# North Somerset Council

**Report to the Executive**

**Date of Meeting: 20 October 2021**

**Subject of Report: 2021/22 Budget Monitoring - Month 5**

**Town or Parish: All**

**Officer/Member Presenting: Cllr Ashley Cartman, Executive Member for Corporate Services**

**Key Decision: Yes**

**Reason:**
Financial values contained throughout the report are in excess of £500,000

## Recommendations

The Executive are asked to;

i. Note the projected revenue and capital budget forecasts as detailed within the report,
ii. Approve the amendments to the capital budgets as detailed within Appendix 7.

## 1. Summary of Report

This report provides a summary of the council's financial position after the first five months of the 2021/22 financial year and includes details relating to key issues, known pressures as well as the potential risks that have been identified at this point in time. This is the second report of the financial year and so efforts have focused upon updating material areas of change within the council's budget or those which continue to be impacted by Covid-19 or may be subject to operational challenges.

## 2. Policy

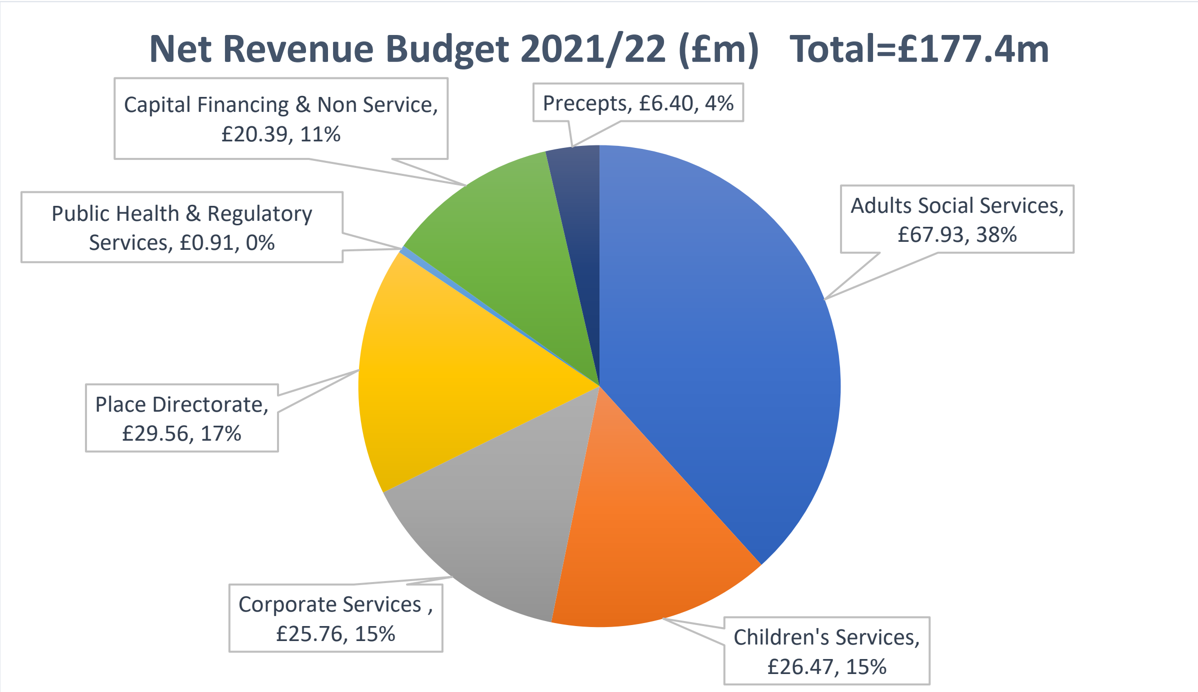
The council's budget monitoring is an integral feature of its overall financial framework, ensuring that resources are planned, aligned and managed effectively to achieve successful delivery of its aims and objectives.

The significant financial risks and impacts associated with Covid-19 on the council since March 2020 have meant that the financial consequences and reporting process have become more important, albeit more complex than before, particularly when understanding the wide range of obligations and requirements on services, as well as the associated funding sources in some areas.

## 3. Details

### 3.1. Introduction and context

The council's revenue budget for 2021/22 was approved in February 2021 and the graphic below depicts the size and shape of how this budget is shared across each of the directorates and spending areas.




A significant proportion of the council's budget is allocated to services who provide much valued social care and support to those adults and children who are most in need within our communities, some of whom are vulnerable and really need the help and assistance the council can offer. A vast range of services are provided from assessments and the provision of both short and longer-term care, to those services which are more supportive and preventative, and which enable residents to maintain and maximise their independence in their home where appropriate. Care related services have been under pressure for some time as demand levels continue to grow, often at a pace which is faster than the resources allocated to fund them. As a lot of this funding is either given or controlled by central government, the financial challenges of increasing demand remains an important priority for the council to resolve.

The Place directorate holds budgets for many of the public facing services which are recognisable by residents and businesses within their daily lives such as leisure, libraries, waste collection and disposal, highways and sustainable transport and also areas such as planning, place-making and climate change, whereas the corporate services directorate delivers a combination of revenues and benefits and customer services to the public as well as back-office support services to internal customers.

The budget was prepared at a time when the third wave of the Coronavirus pandemic was at its height and many aspects of the future remain uncertain. As part of its funding package for the year ahead the government provided councils with additional one-off support designed to cover unplanned spending pressures or unmitigated reductions in income levels. The council's share of **general Covid support was £4.975m** and a decision was taken to hold these resources centrally within the 'Non-Service' area of the budget, until the needs and impacts across the entire organisation were assessed and fully understood.

This area of the budget also contains the council's corporate contingency budget of £1.3m, which is the only area of the budget without spending plans or calls against it at the start of the year. Both of these sums will be held as part of the council's financial risk management mitigation plans which will evolve over the course of the year.

Some areas of ring-fenced financial support from the government in respect of Covid-19 have continued into the current financial year although these have been targeted and focused on responding to specific risks and issues. Examples of additional funding received by the council include the extension of the Sales, Fees and Charges grant claiming process, which has been extended until June 2021, and also the continuation of specific grants such as the infection control and testing fund for care providers, support to leisure providers and funding to cover the increased costs of providing home to school transport services. A list of Covid grant funding is provided at Appendix 5.

The council has reflected all additional ring-fenced funding and spending within each of the individual service areas that it relates to and has taken care to increase both the income and associated expenditure budgets for these sums by way of budget virements so that it can be as transparent as possible.

Despite the risks, uncertainties and complexities brought about by both Covid as well as ongoing pressure within core services, the council's budget also includes provision for additional investment within communities, which is targeted at delivering against specific corporate plan aims. The spending associated with each of these items has been included within the relevant directorate budget although a summary showing the main components has been extracted and included at Appendix 4.

## 3.2. Revenue budget summary

Shown below is a summary of the council's financial forecast year end position after the **first five months** of the year, using the information provided by budget managers from across the council. The projected forecasts do contain both Covid and non-Covid impacts, and further information on these areas has been included throughout the body of the report as well as within the statements from each director attached at Appendix 2.

| Revenue Budget Monitoring Summary 2021/22 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Original | Month 5 Forecast | | | | *Month 5 Analysis* | |
| | Net Revenue Budget £000 | Revised Revenue Budget £000 | Projected Out-turn £000 | Projected Variance £000 | | *Material Covid Impact £000* | *Non-Covid £000* |
| **Service Expenditure Budgets** | | | | | | | |
| Adult Social Services | 67,905 | 67,933 | 69,041 | 1,108 | * | *165* | *943* |
| Children's Services | 26,512 | 26,474 | 26,112 | (362) | | *0* | *(362)* |
| Corporate Services | 25,739 | 25,756 | 25,717 | (40) | | *0* | *(40)* |
| Place | 29,565 | 29,558 | 31,415 | 1,856 | * | *1,075* | *781* |
| Public Health & Reg Services | 911 | 911 | 913 | 2 | | *0* | *2* |
| Capital Financing | 10,674 | 10,674 | 10,673 | (1) | | *0* | *(1)* |
| Other Non Service Budgets | 16,118 | 16,118 | 16,120 | 3 | | *0* | *3* |
| **Total Net Revenue Budget** | **177,423** | **177,423** | **179,991** | **2,567** | | *1,240* | *1,327* |
| General Fund Financing Budgets | (177,423) | (177,423) | (177,423) | 0 | | *0* | *0* |
| **NET REVENUE BUDGET TOTALS** | **0** | **0** | **2,567** | **2,567** | | **1,240** | **1,327** |
| Use of Covid Funding | | | (1,240) | (1,240) | | *(1,240)* | *0* |
| **REVISED REVENUE BUDGET TOTALS** | | | **1,327** | **1,327** | | **(0)** | **1,327** |
| Dedicated Schools Deficit | 7,150 | | 11,861 | 4,711 | | | |

The table is displayed in the council's standard financial monitoring template and depicts the reported position for each of the 'directorates' in turn, as well as portraying an aggregated picture of all council services, along with the resources used to fund the services.

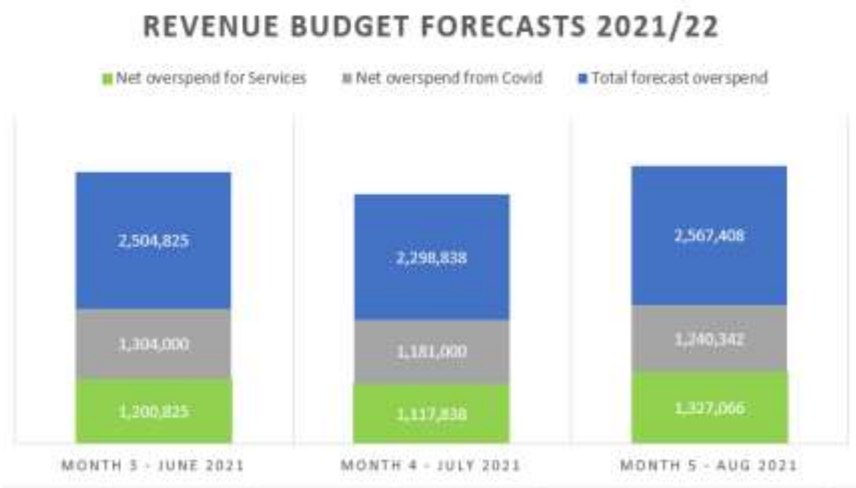
Key messages and headlines which can be taken from the table above are;

- The council's revised net revenue budget for the year totals £177.423m (blue shaded column)

- An initial assessment indicates that the council will spend £179.991m on delivering its services, which is £2.567m more than the resources it has available (yellow shaded column)

- Of the total overspend of £2.567m, an assessment has been made which shows that £1.240m relates to unplanned covid spending or short-falls in income budgets; and £1.327m relates to non-Covid or business-as-usual operational impacts elsewhere within the council's budget (green shaded columns)

As noted above, the council has been allocated a one-off grant by the government which it can use to fund Covid related impacts which may arise during the year. The summary table above shows that the council will allocate £1.240m of the Covid grant and will release this as funding to offset the reported pressures, meaning that the revised financial projection in respect of the council's ongoing revenue budget at this time, is a **short-fall in funding**, or an **over spend of £1.327m.**




It is important to recognise that all the council's budget monitoring forecasts are likely to change at some point over the coming months as more information is gathered, reviewed and assessed and so the financial reports will continue to be updated and refreshed and shared throughout the year. The chart shows the movements in projections made over recent months.

In the event that the projected over spend of £1.327m remains at the end of the financial year, then the council would be required to consider how this would be funded. Although no recommendations are being made at this stage, options would include use of the council's contingency budget, a transfer from the general fund working balance, or from other earmarked reserves although each of these options will have implications and so the corporate leadership team will continue their efforts to ensure that mitigations are identified by directors to ensure that a balanced budget is achieved at the end of the year.

### 3.3. Revenue budget - directorate summaries

The council's financial monitoring processes are consistently applied and embedded across all of the directorates and service areas. Each month the finance service collaborates with senior managers who have been given specific financial responsibilities, to review and assess the key risks and issues being faced by services so that they can prepare a forecast which accurately portrays the financial performance likely to be achieved at the end of the financial year.

Reports are presented to each Director and their leadership teams so that they can review and assess the latest projections by their budget managers and identify and approve any actions arising or mitigations which may need to be implemented in the future.

An extract of the monthly reporting information from each Director is included within this report and can be found in Appendix 2. These summaries provide a detailed breakdown of significant financial variances and cover both Covid and Non-Covid impacts however, key extracts or notable issues arising within each of the directorates have been summarised and incorporated in the narrative below.

It should be noted that a consolidated report is also reviewed by the corporate leadership team so that they are aware of the council's overall financial position enabling them to understand, influence and support any strategic decision-making which may be required.

3.3.1. **Director of Adult Social Services** – Projected expenditure in excess of the approved budget provision of £1.108m (1.6% and £165k of which directly relates to Covid pressures)

The predominant area of over spend relates to individual care packages and whilst none of this is badged directly as Covid related, the shift in the pattern of demand, described below, will inevitably be, at least in part, related to Covid.

The key trend of seeing fewer basic long-term placements in care homes since impact of Covid-19 appears to continue, although this is partly offset by an increase in "Exceptional Special Needs" (ESN) placements. As a result, whilst expenditure is broadly consistent with the budget, there are lower client contributions, partly as a result of reduced basic packages, but also because of client contributions being significantly lower in relation to higher cost ESN packages. The increasing number of ESN packages may suggest higher commissioning costs, a difficulty in moving clients from CCG commissioned hospital discharge beds and / or increasing complexity of people's care needs.

Expenditure in wider social care support in the people's homes and their community, which covers home care and supported living for example also appears to be increasing. The overall rise is partly offset by an increase in client contributions following a programme of reviewing financial assessments for care contributions.

The first part of the year has also shown an increase in short term care, so while there appears to be an underlying trend in fewer long-term permanent placements in care homes, there also it seems to be higher occupancy levels on short term basis, which indicates increased respite or rehabilitation use.

In addition, it is worth noting that there are a number of factors which are likely to result in a continuing increase in demand for services and support, including delays to elective surgery, earlier hospital discharge, Long Covid, pressures on mental health and carers and rising Care and Occupational Therapy assessment waiting lists.

The key metrics that support the narrative are shown in the table below:

| | | | | | | |
|---|---|---|---|---|---|---|
| **1. A reduction in demand for basic residential / nursing placements, which has been more that offset by an increase in demand for ESN placements, which are a) more expensive and b) do not attract any client contributions** | | | | | | |
| | | | | | | |
| | **Aug-2019** | **Aug-2020** | **Aug-2021** | **Change 2019 to 2020** | **Change 2020 to 2021** | **Change 2019 to 2021** |
| **Activity Data** | | | | | | |
| Residential Basic | 503 | 433 | 415 | -13.9% | -4.2% | -17.5% |
| Nursing Basic | 287 | 238 | 238 | -17.1% | 0.0% | -17.1% |
| Residential Basic + ESN | 234 | 267 | 264 | 14.1% | -1.1% | 12.8% |
| Nursing Basic + ESN | 48 | 55 | 58 | 14.6% | 5.5% | 20.8% |
| | | | | | | |
| **Unit Cost Data** | | | | | | |
| Residential Basic | £531 | £560 | £577 | 5.4% | 3.2% | 8.7% |
| Nursing Basic | £613 | £637 | £665 | 3.9% | 4.2% | 8.3% |
| Residential Basic + ESN | £1,344 | £1,417 | £1,434 | 5.5% | 1.2% | 6.7% |
| Nursing Basic + ESN | £1,076 | £1,225 | £1,191 | 13.8% | -2.7% | 10.7% |
| | | | | | | |
| **2. An increase in demand for supported living for (largely adults with LD) and (provisionally for this year) and increase in unit costs beyond inflation** | | | | | | |
| | | | | | | |
| Supported Living Activity Data | 234 | 268 | 284 | 14.5% | 6.0% | 21.4% |
| Supported Living Unit Cost Data | £685.45 | £689.93 | £756.95 | 0.7% | 9.7% | 10.4% |
| | | | | | | |
| **3. An increase (beyond simply cost inflation) of the average unit costs of domiciliary care, indicating an increase in complexity / acuity / average number of hours per week** | | | | | | |
| | | | | | | |
| Average weekly unit cost | £178.29 | £195.81 | £221.53 | 9.8% | 13.1% | 24.3% |

**Specific Covid-related impacts**

It is important to mention that the revised budget for the directorate includes increased expenditure of £3.4m in relation to further rounds of the Infection Control and Testing Grant, funded by the government (to the end of September), which have been distributed to care providers across North Somerset. At this time we are awaiting news from central government as to whether the Infection Control and Testing Grant will be payable after the end of September.

Covid support also continues as part of the agreed recovery plan for care providers with £1.53m of funding available. To date, we have paid £200k for nursing care home premiums, with other assistance due imminently.

**3.3.2. Director of Children's Services** – Projected under spend of £0.362m (1.4%)

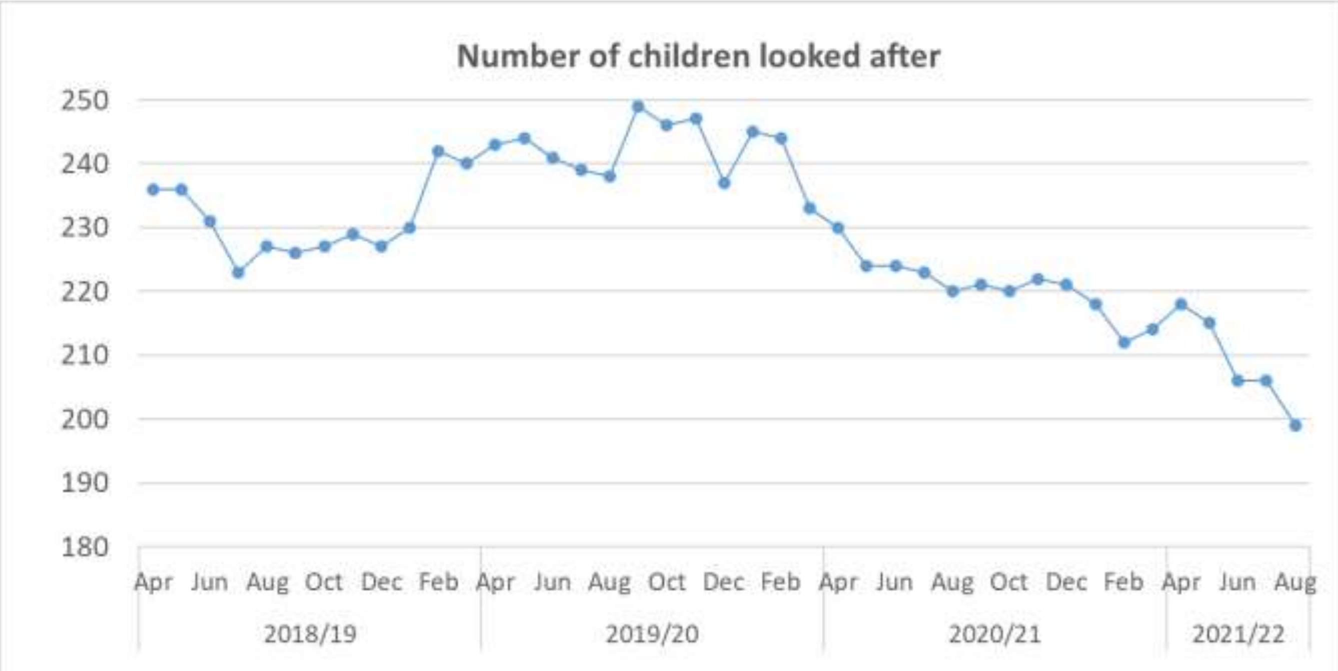
The forecast under spend in Children's Services is mainly due to the spend on placements for looked after children being significantly less than the budget. This is predominantly representative of the fact that the budget was set when looked after children numbers were significantly higher that they are now and, in addition, an allowance was made in the expectation that numbers would begin to rise once lockdown measures were eased; although this has not yet materialised. The positive budget variance has also been helped by the work being carried out by the service on reducing placement costs by "stepping down" young people to more appropriate and cost-effective placements, which also supports their long-term outcomes. As a result of all these factors, the forecast spend is c. £1.1m less than the budget. The number of children looked after in recent years is shown in the graph overleaf.

Other areas within the Children's Services budgets are also showing positive positions, for example there are savings in staffing costs as a result of vacancy management, totalling £387k and contributions totalling £285k towards staffing and overhead costs from a number of grants from central government.

The directorate is however facing a range of cost pressures, with the main one relating to supporting families with disabled children (of c. £830k). Growth of £475k was applied to this area of the budget through the Medium Term Financial Plan (MTFP), although this has not been sufficient to close the gap between the budget and the in-year demand during the current financial year due to a range of individual circumstances. Options are being explored to reduce the forecast from its current level, one of which includes reflecting the financial contributions due from the Clinical Commissioning Group towards the cost of packages, when such discussions have been completed. It should be noted that the forecast expenditure and associated pressures will not all continue into future years as the budget supports a range of children, who's need and ages change over time.

Other cost pressures include systems improvement, nursery income and the Special Educational Needs and Disabilities (SEND) element of our Education Support Services Contract.

The financial impacts which have materialised in the current financial year will continue to be monitored and reported through this framework although impacts and estimates for future years' expenditure in relation to both placements for children looked after and also families with disabled children, will be a key focus of the 2022/23 MTFP and budget setting process to ensure that they are aligned to forecast levels of activity.




In addition to the position in Children's Services that relates to the General Fund, there is also a forecast in-year and cumulative deficit with regard to the **Dedicated Schools Grant (DSG)**. The forecast deficit of £11.8m (rising from £7.2m at the end of the last financial year) relates to the significant and sustained pressure in the High Needs Block that provides funding for children and young people with Special Educational Needs and Disabilities.

As in previous years, the forecast in-year deficit relates to the costs of independent non-maintained special schools, bespoke packages for young people not in school and Top-Up Funding to both mainstream and special schools.

These rising costs relate directly to the increasing number of children and young people with an Education, Health and Care Plan (EHCP). The numbers have risen by 108% since 2016 and 23% in the last year, with numbers expected to continue to rise.

Projects are in place to provide more local specialist provision to mitigate cost increases, however, recent modelling, which takes into account forecasts for the increasing number of young people requiring specialist provision, indicates that, in the absence of a further exceptional funding injection from the government, there is little prospect of reducing the overall deficit, although it is possible that the in-year deficit could reduce by 2024/25.

Officers discussed the council's deficit management plan with officials from the Department for Education at the end of July 2020. They raised no concerns about our approach and, in particular, were supportive of our intention to lead and organise an Inclusion Summit. This would include various partners who together would develop a strategy and a range of plans to ensure that more children and young people with SEND can remain in mainstream schools with appropriate levels of support.

The Summit took place earlier this year and there was significant commitment from all parties. We are continuing to develop plans to ensure that more children and young people with SEND can remain in mainstream schools with appropriate levels of support and to ensure that any out of area placements represent value for money. The plans align with our SEND Accelerated Progress Plan (APP) and will be discussed with the DfE during their visit on 23 September 2021.

**3.3.3. Director of Place** – Projected over spend of £1.856m (£1.075m of which relates to Covid impacts)

The overall forecast for the Place directorate is a net over spend of **£1.856m**. Early reviews indicate that the directorate is still being significantly impacted by the Covid-19 pandemic which currently represents £1.075m of the latest variance, with forecasts showing that £0.780m relates to non-Covid operational impacts.

Given the timescales and reduced funding allocated to the council for Covid impacts it is important to understand the details behind each of the projections to assess the underlying impact in terms of service delivery in the current year, as well as the sustained impacts which may continue into future years which would be a great cause for concern as this may be a time when no additional funding is be received.  A detailed will be carried out on each of the current covid issues over the next few weeks to determine a baseline position and projection across future years with further information being included within the following report.

**Covid-related pressure**

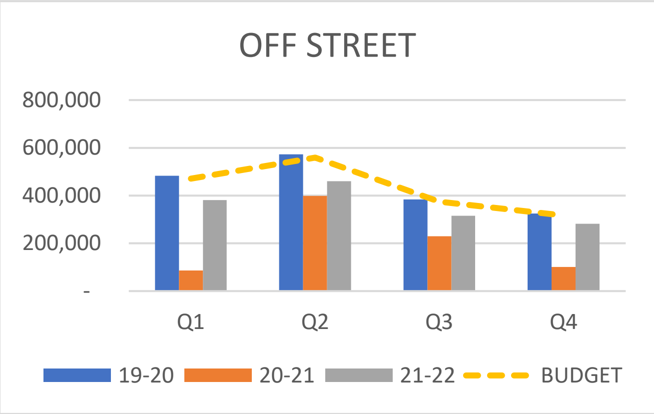
Although the directorate recognises that Covid-related pressures are forecast to be £1.075m of the total projected over spend, it should be noted that this position is a **net** position and includes significant mitigations by way of grant funding allocations from the government.

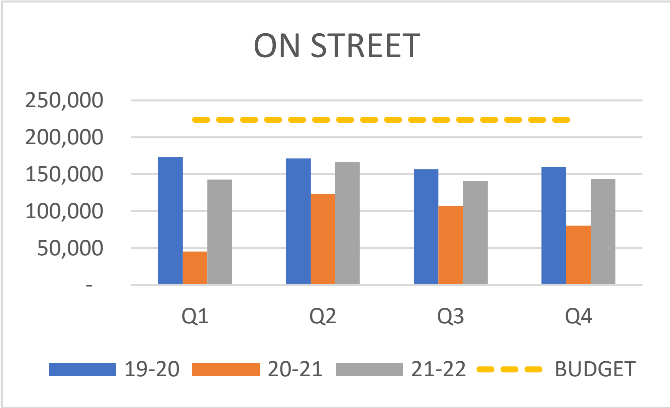
Some of the Covid impacts reported within the Place directorate have arisen as a result of incurring **additional spending** in areas such as; continuing to pay financial assistance to businesses and support to our leisure providers, incurring additional costs in relation to home to schools transport as well as supporting bus and active and sustainable travel initiatives. A significant proportion of these additional costs are funded through specific government funding packages and so do not impact on the council's own resources.

However, the majority of the financial impact reported within the directorate relates to the losses in budgeted income levels, usually received through sales, fees and charges income streams. In 2020/21 these income losses were mitigated throughout the year by the governments' compensation scheme which provided reimbursement for 75% of losses, which were over a 5% threshold. This significantly reduced the impact of income losses in 2020/21.

Whilst the compensation scheme has continued in 2021/22, it was only for a short period and ended on the 30 June 2021. The anticipated claim for quarter one has been included as a mitigation however the income losses are expected to continue past this date and without the compensation scheme is likely to continue to be a budget pressure which may need to be addressed going forwards.

The main services affected by income losses at this time are highways and parking, leisure contract income, community halls, events and seafront activities. The charts below show an extract of income forecasts for the parking service, and clearly significant parts of these losses would be deemed irrecoverable and cannot be caught up at a later point in the financial year. However, the extent to which these income losses are impacted as a result to covid and the extent to which these losses may continue, will depend on a number of complex factors, including government guidance and legislation, the weather, customer behaviour and economic and market conditions in the weeks and months ahead.




Forecasts will be updated throughout the financial year to see how much of the variances specifically relate to Covid or other factors as well as how much of the income is recovering and whether any of these impacts will be sustained into future financial years.

**Other directorate pressures**

In addition to the issues noted above there are a number of other risks and issues that have been identified early in the financial year monitoring process with a view to trying to explore ways to mitigate these pressures where possible.  The main areas are as followings:

Home to School Transport
Despite c£500k of growth allocated to the service in 2021/22, there remains significant pressures within the Home to School Transport service as a result of a growth in demand specifically for SEND transport.

The forecast variance for the service is a £0.192m over spend although it should be noted however that the true financial position of the service will be unknown until the end of October once the new school year starts and the transport arrangements are in place. In addition to rising demand levels, at the time of writing this report the service is also experiencing operational and delivery issues brought about by the reducing number of appropriately skilled drivers within the market who are available to drive children to school each day. Clearly this is a national issue which is affecting many organisations, industries and services, and one which may ultimately result in additional cost pressures for the council.

The cost of delivering the service will therefore be determined by a number of factors which are currently unknown and could result in the forecast changing throughout the year. A further update will be provided in subsequent reports.

Programme Savings in relation to staffing

Programmed savings in relation to staffing from previous financial years are at risk in 2021/22. In previous financial years these have been offset by vacancies and delays in recruitment but due to the significant pressures on the services and increased workloads it is more challenging to hold vacancies for a significant period of time. The total budgeted saving is £170k. The directorate management team will continue to review to attempt to mitigate this variance throughout the year although this does remain a significant challenge.

**3.3.4. Director of Corporate Services** – Projected under spend of £0.040m

The overall forecast for Corporate Services is a small net under spend of £0.040m, which is a relatively healthy position however, it can be seen from the summary within Appendix 2 that the directorate is facing pressures in some areas of its budget. The following are worthy of particular note;

- Delays in the delivery of some MTFP savings, e.g. Support Services Contract
- Anticipated reductions in income budgets, e.g. summons costs, car parking and commercial properties
- Increased cost pressures, e.g. Members Allowances, External Audit Fees and insurance premiums

The directorate is managing to balance its overall financial position by offsetting these pressures against areas where there is forecast to be additional income or by spending less in other areas although, it should be noted that this is not a sustainable position as some mitigations are one-off or shorter-term in nature and cannot be continued into future years, for example;

- Increase in income from land charges, rental of office accommodation buildings, new burdens grant towards audit fees, additional Covid grant for sales, fees and charges
- Reductions in running costs of office accommodation properties, former employees' pension charges

## 3.4. Revenue budget – resources, including the Collection Fund

The council funds its net revenue budget and spending plans each year from 'resources' which are a combination of grants from central government and locally generated resources, levied on both residents and businesses through council tax and business rate demands.

The budget for the 2021/22 financial year shows that the council expects to receive approximately £24m in government grants and £153m from local sources.

Appendix 2 contains a summary detailing each of the council's resource forecasts for the year along with supporting information and explanation to provide context; whilst this can be a complex area headlines to note are;

- Council tax in-year – the forecast shows that there will be a small **surplus of £155k** on the collection fund in respect of council tax activity;

- Business rates in-year – the forecast shows that there will be a **deficit of £4.505m** on the collection fund in respect of business rate activity. However, it should be noted that there has been a significant change made by the government since the time that the council's budget was set in February 2021 in respect of the continuation of Covid support for businesses in the retail, leisure and hospitality sectors by way of awarding tapered relief against their 2021/22 liability; although, as in previous years, this decision will be fully funded by the government by way of a Section 31 grant (see below).

- Section 31 grants – as noted above, the council will be fully compensated by the government for the national policy decisions taken in respect of business rate relief and so it is forecast that a **new grant of £6.173m** will be received. As in previous years the timing of this grant will not align to deficit on the collection fund, and so a smoothing reserve will be used across the year-end.

The majority of other movements and variances within resources relate to prior financial years and will not be reflected within the revenue budget but will instead be seen within the council's medium-term financial plan budget process, although it will be important to distinguish which of these movements are one-off in nature, and which will be ongoing into future years.

### 3.5. MTFP savings plans

Included at Appendix 3 is a schedule of the budget reductions totalling £7.4m, which were incorporated into the 2021/22 revenue budget, together with and assessment should the status and progress for each of the savings plans.

Despite the ongoing challenges faced over recent months, these items remain a feature within the monthly budget monitoring processes and are regularly reviewed by directorate leadership teams. The assessment at this point in the year indicates that approximately 75% of the planned savings are already on track to be fully achieved in year. Assessments have been made with regards to other proposals and a risk factor has been applied, although it is expected that further progress will be made over the next few months.

### 3.6. Investment in corporate priorities

The financial summary provided at Appendix 4 gives an overview of the corporate investment priorities included within the revenue budget for the year. These proposals were considered as they clearly aligned with the vision, aims and objectives described within the Corporate Plan and can be seen as having a visible impact on residents and communities. The majority of funding has been fully allocated to specific projects and service leads are currently delivering these impacts on the ground so that the benefits can be seen and accessed. Other investment proposals, such as improving the lakes in Clevedon, Portishead and Weston are classified as capital infrastructure projects and so will be included within the capital programme as detailed in Appendix 6.

### 3.7. Revenue reserves – general / unallocated reserves

The council's general reserve balance at the start of the year, often referred to as the Working Balance, remains unchanged from previous years and **was £9.053m** which equates to approximately 5.1% of the net revenue budget.

The summary table presented in section 3.2 reflects a forecast over spend of £1.327m and should this need to be taken into account and funded at the year-end then the balance in the general reserve could potentially fall to 4.35%, which would not be a desirable position.

The council does have access to other resources should it be needed, for example the contingency budget, the balance of the unallocated covid grant, as well as a series of earmarked reserves although as in previous years, every effort will be made to deliver a balanced budget by the end of the financial year.

### 3.8. Summary

The council recognises that there remains a series of uncertainties, risks and potential commitments emerging across many of its budgets in both the current financial year, and also into future years. Some of these issues have been highlighted throughout this report although at this point it is not fully clear what obligations or impacts the council will continue to face or be required to fund in the future. The council does maintain a financial risk register to document all such risks, which includes an assessment as to the scale of the potential impact and also the probability of such a risk materialising. Some risks do present with external funding and so all relevant information is captured. The register is continually reviewed and updated as part of the council's monthly financial monitoring processes.

Whilst additional resources have been allocated to the council in 2021/22 to fund continued impacts of Covid, and there have also been announcements that some of the support mechanisms has been extended until June and even September, the council recognises that this funding is unlikely to be sufficient to cover all known areas of demand or income loss and so information continues to be gathered to enable the council to be as prepared as it can be.

The council recognises that it must operate a range of financial strategies which aim to maximise financial opportunities and funding from external sources, be prudent in spending plans and commitments and also utilise reserves and balances to smooth financial impacts across years where appropriate. The council's revenue budgets will continue to be closely monitored, although it may be that some of the longer-term issues may potentially need to be addressed through the medium term financial planning considerations.

### 3.9. Capital budgets – current financial performance

The capital programme covers the period up to 2024/25, although does give particular focus and attention for the 2-year period 2021-2023. The programme covers all aspects of the councils' services and has been built up in several phases following different stages of approval.

**Appendix 6** provides details of all schemes currently included within the latest programme, although attention has been focused on the significant schemes which are closely monitored by the Capital Strategic Delivery Group, which are deemed to be material in nature or impact.

As referenced in the previous monitoring report, efforts have been made to update and improve the financial information shared in respect of capital projects. Changes introduced within the revised summary include;

- Total capital investment costs – this means that all capital expenditure is now included within the monitor for each project, including spend which has been incurred in an earlier financial year. The previous capital monitor only included expenditure for the current and future years, which did not allow the total costs of a project to be seen in a single report.
- Forecasting – the revised monitor has been updated to included a forecast of potential future costs, even though they have not yet been approved or incurred. This enables the council to assess potential financial risk and implement strategies which could mitigate or fund such risks.

At this time the report indicates that two of the council's capital schemes are forecast to spend more than that approved budgets;

- Winterstoke Hundred Academy Expansion – currently forecast to spend £3.5m more than the initial resources. This project is subject to a more detailed report considered elsewhere on the agenda for this meeting and so full details have been included there, including the proposed funding solution.

- Weston Town Centre Enhancement Scheme – a range of risks and issues have been documented within the detailed plans for this project including items such as unexpected ground conditions including high water tables and unmapped utilities, both of which have required alternative solutions to be identified, including consultation, co-ordination and gaining approval from utility companies for design changes. Some of these risks and the associated design modifications have resulted in changes to timescales as well as cost forecasts. Work is currently ongoing with specialist project managers and quantity surveyors to assess cost pressures with a view to mitigating these where possible. Alternative sources of funding are also being investigated.

**Appendix 7** summarises the changes which have been reflected within the programme during the current financial year, which require approval from the Executive.

## 4. Consultation

The report has been developed through consultation with the council's corporate leadership team, and also with each of the departmental management teams.

## 5. Financial Implications

Financial implications are contained throughout the report.

The detailed values included throughout the report include all of the council's expenditure, income receipts as well and any proposed transfers to or from reserves; the values exclude any technical accounting adjustments such as impairment or depreciation which enables a more transparent representation of the council's finances to be shared.

## 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 for the forthcoming year, and the ongoing arrangements for monitoring all aspects of this, is an integral part of the financial administration process.

## 7. Climate Change and Environmental Implications

There are no direct or specific climate change and environmental implications associated with the recommendations within this report although they remain an important factor in many areas of the council's revenue and capital budgets and are considered and integrated where appropriate.

## 8. Risk Management

The council's Strategic Risk Register currently includes two risks associated with the financial planning:

- Risk that we are unable to deliver the priorities of the council by not planning to meet the Medium-Term financial challenge.

- Risk that we do not manage budgets effectively in-year by not implementing and delivering the transformational projects required to meet the financial challenge.

The council's Corporate Leadership Team regularly review the budget monitoring forecasts as well as significant risks which may emerge from within directorate risk registers or operational activities. A further risk of particular interest when considering the ongoing impacts of Covid-19 pandemic is shown below:

- Viability of our providers, contractors, suppliers including concerns around sustainability of key markets and failure to provide essential services.

The application of additional funding, provider support, service mitigations and savings referenced within the directorate summaries show that the council has sought to manage these risks identified above, although clearly any further changes or measures would require review and reassessment.

## 9. Equality Implications

There are no specific equality implications with regard to the recommendations contained within this report although it should be noted that the council has utilised additional Government funding to support vulnerable residents whether appropriate, financial support to those providing essential services, and working in partnership with community groups.

Individual savings proposals incorporated into the revenue budget for the current financial year are supported by an Equality Impact Assessment.

## 10. Corporate Implications

The Corporate Plan and MTFP, along with the supporting financial monitoring processes and performance management framework 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. The Corporate Plan continues to be reviewed in the light of emerging risks and pressures and steps are being taken to assess timeframes and monitor key outcomes.

## 11. Options Considered

None – the council is legally required to set a balanced budget and to implement a robust financial framework to ensure that spending is aligned to available resources.

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## Appendices:

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|---|---|
| Appendix 1 | Revenue budget summary for 2021/22 |
| Appendix 2 | Financial commentaries from each director |
| Appendix 3 | Monitoring of MTFP savings plans for 2021/22 |
| Appendix 4 | Monitoring of corporate investment plans for 2021/22 |
| Appendix 5 | Extract of Covid grant income for 2021/22 |
| Appendix 6 | Capital budget monitoring for 2021/22 |
| Appendix 7 | Schedule of capital budget virements – to be approved |

## Background Papers:

Exec Report- February 2021, Medium Term Financial Plan and Revenue budget update
Council Report- February 2021, Council Tax Setting
Exec Report- September 2021, Budget Monitor Month 4