North Somerset Council

Report to the Executive

Date of Meeting: 8 December 2021

Subject of Report: 2021/22 Budget Monitoring - Month 6

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 4.

1. Summary of Report

This report provides a summary of the council's integrated revenue and capital financial position after the first six 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 third report of the financial year and officers are continuing their approach which focuses on; areas of high risk or which are susceptible to volatility of change; which continue to be impacted by Covid-19; or may be subject to operational challenges.

It is important to note that all other aspects of the council's budget are also routinely reviewed and assessed, as they often provide solutions or opportunities to mitigate against unavoidable pressures.

2. Policy

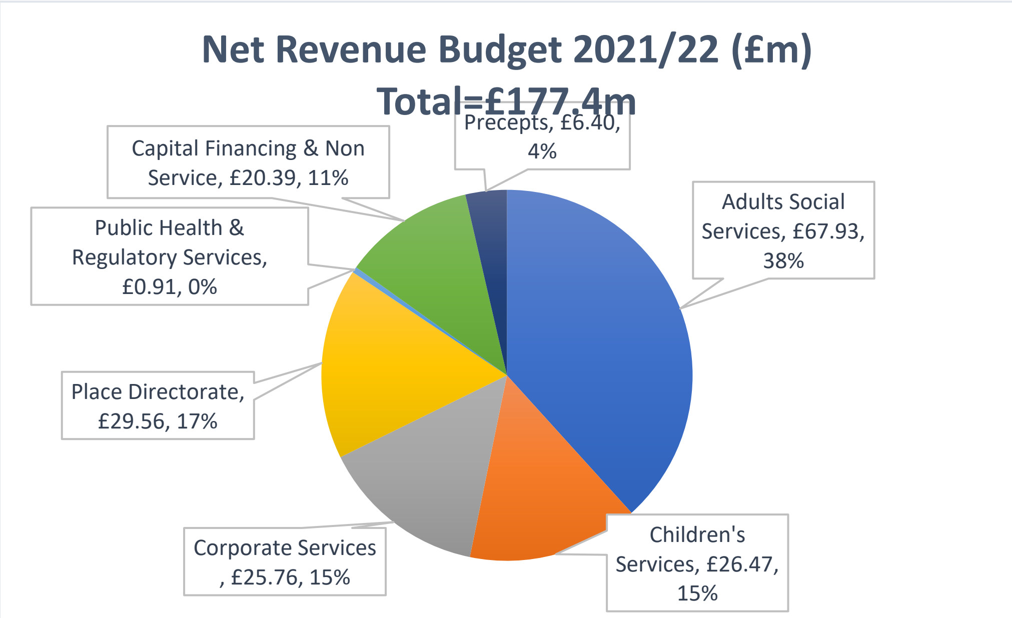
The council's budget monitoring is an integral feature of its overall financial framework, ensuring that resources are planned, aligned and managed effectively to achieve successful delivery of its aims and objectives.

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. It will form part of our financial strategy as could potentially provide support and flexibility to services in this, and future years.

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.

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 budgets.

3.2. Revenue budget summary

Shown below is a summary of the council's financial forecast year end position after the **first six 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 Net Revenue Budget £000	Month 6 Forecast Revised Revenue Budget £000	Projected Out-turn £000	Projected Variance £000		*Month 6 Analysis Material Covid Impact £000*	*Non-Covid £000*
Service Expenditure Budgets							
Adult Social Services	67,905	67,832	69,209	1,377	*	*165*	*1,212*
Children's Services	26,512	26,575	26,373	(201)		*0*	*(201)*
Corporate Services	25,739	25,756	25,749	(7)		*0*	*(7)*
Place	29,565	29,558	31,275	1,716	*	*1,005*	*711*
Public Health & Reg Services	911	911	911	0		*0*	*0*
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**	**180,311**	**2,887**		*1,170*	*1,717*
General Fund Financing Budgets	(177,423)	(177,423)	(177,423)	0		*0*	*0*
NET REVENUE BUDGET TOTALS	**0**	**(0)**	**2,887**	**2,887**		**1,170**	**1,717**
Use of Covid Funding			(1,170)	(1,170)		*(1,170)*	*0*
REVISED REVENUE BUDGET TOTALS			**1,717**	**1,717**		**0**	**1,717**
Dedicated Schools Deficit	7,150		11,907	4,757			

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.

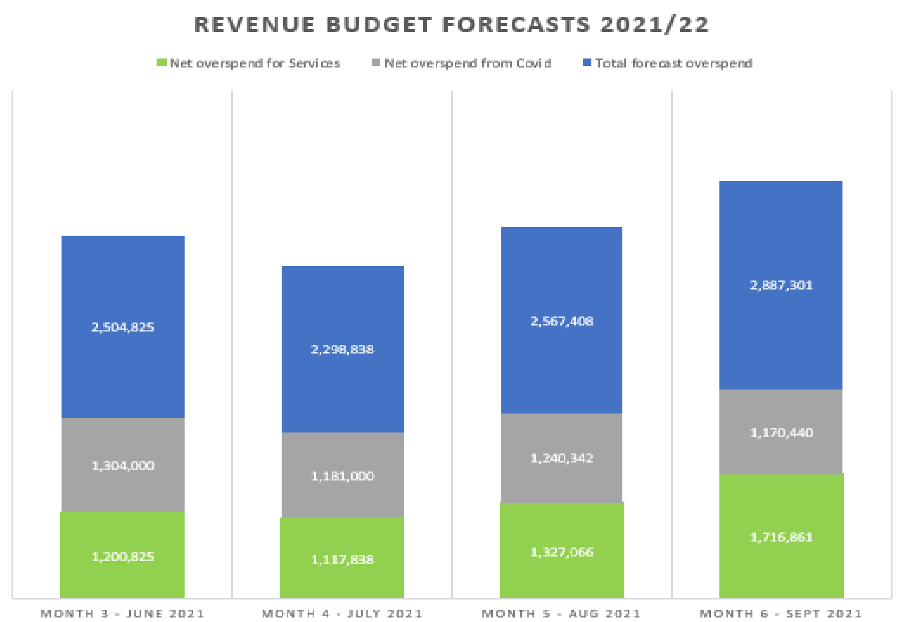
Key messages and headlines which can be taken from the table above are;

- The amount of money the council has to spend (i.e. the council's revised net revenue budget) during the year totals £177.423m (blue shaded column)

- The latest assessment indicates that the council will spend £180.311m on delivering its services, which is £2.887m more than the resources it has available (yellow shaded column)

- Of the total overspend of £2.887m, an assessment has been made which shows that £1.170m relates to unplanned Covid related spending or short-falls in income budgets; and £1.717m relates to non-Covid or business-as-usual operational impacts elsewhere within the council's budget (green shaded columns)

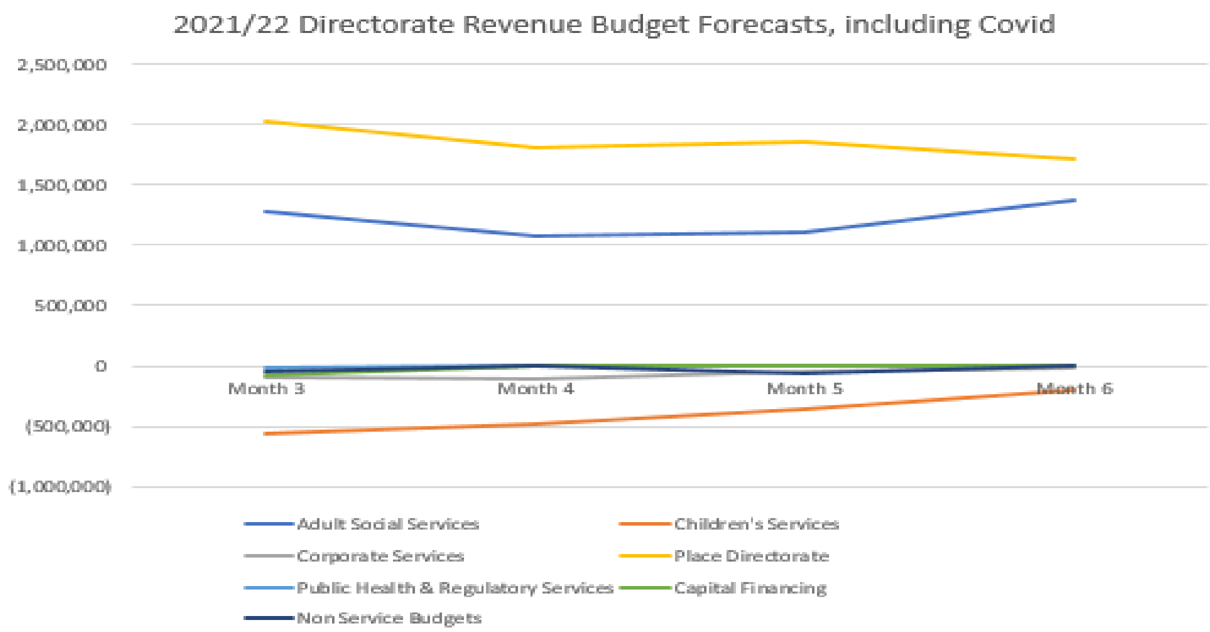
As noted above, the council has been allocated a one-off grant by the government which it can use to fund Covid related impacts which may arise during the year. The summary table above shows that the council will allocate £1.170m of the Covid grant and will release this as funding to offset the reported 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 £1.717m.**



This chart shows the headline movements in budget projections made over the first half of the year, analysed between those budget variances that relate to Covid (grey), and those which do not (green).

As can be seen, the council's financial projections have remained relatively stable over this period, ranging between £2.3m and £2.9m.

The chart below provides further information by showing the budget projections made by each of the directorates over recent months. It is not unusual the council's budget monitoring forecasts to change at some point over the course of the year as more information is gathered, reviewed and updated.



In the event that the projected over spend of £1.717m 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, the council clearly has a range of options that it could consider and these would include use of the council's contingency budget, a transfer from the general fund working balance, or from other earmarked reserves. 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.

It should be noted that the detailed forecasts which are highlighted by directors throughout the report are reviewed to assess which impacts are likely to be one-off in nature and which may continue to be a feature in future years. These ongoing pressures are fed into the council's medium term financial planning processes.

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 £1.377m or 2.0% (£165k of which directly relates to Covid staffing pressures)

Care and Support Packages

The predominant area of spending in excess of budget relates to individual care and support packages, which is £1.5m. Whilst this excess demand is not tagged as directly related to Covid in our corporate monitoring, it is undoubtedly true that the changes in patterns of demand for, and take-up of services as described below, have Covid as their predominant causal factor.

Overall Income and Expenditure Trends

Our forecast gross expenditure on care packages for 2021/22 is just 3.9% more than in 2020/21. Given we passed on an average of around 2% in inflation to providers, this represents less than a 2% increase in costs that are materialising through a growth in care package numbers or size (although there is some anecdotal evidence that there are rate increases outside of the main inflation provision, driven by availability of supply, which would make the demand-led rise even smaller).

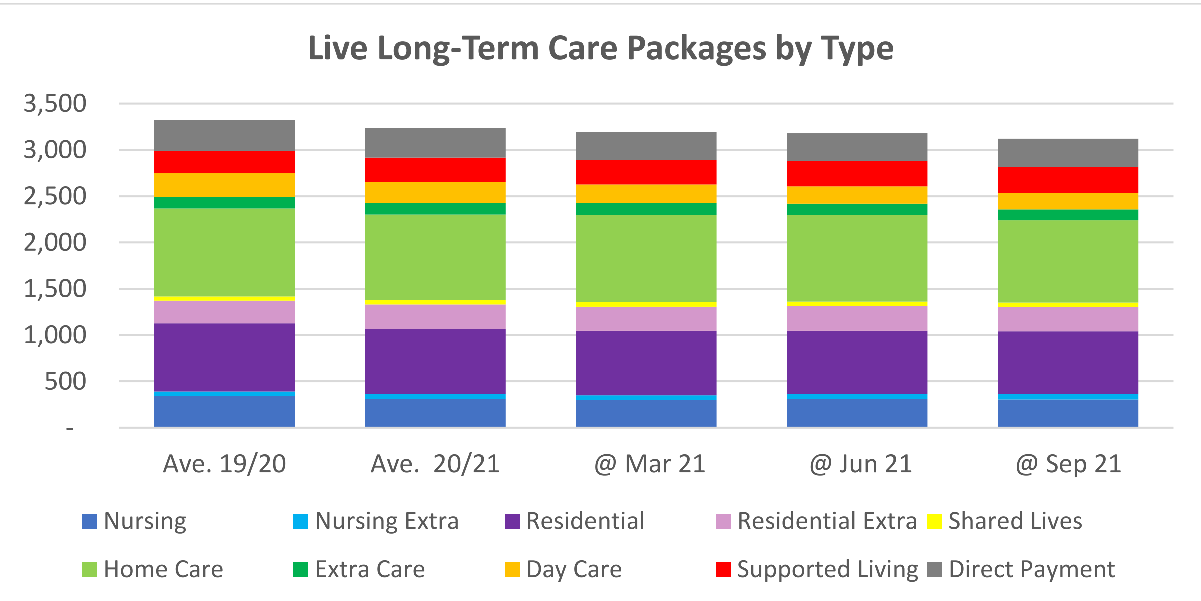
We are forecast to achieve a 9% increase in income compared with last year (mostly driven by increases in non-residential income), which means that our forecast increase in total net spend from 2020/21 to 2021/22 is 2.5% (or £1.6m), which is less than 0.5% after accounting for price inflation.

	2019/20 Outturn	2020/21 Outturn	2021/22 Forecast	2021/22 Change from PY	
Gross spend	80,276,370	82,235,155	85,430,382	3,195,227	3.9%
Client income	(16,283,001)	(15,238,747)	(16,649,473)	(1,410,726)	9.3%
Other contributions	(3,975,908)	(3,718,816)	(3,937,199)	(218,383)	5.9%
Net spend	**60,017,461**	**63,277,592**	**64,843,710**	**1,566,118**	**2.5%**

In many ways, this is good news and is, in part, being delivered by mitigating demand and preventing escalation through the work of the Single Point of Access, Occupational Therapy clinics, reablement, the Wellness Services and creative solutions being offered by the locality assessment teams. However, some of the suppression of demand is unfortunately and inadvertently achieved through assessment waiting lists and lack of capacity in the care market, and eventually this demand is likely to materialise in the form of care packages (and potentially at higher levels than they would otherwise have been). Future demand for services is being considered as part of the Medium-Term Financial Plan (MTFP) and 2022/23 budget setting process. In addition, early intervention measures as described above will continue as well as a new reablement service to include a Technology Enabled Care (TEC) hub.

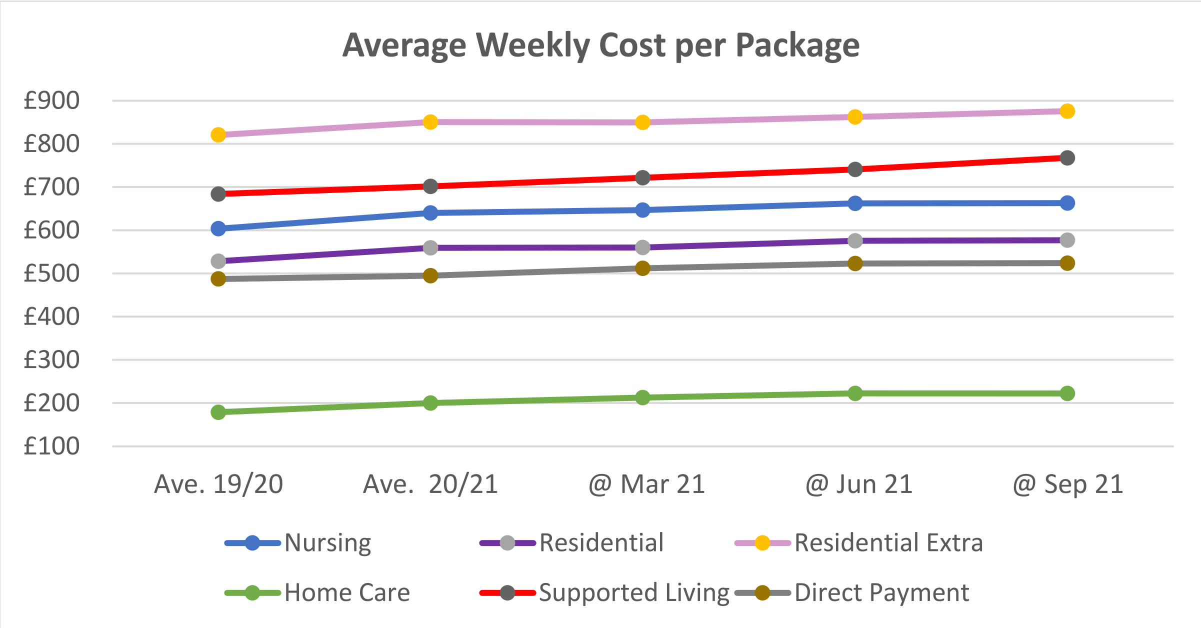
Number of Care Packages

Where we are seeing cost increases beyond just price inflation, this is not generally because the number of packages is increasing; in fact, total long-term packages are 3.5% lower than they were on average last year (3,120 compared with 3,234).



Average Unit Costs of Packages

Any cost increases are largely being driven by an increase in package size, and this is particularly evident in domiciliary care and supported living, where the average unit costs have increased by 11% and 9% respectively in the last year. This is likely reflective of increased complexity and need driven by factors such as deterioration and de-conditioning (partly due to delays in elective surgery and lock-down / isolation), earlier hospital discharge, increases in mental health support needs and family / carer breakdown. In overall terms, the average weekly unit cost of a long-term care package has increased by c. 7% in the last year, with around 2% of that reflecting price inflation as opposed to package size.

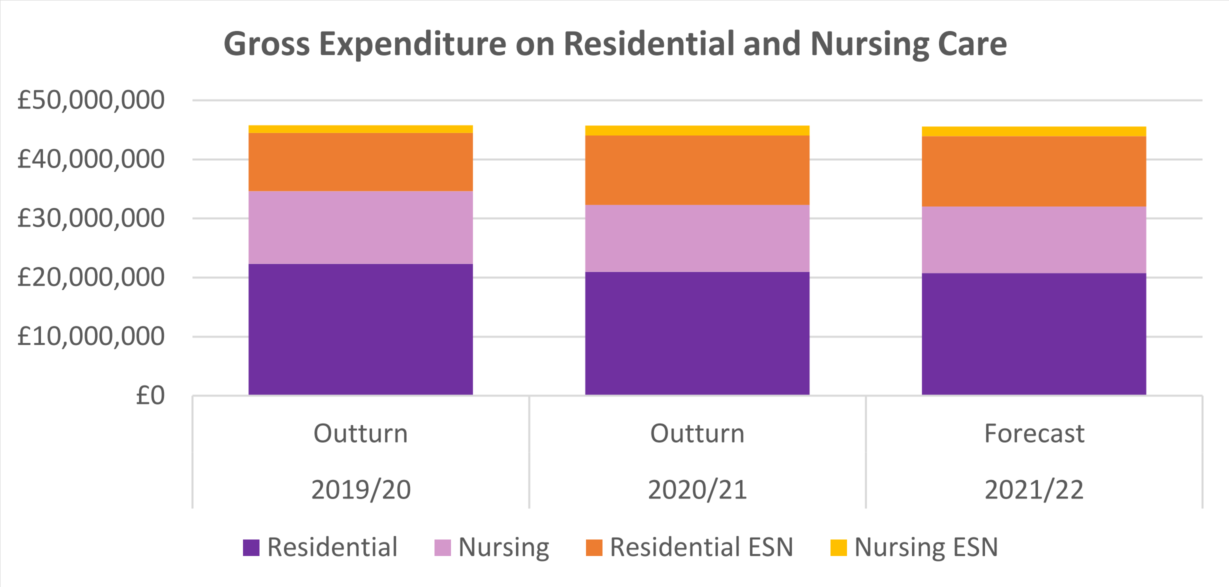


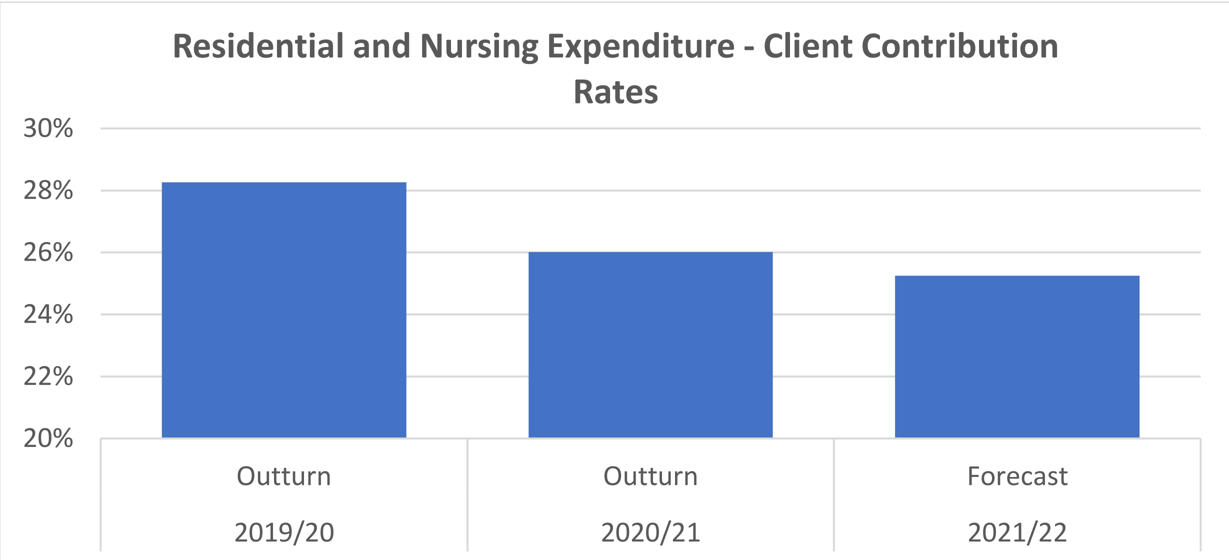
Other factors

The one material area where package numbers are increasing is in supported living; this is an expected rise, which is particularly associated with bringing forward new schemes (to avoid residential placements) and transitions from children's services.

In addition, there are increases in the number of short-term residential placements, which may reflect changes in hospital discharge processes, increased respite or rehabilitation use and capacity to secure long-term placements, but more work needs to be done in this area to fully understand the changes.

Finally, it is worth noting that the increase in demand for residential and nursing placements with Exceptional Special Needs (ESN) which we experienced last year, has not reduced and, as a result, additional spend in this area continues to offset reductions in basic residential and nursing placements. The increased number of ESN packages may suggest higher commissioning costs as a result of a lack of supply of placements for clients with these particular care needs, a difficulty in moving clients from Clinical Commissioning Group (CCG) commissioned hospital discharge beds and / or increasing complexity of people's needs as described above. In addition, the proportion of residential and nursing care costs that are recovered through client contributions are much lower for packages with ESN (due to clients reaching their maximum charge), resulting in an overall reduction in client income recovery rates from 28.3% in 2019/20 to an estimate of 25.3% in 2021/22, equating to c. £1.4m.





Demand at the Single Point of Access

By way of illustration of the demand pressures that are being managed, it is worth noting that contacts to the Council's Single Point of Access have risen by 16% when compared with the same period in 2019/20 as illustrated below.

Contacts in the Single Point of Access (April to September)		
2019/20	**2020/21**	**2021/22**
7,915	8,080	9,214

Specific Covid-related budget impacts

The revised budget includes an increase £3.423m cost and grant income from the original budget to reflect receipt of further rounds of the Infection Control and Testing Fund Grant from Government, which has been distributed to care providers across North Somerset in accordance with the grant conditions. Covid Support also continues as part of the agreed recovery plan for care providers with £1.53m available. To date we have paid £200k for nursing care home premiums, with other assistance due imminently for insurance premiums and innovation bids.

Further tranches of Infection Control Funding (£2.3m) and a Workforce Recruitment and Retention Fund (£626k) to run from October to March, have recently been announced by the DHSC; the budget will be increased to reflect this, and payments will be distributed to providers as soon as practicable.

Risks and Opportunities

As mentioned earlier in the paper, there are many significant variables that are likely to change the forecast income and expenditure during the financial year. Demand for care tends to peak during the winter season, already we are seeing the local health and care system under pressure. This is evident in the unprecedented number of care referrals, increased complexity of cases, safeguarding referrals, fragility of the care market with home closures, increased costs, and other issues concerning the care workforce. This year, we will be entering winter with both the general flu and Covid-19 in circulation. The impact of this is still uncertain but has potential consequences that will exacerbate the difficulties for both care provision and care users already experienced. As we emerge from the pandemic, we are entering a new norm. Covid-19 has brought significant change and challenges to social care. It significantly impacted the care market, especially for residential care with the loss of some providers already experienced by North Somerset.

In more broad terms, the Covid-19 pandemic has served to heighten a number of risks in the adult social care budget; the key ones being:

- Supressed demand for services in 2020/21 due to CCG funding of hospital discharge cases and voids in care homes
- Potential continued increased demand for support, especially for mental health, carers and safeguarding, but also in other areas to reflect elective surgery waiting lists as well as waiting lists for social care and OT assessments and the potential impacts of Long Covid
- Increased costs associated with the new discharge to assess arrangements and the extent to which they will receive recurrent funding via the NHS
- Increased costs in, and financial stability of, the care market generally
- The extent to which funding will be provided for future increases in cost and demand, particularly given the increase in the National Living Wage, the new Health and Social Care Levy and other inflationary pressures on providers
- Capacity to deliver transformation and Medium-Term Financial Plan (MTFP) savings
- The extent to which the costs and lost income in relation to the recently announced Social Care Funding Reforms will be fully funded by Government as promised

3.3.2. Director of Children's Services – Projected under spend of £0.201m (0.8%)

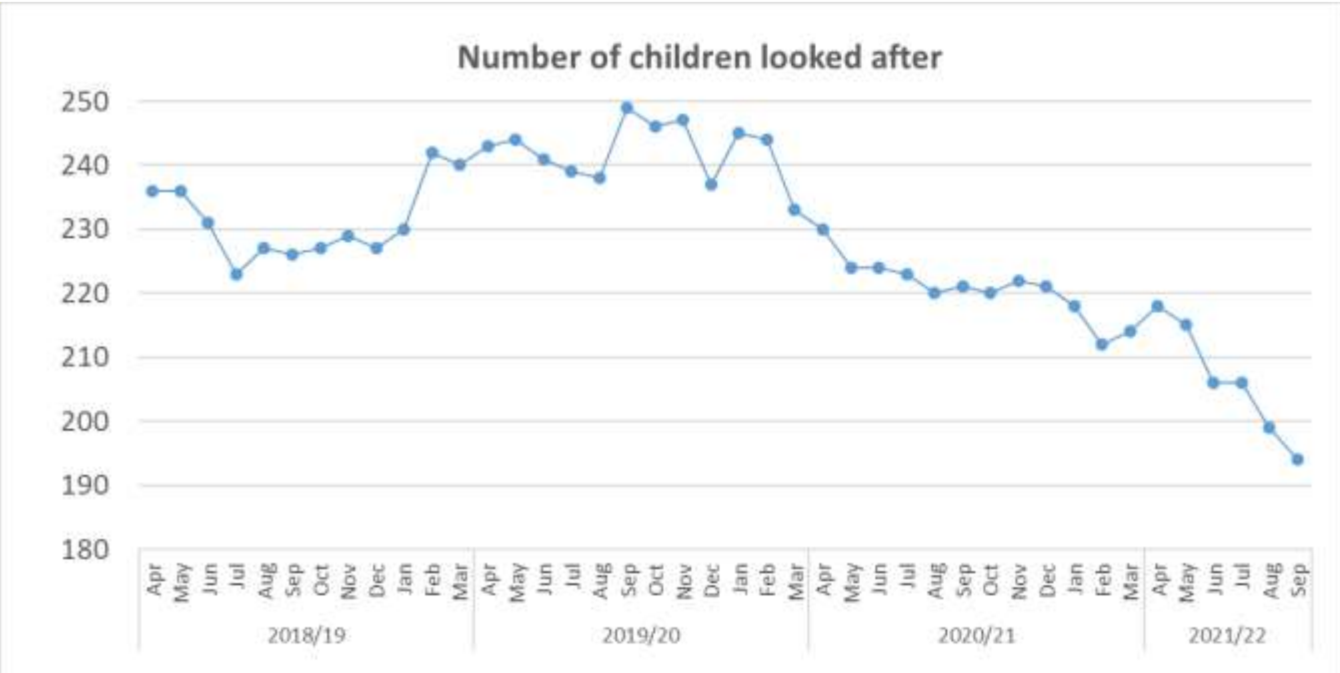
The forecast under spend in Children's Services is mainly due to the spend on placements for looked after children being lower than the budget. The budget was set when looked after children's numbers were higher that they are now and, in addition, an allowance was made in the expectation that numbers 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. £0.9m 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 £374k 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. £847k). Growth of £475k was applied to this area of the budget however this has not been enough to cover 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, whose needs 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 Council's revenue budget, there is also a forecast in-year and cumulative deficit with regard to the **Dedicated Schools Grant (DSG)**. The forecast deficit of £11.9m (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 our DSG Management Plan with officials from the Department for Education at the end of July 2020 and again in September this year. They raised no concerns about our approach, although they are keen to monitor progress against the five key themes of our plan, which are aligned with our Accelerated Progress Plan, and are as follows, and for us to quantify the likely positive impact on the DSG deficit.

- Identifying SEND earlier
- Supporting increased inclusion in mainstream schools
- Early Help - right support, right time, right place
- Developing local provision
- Evaluating outcomes and improving the value of high-cost placements

3.3.3. Director of Place – Projected over spend of £1.716m (£1.005m of which relates to Covid impacts)

The overall forecast for the Place directorate is a net over spend of **£1.716m**. As per previous reports, a significant proportion of this variance is being recognised as Covid-19 impacts however detailed reviews are taking place to understand whether there will be any sustained impacts when no additional Covid-19 funding is to be received.

Covid-related pressure

Although the directorate recognises that Covid-related pressures are forecast to be £1.005m 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 largely offset by the governments’ compensation scheme which provided reimbursement for 75% of losses beyond a 5% threshold.

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 nature of the income means the income losses to date will not be recovered in the remaining months of the financial year.

The main area of concern is parking income since the level of income consistently remains below the budgeted level in 2021/22. There are a number of reasons for this which include sustained Covid impacts, customer behaviour, the weather, a historic inflation freeze on parking charges linked to the parking review and a decline in parking linked to economic and market conditions. These factors will determine whether this level of income will continue into future years however, it is unlikely the income will recover to the current budgeted level. As a result, a detailed review of parking income and the associated budgets will be considered as part of the 2022/23 MTFP and budget setting process to ensure a sustainable budget is set for 2022/23.

Other directorate pressures

In addition to the issues noted above there are a number of other risks and issues that have been identified 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 £0.201m over spend although it should be noted that this is a net position after use of one-off reserves therefore the on-going variance is £0.386m. In addition to rising demand levels, the service is also experiencing operational and delivery issues brought about by the reducing number of appropriately skilled drivers 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 however a detailed review of the salary forecasts in period six showed there were a number of posts which had not been filled by the expected date which along with use of reserves have reduced the impact to a net over spend of £0.050m in 2021/22.

3.3.4. Director of Corporate Services – Projected under spend of £0.007m

The overall forecast for Corporate Services for a very small net under spend of £0.007m. Whilst this may look like a positive position compared to the spending forecasts in other areas of the council's budget, it can be seen from the Directors summary at Appendix 2, that some parts of the directorate are facing a range of challenging pressures within its budget. The following are worthy of particular note;

- Forecast 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
- Delays in the delivery of some MTFP savings, e.g. Support Services Contract

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 the majority of 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

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 £34k** on the collection fund in respect of council tax activity;

- Business rates in-year – the forecast shows that there will be a **deficit of £4.443m** 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 £6.111m** 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.

These forecasts are very much in line with previous reports and whilst there has been a lot of work undertaken to assess each of the underlying assumptions which form the projections, the headline messages and summaries remain unchanged.

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. 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 £1.717m and should this need to be funded at the year-end then the balance in the general reserve could potentially fall to 4.13%, which would not be a desirable position although given the backdrop context of Covid-19 and the current levels of increased demand faced in some of our social care services, is understandable.

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 to budget by the end of the financial year.

3.6. 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 have 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, which is considered in another report on the agenda for this meeting.

3.7. 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 3 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.

There are a small number of schemes where the forecast cost could be higher than the approved budget, the largest of which is the Winterstoke Bridge project in Weston-super-Mare. The capital programme includes a budget of £11.283m, which was the initial estimate of the required works at the outline business case stage. After assessment it is anticipated that works are likely to be £15.586m, which is £4.3m higher than the approved budget, although as the bridge is owned by the Ministry of Defence, they will pay for the repair costs rather than the council.

Appendix 4 summarises the changes which have been reflected within the programme during the current financial year, which require approval from the Executive. A small number of these changes have been the subject of individual reports to the Executive in recent months due to their scale, although this is not the case for all items. A dull list of all changes to the capital programme is therefore included within this report for completeness.

4. Consultation

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

Authors:
Amy Webb, Director of Corporate Services, amy.webb@n-somerset.gov.uk
Jo Jones, Finance Business Partner (Place), jo.jones@n-somerset.gov.uk
Katherine Sokol, Finance Business Partner (Adults and Children's Services), katherine.sokol@n-somerset.gov.uk
Melanie Watts, Head of Finance, melanie.watts@n-somerset.gov.uk

Appendices:

Appendix 1	Revenue budget summary for 2021/22
Appendix 2	Financial commentaries from each director
Appendix 3	Capital budget monitoring for 2021/22
Appendix 4	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-October 2021, Budget Monitor Months 4 and 5