncertainties in future funding levels following changes to local government finance arrangements, including Fair Funding Review, and transition to 75% Business Rate Retention	5	4	20	The council has submitted responses to all government consultations to ensure the needs of council are shared and can be reflected within future changes where possible. Financial modelling will be undertaken as soon as further information is released and fed into the MTFP and monitoring processes.	5	4	20
9	Impact of more frequent and impactful weather conditions	4	3	12	Repairs and maintenance programme focused on asset management approach. Renewed emphasis on	3	3	9

APPENDIX 4

					climate change in all policies and decisions. Greater emphasis on early intervention.			
10	Inability to reduce the Dedicated Schools Grant deficit in the short term	5	5	25	Increased funding from central government is planned over the next 3 years and additional local special provision is also planned. However, this is unlikely to reduce the deficit in the short term. Government consultation indicates that the deficit will no longer need to be covered by the General Fund.	5	2	10
11	Availability of one-off revenue resources to mitigate risk, and fund investment in key priorities	3	4	12	Retain a General Fund working balance of between 4-6%. Mitigate current and future overspends through rigorous financial monitoring to protect use of existing risk reserves. Review opportunities to increase reserves and identify investment resources.	3	3	9
12	Direct impact on services and resources for the council as a result of Brexit, as well as wider indirect impacts, for example, in areas such cost pressures, income generation, delivery of economic growth and prosperity, and workforce.	3	4	12	Government funding has been allocated to the council to cover immediate pressures. Mitigations will also be managed at a national level.	3	3	9
13	Movements in interest rates for both investments and borrowing, meaning that significant capital investment plans could become unaffordable, or income budgets unachieved.	4	3	12	Mitigations managed through the ongoing review of strategic investment plans being linked to interest rates, more rigour applied to options appraisals, prioritisation of capital programme delivery, and further diversification within investment decision-making options.	3	3	9

Key;

- P: probability
- I: impact
- S: score

Score 1-5 (5 highest risk)

ASSURANCE STATEMENT FROM THE SECTION 151 OFFICER

The following are the summary assurances and recommendations of the council's Section 151 Officer who is Richard Penska, the Interim Director of Finance and Property.

A Review of the Revenue Budget

In relation to the 2020/21 revenue budget I have examined the underlying base spending position, assessed future demand forecasts, considered potential risks and future impacts, and also reviewed the draft savings proposals which are to be included within the budget for next year, and I believe that, whilst some elements of the council's spending and service delivery proposals are challenging, they are nevertheless achievable given the political and management will to implement the required changes, good management, and the sound monitoring of performance and budgets. I am satisfied that sufficient management processes exist within the council to deliver this budget and to identify and deal with any problems which may arise unexpectedly during the year.

The council must however recognise that it will need to ensure that a range of dedicated support service resources are available to managers to assist with the implementation and delivery of the savings proposals, as well as key financial processes to review and remain focused on the embedding change as well as the monitoring of key financial risks.

My recommendations are also conditional upon:

- The council approving the updated Medium Term Financial Plan for 2020/21 to 2024/25,
- A recognition that the level of reserves and corporate risk assessment need to be regularly reviewed in the light of changing circumstances and that it needs to show a commitment to maintain reserves at a level which provides adequate cover for most identified risks during the planning period. This approach is pragmatic, and shows a clear commitment to prudent contingency planning. It must be noted however, that the recommended levels of reserves could still leave the council exposed to the very exceptional risks identified in this review and, if all those risks crystallised, then the total level of reserves could be inadequate;
- Directors and managers not exceeding their allocated budgets for 2020;
- Taking every opportunity to ensure that underspends or favourable windfall variances are fed into the council's bottom line as a first call rather than be used for alternative purposes within the service, thereby ensuring a one-council approach to financial management and a more strategic use of resources to meet the council's Corporate Plan aims;
- Not considering further calls on reserves other than for those risks that have been identified, those that could not have been reasonably foreseen and that cannot be dealt with through management or policy actions. Any excess reserves should be targeted towards business transformation, asset management and invest to save initiatives, or to smoothing reserves to mitigate further risks associated with current issues such as demand-led pressures and economic impacts.
- That the council has arrangements and resources in place to consider value for money in preparation for future years' budgets.

B Adequacy of Reserves

In relation to the adequacy of reserves, I recommend the following Reserves Strategy based on an approach to evidence the requisite level of reserves by internal financial risk assessment. The Reserves Strategy will need to be reviewed annually and adjusted in the light of the prevailing circumstances.

- An absolute minimum level of unallocated reserves within the general fund working balance of £8 million is maintained throughout the period between 2020/21 to 2024/25;
- An optimal general fund working balance level of £10 million over the period 2020/21 to 2024/25 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances;
- A maximum recommended level of unallocated reserves within the general fund working balance of £12 million for the period 2020/21 to 2024/25 to provide additional resilience to implement the Medium Term Financial Plan;
- A Reserves Strategy to remain within the recommended level of reserves over the relevant period of 2020/21 to 2024/25.

The estimated level the council's general fund working balance at 31 March 2020 based on current projections is £9.053 million. Therefore:

- The absolute minimum level of reserves of £8 million is currently being achieved;
- The optimal level of reserves of £10 million criteria is achievable for 2020/21, if departments spend against budget as currently projected and there is no call on the council's contingency budget;
- The maximum level of reserves of £12 million is not being exceeded;
- Reserves should remain within the recommended range of reserves during 2019/20, and no transfers out of the general fund working balance should be made.

These recommendations are made on the basis of:

- The risks identified by the Chief Executive and Directors reviews of their budgets;
- My own enquiries during the development of the current budget proposals;
- The resilience and sustainability required to deliver the Medium Term Financial Plan;
- That the general fund working balance reserves in 2020/21 and the foreseeable future are used only if risks materialise and cannot be contained by management or policy actions.
- That where reserves are drawn down, the level of reserves is maintained in line with the latest Medium Term Financial Plan.

There are also serious exceptional risks which, if they crystallise, could significantly impact the council's reserves and leave its financial standing seriously in question. Some of these include:

- The potential for unforeseen and material remediation works relating to the council's owned infrastructure issues;
- Ongoing and sustainable provision within the market to cover the social care requirements;
- Other material contract failures or changes;
- The financial implications from the Care Act or the anticipated Green Paper for social care, other welfare reform changes or associated Housing legislation;
- The increasing cost and demand pressures for adult and children social care;
- Failure to provide a permanent funding solution in respect of the overspending and pressures within the High Needs Block of the Dedicated Schools Budget;
- The risk surrounding the non-delivery of savings and exceeding investment proposals within the budget package for 2020/21;
- Material insurance claims;
- The extreme financial issues for the public sector arising from the prevailing and continuing national and local conditions;

- Significant changes in the assumptions supporting the delivery of capital investment plans, whose funding may be linked to funding streams such as asset sales or capital receipts;
- The risk of even further significant reductions in both locally generated income and also government grant funding, particularly in relation to:
 - Sustainable growth and / or decline in the council's tax base and business rates base;
 - Ongoing business rates appeals from the 2017 revaluation;
 - The local council tax support scheme with reduction in subsidy funding and no protection for caseload increases;
 - Further changes to the way in which local government is financed by government particularly with any changes to the business rates retention scheme, e.g. transition to 75% retention;
 - Future government changes in policy and funding for local government, particularly the unknown impact of the next Spending Round and fair funding review;
- The need to address the country's ongoing Public Sector Borrowing Requirement (PSBR) and the structural financial deficit which may result in significant changes to interest rates.
- The economic impact of the withdrawal of the UK from the European Union, together with any impact on Council services and Budget in 2020/21 and later years arising from the intended withdrawal from the European Union on 31/1/20.

C Capital Planning

In relation to the Capital Programme 2019/20 to 2024/25 (including commitments from previous years and new approvals):

- The capital budgets are based on the best information available in terms of project costs.
- The council has established a Major Projects and Capital Delivery Team who have the required skills and experience to deliver projects on time and on budget, and which demonstrate value for money;
- There is less certainty around the actual phasing of planned expenditure as this can fluctuate, although this will be monitored throughout the year and re-phasing across financial years will be carried out;
- The council operates a rolling programme which means that changes and additions can be reflected on an ongoing basis;
- The key strategic schemes identified in the capital programme will be closely monitored in-year;
- That the funding identified for the approved capital programme is delivered and is prudent, affordable and sustainable.

In relation to the medium to long term Capital Programme:

- The delivery of the agreed Capital Strategy and Asset Management Plan is a critical priority to enable the matching of resources to needs and priorities. Work is currently underway to develop and finalise medium-term service based and asset requirements, and a further report will be presented to the Executive later in the financial year;
- Funding to support these plans is less developed at this stage although will be included within the same report however it is accepted that this may result in an additional borrowing requirement for the council which will need to be reflected within the next update of the Medium Term Financial Plan.

D Assurance

APPENDIX 5

Given all these factors, I, as the council's Section 151 Officer, consider the estimates for 2020/21 to be sufficiently robust for approval by the council. I am also able to advise the council that the level of general fund revenue reserve is adequate and to recommend a Reserves Strategy which is achievable during 2020/21.

Equality Impact Assessments

2020/21 Budget Reduction Proposals

5th February 2020

1. Introduction

This paper provides Members with information to help them fulfil their equality duties; it should be read in conjunction with the Equality Impact Assessments that have been prepared and provided for each budget reduction proposal in advance of the 5th February 2020 Executive meeting.

2. Public Sector Equality Duties

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

1. Eliminate discrimination, harassment, victimisation and other conduct prohibited by the Act.
2. Advance equality of opportunity between people who share a protected characteristic and those who do not.
3. Foster good relations between people who share a protected characteristic and those who do not.

Advancing equality of opportunity involves, in particular, having due regard to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

3. Due Regard

'Due regard' is the regard that is appropriate, in all the particular circumstances. Members must also pay regard to any countervailing factors. The weight to be given to the countervailing factors is a matter for Members. There is no requirement to take certain steps or to achieve certain results. The duty is only to have due regard to the need to take the relevant steps.

4. Protected characteristics

These general equality duties cover the following protected characteristics:

- age
- disability
- gender reassignment
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation
- and marriage and civil partnership. (This protected characteristic applies only to general duty 1.)

In addition to these areas (protected by the general duties) council EIAs also consider the impact on people on a low income.

5. Considering the equality duties

When considering the equality duties listed above in 2, thought must be given to the following areas:

- Meeting different needs includes, for example, taking steps to take account of disabled people's needs.
- Fostering good relations includes having due regard to the need to tackle prejudice and promote understanding between people who share a protected characteristic and those who do not share it.
- Compliance with the general equality duty may involve treating some people more favourably than others.
- The general equality duty also applies to other organisations that carry out services on behalf of the Council.

6 2020/21 Equality Impact Assessments (EIAs)

To aid understanding and the consideration of these important equality duties, managers have completed initial EIAs for each proposed budget reduction.

The potential impact on equalities groups has been assessed as:

- High (H)
- Medium (M)
- Low (L)
- None – If there are no identified impacts on any protected group

Taking account mitigating action that is planned or in place, most of the savings are considered to have no, low, or in some cases a positive impact on service users. If the impact has been assessed as potentially having a 'medium' or 'high' impact on service users, then a detailed Equality Impact Assessment has been undertaken and is included within this report.

Where the proposals are not yet developed to a stage to allow a more detailed Equality Impact Assessment to be completed, such as the re-negotiation of some bus routes (DE12), more in-depth consultation and data analysis will take place if the proposals are taken forward. The results from this will be reflected in a revised Equality Impact Assessment as the proposals are developed in more detail.

EIAs include information about the users of services wherever possible and the detailed EIAs include the following important information:

- An assessment of the relevance of the budget proposal to the general equality duties and the protected characteristics.
- Collection and analysis of equality information to ensure equality issues can be fully explored and considered.
- Plans for and results of consultation and engagement with the people affected by proposed changes, to further understand the equality implications of the proposals. (Any consultation and engagement activity will be proportionate to the significance of equality issues to the budget decision)

7 Diversity in North Somerset

It may also be helpful for Members to reflect on the diversity profile of North Somerset.

The Office of National Statistic in their mid-year estimates 2018 indicate that North Somerset has a population of 213,919 people

Age – Of those, 47,569 are under the age of 19, 115,403 are between the age of 20 and 64, 50,947 are older people; those aged 65 and over. There are around 7,100 people in North Somerset who are over the age of 85.

The 2011 Census identified:

Disability - Disabled people make up 19.2% of the North Somerset population, 38,740 people. This compares to 17.9% of the population nationally.

Sex – There are slightly more females (51.4%) than males (48.6%) in North Somerset. This is in line with the national figures; (50.8% female and 49.2% male)

Race – Black and minority ethnic population make up 2.7% of North Somerset's population compared to 4.6% of the South West area and 14.0% nationally.

An additional 3.2% of people in North Somerset are from White Other Groups, which include Irish, European and other White groups. This compares to 5.4% nationally.

Religion and Belief - 61% of the population indicate that they are a Christian, with 30% indicating they have no religion, those with a religion other than Christianity make up 1.5%

of the population. Nationally the profile is: 59.3% Christianity, 25.1% no religion and 8.4% other religions.

Sexual Orientation – data available is very limited however the Census indicates that 0.1% of households are within same sex civil partnerships. This is the same figure nationally.

Deprivation -

Within the Indices of Multiple Deprivation 2019 the local authority district with a rank of 1 is the most deprived, and the area ranked 317 is the least deprived. North Somerset is ranked at 221.

North Somerset's rank of 221 for overall deprivation compares to a range of 48 to 274 in the South West. Torbay is the most deprived local authority area (48) in the South West, and Bath and North East Somerset is the least deprived (274). North Somerset has 5 LSOAs within the most deprived 5% in England, all within South and Central wards of Weston-super-Mare. There are 12 LSOAs within the least deprived 5% in England, these are spread across the district.

8. Consultation on the 2020/21 EIAs

Equality Impact Assessments were made public through the council's website on 20th December 2019, they were also shared with Members during the budget scrutiny session on 9th January 2020 and Members have been encouraged to review and comment on the EIAs.

A stakeholder discussion group was held on 13th January 2020 to share information about the 'medium' impact EIAs and to seek feedback on the issues raised.

The discussion group included representatives from:

- Citizens Advice North Somerset
- Senior Community Links
- Vision North Somerset
- Disability Access Group
- UNISON
- Elected members

Any further comments received on the EIAs prior to Members considering the Council's budget at their meeting of 18th February 2020, will also be shared with Members.

In some areas, service user consultation will continue as the proposals are implemented, for example PCA12, Adult Social Care Non-residential Financial Assessments, DE12, Re-design of the local 'shopper' bus services.

8.1 Results from consultation

During the stakeholder discussion group helpful, constructive feedback was received. Several important comments were raised on the 3 detailed EIAs discussed, these included:

PCA12 - Changes to Adult Care non-residential Financial Assessments

- Concerns about the number of vulnerable people who may be impacted by an increase in the amount they will have to pay for their care.
- The importance of the communication about the changes being clear, accessible and timely
- The importance of helping people to understand what can be classed as 'Disability Related Expenditure'

CSD9 – Journey to cashless transactions

- Concerns about the impact on those people who manage a cash only personal budget
- That for some, with the perception that this particularly affects older people, that 'a trip to the post office' has an important social and community value and could have an impact on an individual's mental health.

DE12 - Reduce Supported Bus services subsidy

- Ensuring that any alternative provision is accessible to disabled people
- Communication and consultation with those rural communities that will be affected by the proposed change

The stakeholder group noted positively the council's approach to service changes including the provision of a bus service using internal resources and the move to strongly encourage people to use alternative forms of payment at the post office rather than to stop it all together. The group did however note the ongoing impact on vulnerable people of budget reductions in areas such as adult social care where changes to individuals' budget could have a considerable impact on their lives.

The consultation responses have been included in and have influenced the development of mitigating actions identified in the EIA's.

9 Initial EIAs that identified a potential 'medium' impact

The table below provides a summary of the areas initially assessed as 'medium' impact and the mitigating actions being taken to reduce the level of potential impact wherever possible.

Budget Reference	Service Area	Savings Proposal	Reason for being included as 'medium' impact	Initial service user impact	Mitigating actions	Impact after mitigating actions
PCA12	Changes to Adult Care non-residential Financial Assessments	£150,000	Proposal will result in a number of people paying more for their care. In particular this could impact on disabled people, those on a low income and older people.	Medium	<ul style="list-style-type: none"> Financial assessments will comply with Statutory Guidance with the overriding principle that people will only pay what they can afford. Changes to financial payments will be introduced with a 3-month transition period. (NB this transition period was extended to 3 months following consultation with stakeholders) 	Low
CSD9	Journey to cashless transactions	£23,000	Changes to the way that people are able to make council tax payments at the post office, perception that this will have the biggest impact on those on a low income and older people.	Medium	<ul style="list-style-type: none"> Customers will be contacted individually to encourage them to change payment methods. With exceptions being available where customers cannot make the payment in an alternative way. 	Low
DE12	Reduce Supported Bus services subsidy	£21,000*	Changes to the 128 and 135 bus services; it is expected that this change would be likely to impact on older and disabled people (as they are likely to be the main users of public transport)	Medium	<ul style="list-style-type: none"> Replacement service being provided using in-house, accessible vehicles and appropriately trained drivers. With scope to improve the current service offer. 	Low

* The total saving for DE12 is £50,000. One element of this saving has been identified as having a potential 'medium' impact on equality groups; this is the 'Redesign or replace local "shopper" bus services' – the saving for this area is £21,000.

10 Positive Impacts

It should be noted that 12 of the 2020/21 budget proposals have identified a positive impact on equality groups. Improvements and innovations in delivering services has resulted in improved outcomes for service users, the method of delivery may have changed but positive outcomes are being achieved, examples of these include:

- Improving the availability of accessible parking as a result of the parking review (DE10)
- Improvements to safe Home to School Transport routes. (DE17)
- Increasing the choice and independence of service users through the extension of the Shared Lives Scheme (PCA7)
- Continuing the development and delivery of improved Extra Care and Supported Living Schemes to provide a mix of accommodation for people with poor mental health and learning disabilities (PCA8 and 9)
- Improving the accessibility of the Direct Payment Scheme as an alternative care offer. (PCA11)
- Improving the outcomes for young people through the Residential Step Down programme (PCC3)

11 Impact on North Somerset Council staff

The 2020/21 budget includes a small number of areas where vacant posts are being removed from the council's establishment and the financial impact of the closure of the canteen at Castlewood.

The budget also reflects an increase in staffing in key areas such as Children's Services, Climate Emergency and the Cultural Strategy Implementation.

If workforce changes are required, we will commence consultation at the earliest possible opportunity, irrespective of the number of employees involved.

11.1 Diversity across Council Workforce

It may be helpful for Members to be aware of the overall profile of the Council's workforce, which is shown below:

The Council currently employs around 1,290 people outside of schools.

Age - the age profile of the non-school workforce is shown in the table:

Age Range	Percentage
16 - 20	0.9%
21 - 30	9.5%
31 - 40	22.2%
41 - 50	27.9%
51 - 65	37.6%
Over 65	1.9%

Gender – 75% of the non-school workforce are female.

Ethnicity – 89.2% of the non-school workforce are from English/ Welsh/ Scottish/ Northern Irish/ British Groups. The remaining 10.8% are from Black and Minority Ethnic (BME) and ‘Other White’ groups. (Figures based on the number of staff who have declared their ethnicity on iTrent)

Disability – 10.9% of council staff have declared that they have a disability. (Figures based on the number of staff who have declared if they have a disability on iTrent)

Gender re-assignment, Sexual orientation & Religion or belief - there is insufficient data currently held to accurately report on the workforce profile in relation to these areas

12. Overview of Budget Reduction Proposals

Creating a picture of how people are being affected by the Council’s overall budget reductions and proposed future changes to services is difficult and complex. People are different in terms of their needs and expectations; people’s interaction with public services and level of support they need will vary.

However, the publication of all Equality Impact Assessments at the same time and altogether in one place (in this report and on the council’s web-site), in advance of Council considering the 2020/21 budget, should help Members gain an overall picture of the impact of the proposed changes.

In addition, this report identifies areas where protected groups potentially affected by the budget reductions are being considered in more detail and mitigating actions proposed.

Analysis of the EIAs, show that 55 budget reduction proposals show the following potential impact on equality groups:

- 29 assessments (53%) indicate that there should be ‘no’ impact on equality groups through the implementation of the budget reduction proposals
- 23 assessments (42%) indicate that there could be a ‘low’ impact on some equality groups through the implementation of the budget reduction proposal
- 3 assessments (5%) indicate that there could be a ‘medium’ impact on some equality groups through the implementation of the budget proposal, however after the proposed mitigating actions are taken, these have also been reduced to ‘low’ impact.

13. Conclusion

The MTFP is proposing savings of around £5.2million in 2020/21. This is much lower than in previous years, from an equalities perspective it is positive to note that the focus of the budget proposals continues to be on increasing income and driving efficiencies through service transformation and change with the aim of reducing the impact on front line services.

Through a review of the savings areas that do have the potential to have an impact on equality groups officers have identified a range of options to mitigate the impact of the

savings and in all cases the potential level of impact has been reduced from 'medium' to 'low'.

Also, some potential improvements have been identified to those services; for example, through the provision of the bus route using internal resources, and a small number of people who will be expected to pay less for their care as a result of a social care review.

14. Monitoring the Impacts of the budget reduction proposals

Within each EIA there is detailed information about the mitigating actions that are being taken to ensure that any impact is reduced where possible. The budget proposals are regularly monitored by the Corporate Leadership Team, the Executive, and Policy & Scrutiny Panels.

Actions arising from the EIAs are also reviewed by the Equality Stakeholder Group.