

# North Somerset Council

## Report to the Executive

**Date of Meeting: 8 December 2021**

**Subject of Report: Medium Term Financial Plan & Revenue Budget Update**

**Town or Parish: All**

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

**Key Decision: No**

**Reason:** For information and noting

## Recommendations

1. The Executive is asked to note:
  - a) the updated range of revenue budget assumptions and risks within the Medium-Term Financial Plan (MTFP) as detailed within the report;
  - b) the draft savings strategies and proposals included within the MTFP as described within section 3.3 and listed in Appendix 1;
2. The Executive is asked to approve the consultation of, the Executive's draft budget for 2022/23 incorporating all the growth items and savings proposals as described throughout the report.

## 1. Summary of Report

This report provides a further update with regards to the assumptions which underpin the council's medium-term financial plan, covering the 3-year period to 2024/25, specifically in relation to resources and spending pressures which have been reassessed following release of the Government's Spending Review.

The report also advises on the work that has been undertaken over recent weeks to close the budget gap by introducing the savings strategies and budget proposals that will be incorporated into the draft revenue budget for 2022/23.

Sections 3.4 and 3.5 of the report also advises upon the next steps and further actions required by the council in respect of updating the Plan to ensure finalisation of the budget process, and arrangements for setting the council tax in readiness for 2022/23, as well as those workstreams which will be required to close the budget gaps in the following two years.

## 2. Policy

The council has a well-established and embedded process to continually review and assess its financial performance and position, both in terms of the current financial year as well as across the medium-term.

The council recognises the importance of aligning limited resources and allocating them to the priorities identified within the Corporate Plan, which means that it continually reviews all aspects of financial planning and considers new risks, issues and challenges as they emerge.

There is a legal requirement to prepare and approve a robust and balanced revenue budget for the 2022/23 financial year, along with financial plans which look to ensure that the council has a stable financial outlook into the medium-term. Ultimately the MTFP will work towards delivering these and will culminate in a report being presented to Council in February 2022 to approve the budget for the year ahead and recommend council tax bandings and rates.

## 3. Details

### 3.1 Update on spending plans

Assumptions continue to be made to forecast future levels of expenditure and whilst the council can control some of its costs by managing its budget effectively, other elements are dependent upon national and economic drivers such as inflation, interest rates, pay awards and pension charges.

The council is required to set a budget at a level which is considered to be robust, which means that it must consider and provide additional sums to effectively re-base or re-set any areas of the budget which continue to report ongoing pressures, as well as factoring in any increases in demand levels for some of its services, as has been the case in recent years.

The table below provides an updated summary of the council's latest forecasts for increased spending, and although the categories of spending are similar to previous reports, the values for some of the items have increased significantly compared to previous projections.

|  | Budget pressures - Updated |                 |                 | Budget pressures - Oct 2021 |                 |                 |
|--|----------------------------|-----------------|-----------------|-----------------------------|-----------------|-----------------|
|  | 2022/23<br>£000            | 2023/24<br>£000 | 2024/25<br>£000 | 2022/23<br>£000             | 2023/24<br>£000 | 2024/25<br>£000 |
| Inflation on pay and pensions            | 2,023                      | 1,550           | 1,577           | 1,523                       | 1,550           | 1,577           |
| Inflation on contracts and energy        | 1,209                      | 1,163           | 895             | 956                         | 910             | 966             |
| Supporting capital programme             | 950                        | 0               | 0               | 950                         | 0               | 0               |
| Adult social care - inflation and demand | 8,586                      | 6,055           | 6,055           | 6,081                       | 4,805           | 4,805           |
| Childrens services - placements          | -860                       | 500             | 500             | -360                        | 500             | 500             |
| Childrens services - investment plans    | 1,605                      | -29             | -12             | 1,405                       | -29             | -12             |
| Corporate services                       | 878                        | 247             | 245             | 638                         | 247             | 245             |
| Place - home to schools transport        | 300                        | 200             | 200             | 450                         | 200             | 200             |
| Place - re-base parking budgets          | 650                        | 0               | 0               | 0                           | 0               | 0               |
| Place other, incl Waste, Ash die-back    | 250                        | 2,852           | 550             | 1,034                       | 2,133           | 550             |
| Public Health & Reg Services             | 45                         | 0               | 0               | 45                          | 0               | 0               |
| Corporate Priorities                     | 500                        | -500            | 0               | 500                         | -500            | 0               |
| <b>TOTALS</b>                            | <b>16,136</b>              | <b>12,038</b>   | <b>10,010</b>   | <b>13,222</b>               | <b>9,816</b>    | <b>8,831</b>    |

Material changes include the following;

- an increase in the cost of the council's pay bill for its own staff because the national insurance charges will rise by 1.25% from April 2022 in line with the governments funding reforms for Health and Social Care. It is anticipated that the government will fund this cost and so we are also projecting an increase in our funding (although no details have yet been received from the government to show how this will occur);
- an increase in the costs of the council's energy bills following the recent procurement activity for this area which could see potential increases of 67%. These costs have yet to be finalised and so it is hoped that they may reduce during the procurement review, or if not, then energy efficiency initiatives would be considered to identify ways of saving money and improving the carbon footprint;
- an increase in the National Living Wage, which the government have announced will rise by 6.6% to £9.50 per hour from April 2022;
- re-basing of income budgets, the largest of which relates to a short-fall in actual car parking income compared to the amount expected in the budget. There are various reasons to explain how the short-fall has arisen over recent years, and further details are provided in section 3.3.5 below because it is hoped that a proportion of this budget pressure could be mitigated by taking decisions to generate more income in parts of the service in the future.

At the time of writing the spending pressures do not reflect any financial impacts within the Adults directorate, which may arise from the Prime Ministers' Health and Social Care announcements, although these will be considered and changes incorporated into the next update when the local government finance settlement has been received. In the Spending Review announcements, the chancellor did advise that local government would receive £200m of initial funding in 2022/23, to enable it to prepare for the Reforms which will be implemented from October 2023. Further monies will be received in later years to fund the cost of the operational service changes, such as the introduction of the cap on the costs of care that a resident would have to pay for.

## 3.2 Update on funding assumptions

The council pays for its services each year through three main sources of income, these being government grants, council tax and business rates. Previous reports have presented details showing how much money the council expects to receive from each of these sources along with the range of assumptions that underpin these considerations.

The council has revised and updated the following assumptions in this area;

- **Adult social care funding** – the MTFP in October assumed that the council would receive £3.6m more income in 2022/23 to help pay for the rising costs of adult social care, and it was assumed that all of this funding would be given to the council through the Adult Social Care Support grant.

As part of the Spending Review announcement the Chancellor advised that local councils would be allowed to increase council tax within their local areas by a further 1% above the general capping limit, to generate more income to help pay for the costs of social care within the local area.

The council has therefore updated its income forecast to show that it still expects to receive additional income of £3.6m next year, but that £1.2m of this will be generated by levying an adult social care precept on council tax bills and £2.4m will be received from the government by way of a grant. The grant values remain estimates and will be confirmed as part of the Local Government Finance Settlement.

- Business rate income – the council has reviewed and updated its estimate of how much income it will receive from businesses in the future. This information is based upon the latest budget monitoring reports which confirm that the council is receiving more income in the current financial year, compared to the budget, after taking into account the temporary covid-related reliefs awarded to some business this year. The rateable values of businesses operating within the area continues to grow, with new additions added to the rating list when they are completed and sites become operational. The latest additions include the expansion of the Thatchers site in Sandford and the opening of new professional sports and training facilities in Failand.

### 3.3 Introduction of financial strategies and savings plans

#### 3.3.1 Introduction and background context

Budget reports over recent years have shown that the council has faced many difficult decisions as it has been necessary to balance its books and increase spending in areas of need and re-direct resources to fund costs associated with increased levels of demand for services, as well as the increased costs of core contracts, most notably in areas such as adult social care and home to schools' transport.

This has occurred at the same time as receiving marginal increases in funding from the government through annual settlements. Reviews show that the council has never been provided enough money to cover all of its financial pressures which has meant that savings plans or budget reduction ideas have had to be included within the budget.

In the first instance one of the councils' main objectives is to reduce its budget gap and keep the need for savings at the lowest possible levels, and this has been achieved by operating a financial strategy which has included the following core principles;

- **Managing its biggest areas of demand-led spending**:- trying to reduce the rising costs of services where possible by challenging any budget increases. To make sure that we don't challenge too far, we continue to build budgets that are affordable, but also safe and robust as they are linked to business modelling projections. We have introduced 'cost and volume' models in areas such as social care, waste services and home to schools transport, as these can clearly link projected numbers and volumes of activity or service provision, with the costs that are paid to providers;
- **Maximising the income it can generate** – the council understands that it can develop sustainable local income streams by supporting and delivering economic prosperity within communities, as well as through the introduction of a commercial approach to decision-making for the services we deliver. This means that we encourage and support changes that make sure that our services are delivered efficiently and economically as possible; and also that customers contribute a realistic price through any fees and charges that they may be required to pay.

As there will inevitably still be a budget gap after this process which makes it necessary to introduce some savings plans although the Executive have a clear aim in that they would like to continue to protect existing front-line services from direct cuts in service levels where possible. The Executive do recognise the hard choices that this is likely to bring in other areas of the budget, given the unprecedented levels of additional costs that it the council is likely to face in the coming years when providing services to those vulnerable adults and children within communities.

Whilst the approach continues to be supported by both officers and Members, it clearly becomes ever more challenging as time goes on as the opportunities to deliver further savings from efficiencies reduces, which does mean that the council will need to identify other alternatives.

Over recent months the Corporate and Directorate Leadership Teams (CLT, and DLT's), have continued to work on closing the remaining budget gaps across the period 2022-2025. This process included allocating savings targets to each of the directorates to ensure that all services and all areas of the council could help to contribute to the financial challenge in a fair and consistent way. The targets were calculated and shared using a variety of measures which took into account the individual nature of the relevant directorate and their spending powers and also their ability to consider and deliver change or unlock savings plans.

**Appendix 1** provides a schedule of the draft budget proposals which are likely to be included within the MTFP, and the information provided below sets out more detail on the more material areas. It can be seen from the summaries however, that the details surrounding a number of savings proposals have yet to be confirmed, these total over £1m and are currently being fully evaluated and costed, further details will be provided in later reports.

Each of the draft budget proposals will be 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.

### **3.3.2 Adult social care services**

Proposed savings plans for 2022/23 amount to £2.075m. The Adult Social Care vision for Maximising Independence and Wellbeing continues to be the cornerstone of the current and future approach to service provision and funding and is intended to inform the transformation and savings programme. The main elements of the 2022/23 MTFP savings are as follows:

- Developing additional alternative care accommodation solutions that are more cost effective and increase independence when compared, for example, to residential care; savings for next year relate to the extension to the Diamond Court Extra Care Housing scheme;
- Undertaking timely reviews of care assessments to ensure that they continue to reflect needs and also maximise independence and make the best use of technology enabled care (TEC);
- Reviewing early intervention pathways to ensure the maximum benefit is obtained from the TEC and reablement; and

- Ensure income from health partners represents a fair and appropriate contribution, as required by legislation.

Savings totalling £686k are not as progressed as other proposals although could potentially be achieved from exploring opportunities in areas such as the housing related floating support contract, reviewing services delivered by external partners as well as other elements of operational service delivery. Further information will be included within later reports although it should be noted that any changes to the savings value in this area, will impact on the overall budget gap and will mean that the council would need to identify alternative choices and options in other areas of its budget.

### **3.3.3 Children's services**

Proposed savings plans for 2022/23 amount to £0.614m. The council continues to work to deliver improvements identified within its Children's Improvement Plan and Accelerated Action Plan and whilst the plan is primarily designed to improve outcomes for children through improvements in practice, partnership work and resource effectiveness, aspects of the plan will also lead to financial savings.

The main area where this approach impacts on the MTFP is the development and implementation of a sufficiency strategy to ensure that more children looked after benefit from local placements that are suited to their needs. Aspects of this that are reflected in the 2022/23 MTFP include:

- maximising the use of in-house foster carers and more local supported independent provision; and
- delivery of more effective commissioning of community support packages

In addition to this, there will be an increased focus on ensuring that income from health partners, particularly in relation to children with complex care needs, represents a fair and appropriate contribution, as required by legislation.

### **3.3.4 Corporate services**

Proposed savings plans for 2022/23 amount to £0.736m. The directorate has undertaken a deep dive review of the costs associated with providing its services and has identified a series of measures which can be taken without a direct impact on service delivery, these include:

- reducing the budgets for pensions and office accommodation costs;
- reviewing the staffing budgets to better reflect recruitment and vacancy timescales;
- increasing the returns on the investment of cash balances, linked to rising interest rates;
- reducing the budgets associated with debt changes payable, recognising the maturities of prior year loans; and
- generating additional income by creating trading opportunities linked to the support services contract.

Other savings plans include transformational proposals linked to how we will work in the future, how we deliver services and also how we engage with our customers. The programme will also feature reviews, efficiencies and improvements borne from making better use of systems and technology.

### **3.3.5 Place directorate**

Proposed savings plans for 2022/23 amount to £1.595m

The proposals for 2022/23 will remain focused on protecting spending on core front line services where possible and also support delivery of the Corporate Plan priorities, which are underpinned by many directorate-led service strategies and action plans, such as the Place-making and development strategy, the climate emergency strategy, the local plan as well as delivery of the wide-ranging projects included within the council's capital investment programme.

A lot of the proposals included within the directorate budget plans for next year therefore relate to income generation, with a large proportion of these ensuring that the income budgets are aligned to actual or projected levels of activity including;

- Increasing the income budgets for recycling materials – the 2021/22 financial year is the first year that the council has had direct control of this income and the first six months have seen actual levels of income exceed the initial modest projections. The council recognises the uncertainties within the recyclates market and so will create a smoothing reserve to protect itself from significant volatility in future years, but even when using prudent assumptions, it is recommendation that income budgets can be increased by at least £500k;
- Increasing the income budgets for garden waste – 2021/22 saw the introduction of a charging scheme for the collection of garden waste, which is an additional discretionary service offered to residents by many councils.

Previous budget setting reports provided a prudent assessment with regards to the indicative operational costs of running the service and also the projections of customers who would choose to opt-in and pay for the service and the amount of money that this would generate. Those projections included the offer of a discount to those customers in receipt of the council tax support benefit and who may not be able to afford the standard charge.

Records show that the actual numbers of residents who opted to purchase the garden waste collection service was higher than initial projections meaning that more income was received than planned. However, the council clearly recognises the operational challenges faced by the team during the year which has disrupted the service to many residents. These issues have been widely shared in the past and were largely related to the shortage of HGV drivers, at that time that council implemented a series of measures aimed at improving the situation and providing compensation by way of offering a discount on next year's collection, which will be provided automatically at renewal.

Notwithstanding the potential impact that this may have on renewals for next year, it is appropriate for the council to re-base its income budget based on the current level of service cost and also the current level of charge paid by customers.

No decisions have yet been made with regards to increasing the charge to customers in 2022/23, which would be one way to pass on the inflationary costs of providing the service that the council will have to bear. It may be that charges are held at current levels to help alleviate some of the frustrations caused by the disruption that has arisen over the past 6 months. However, given that the council has a principle of annually inflating its fees and charge income budgets within the MTFP, then either the current budget gap would increase or an alternative savings proposal would be required in another part of the council's budget should the costs of the garden waste service increase by inflation and the annual charge to customers remains unchanged.

- Increasing car parking income levels – paragraph 3.1 above advises that the council plans to re-base the income budgets for parking services to address the short-fall that has arisen over recent years. This short-fall has built up from a variety of reasons;
  - Covid-19 - which has resulted in changed patterns of behaviour in respect of commuting to work and shopping activities,
  - Annual price rises - annual inflationary increases have been included within the budget over recent years, although these have not been taken forward and applied to actual charges since 2018.
  - Car parking review - records show that the MTFP included a specific savings proposal in 2020/21 with the expectation that it would be able to generate additional income of £150k from the car parking review, unfortunately this saving has not been achieved.

It is therefore proposed to implement a range of relatively minor changes to existing car parking charges with a view to increasing the amount of income that the council will receive, which will help to off-set some of the pressures currently being faced, pending approval of a longer-term policy for car parking charges across the district.

As with the garden waste charges above, no decisions regarding the specific areas and pricing changes have yet been made although further details will be included within later reports. Should the current savings proposal be changed or not delivered then this would impact on the budget gap for future years, which could mean that an alternative budget saving would be required in another part of the council's budget.

### **3.3.6 Public health and regulatory services**

Proposed savings plans for 2022/23 amount to £41k. This is a relatively modest sum compared to other proposals however this reflects the way that spending on public health related services is funded and controlled. The government provides a specific grant that can only be spent on defined public health related activity in any one year, and it cannot be used for any other purpose.

This means that the size of the council's base budget in this area is relatively small once public health activity has been removed from the financial modelling assumptions. The savings plans for this area are linked to the regulatory services such as trading standards, licensing and environmental health and protection. It is anticipated that savings can be generated from a small reduction in operational service costs as well as additional levels of income from activities like food safety inspections and licenses, which have seen a significant increase over the pandemic as more outlets want to apply for their premises to be licenced and appropriate for take-away food services.



### **3.4 Latest budget projections**

As described above, the council has updated its financial modelling to reflect the latest known information in respect of its resource forecasts as well as its spending pressures. The corporate leadership has taken care to assess and challenge all of the anticipated cost and demand increases which have been proposed to date to ensure that the budget is prepared in a robust and sustainable way, but without increasing the budget gap to unachievable levels, as this would mean that the council would be required to identify greater reductions in other areas of the budget.

Whilst efforts have been made to identify and introduce savings plans to close the budget gap and present a draft balanced budget for next year, some works are still clearly required as a budget gap of £0.8m still remains.

As advised throughout the report, some of the council's draft savings proposals are still subject to further review and scrutiny and may not be included within the final draft of the budget in February 2022; and so when taking into account those areas, the budget gap for next year could increase to approximately £1.8m. This is reflective of the extensive challenges being faced by the council and the limited choices that it has available to it.

Every effort will be made over the coming weeks to review options, choices and alternatives so that a balanced budget can be set for the year ahead although there may be difficult choices to consider.

One area of continued uncertainty continues to be government funding, because although headlines messages were shared within the Spending Review, little in the way of confirmed details have been given to councils since that point. It may be that the draft local government finance settlement, expected in mid-December, could potentially offer some additional funding flexibility although care would need to be taken to assess whether that would be given to cover several financial years, or just offered as a one-off measure to help councils bridge the gap until further savings plans are identified and introduced into their budget plans.

Whilst a lot of the updated content within the report has focused on the 2022/23 financial year, the Director of Corporate Services maintains focus on each of the three years of the MTFP, as there remain significant challenges in subsequent years. It is therefore anticipated that the MTFP workplan will be brought forwards for next year so that work can begin almost immediately on finding ways to close the gap across the period of the Plan.

### **3.5 Next steps**

The formal and informal stages and proposed timetable for the 2022/23 budget are as follows;

- Report to Executive, December 2021 – updated financial summary incorporating initial draft savings proposals;
- Report to Council, January 2022 – further update on resources impact arising from the provisional local government finance settlement, business rate forecast (NNDR 1 return) and the council tax base for 202/22;

- December 2021 – January 2022 – scrutiny of draft budget plans, including All Member Budget Scrutiny session, communications with town and parish council, e-Consult survey, Equalities Stakeholder session;
- Report to Executive, February 2022 – recommended balanced revenue and capital budgets for 2022/23 to Council; detailed Equality Impact Assessments; consideration of alternative budgets
- Report to Council, February 2022 – approval of 2022/23 revenue and capital budgets along with council tax levels and bandings

### 3.6 Other – capital strategy

The Capital Strategy outlines the council’s approach to capital investment over the short, medium and longer term and gives a high-level overview of how spending and delivering on larger investment projects contributes to the provision of local public services and amenities within communities.

It can often be seen as a technical document to support the annual budget setting process, but its main purpose is to bring to life and show how the priorities described within the council’s Corporate Plan and service strategies, tie in with funding projections and asset management considerations. It will include details of what assets or investments are needed to deliver services within communities, when the investment projects will be delivered, how much they cost and where the money will come from to pay for them.

Clearly the council must be able to demonstrate through the Strategy that its plans are affordable and sustainable, and that any consequential impacts are integrated into the revenue budget process, which is why the MTFP and the Capital Strategy are developed alongside each other and approved at the same time.

Over recent months workshops have been held to better understand and capture the key issues emerging from each of the service strategies so that capital requirements can be brought together and integrated with the priorities identified within the Corporate Plan.

Capital submissions for specific projects and programmes have been received and are currently being evaluated to test completeness, delivery timescales, cost estimates and dependencies prior to the next stage, which will look at the impact on the revenue budget which may arise from future borrowing decisions. Given the challenges currently being faced within the MTFP which are described above, it is likely that the council will need to consider and apply some form of prioritisation to this process to ensure that plans are affordable within the context of its resource envelope.

### 3.7 Other – Dedicated Schools Grant

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 2021/22 DSG is c.£173m but is paid to the Council minus deductions (“recoupment”) for academies and further education. The 2021/22 DSG is as follows:

| Block | Total DSG (£m) | Deductions (£m) | DSG payable to NSC (£m) | Notes |
|-------|----------------|-----------------|-------------------------|-------|
|       |                |                 |                         |       |

|                  |                |                |               |  |
|------------------|----------------|----------------|---------------|--|
| Schools          | 141.093        | 128.948        | 12.145        | Formula driven funding for individual schools, including academies |
| Central Services | 1.793          | 0              | 1.793         | Funding, admissions, inclusion and historic borrowing costs        |
| High Needs       | 28.534         | 3.436          | 25.099        | Special schools, Top-Up Funding, Alternative Provision,            |
| Early Years      | 11.813         | 0              | 11.813        | Formula driven funding for individual providers                    |
| <b>TOTAL</b>     | <b>183.233</b> | <b>132.384</b> | <b>50.850</b> |  |

Each year, the SSF consults with schools and interested stakeholders, and then takes decisions on the formula for distributing resources to providers (including academies), along with associated funding arrangements.

The schools block of the DSG is expected to increase by around of £3.2m (or 2.3%) in 2022/23, particularly to allow the implementation of the Government's promised minimum funding per pupil of £4,265 for primary schools and £5,525 for secondary schools. Funding in the High Needs Block is expected to rise by around £2.3m (8.1%).

The initial budget setting process has identified that, despite a significant increase in funding in the High Needs Block of the DSG from central government, and a transfer of 0.5% of the schools budget to the high needs block, it is unlikely that there will be sufficient funding to meet existing demands, particularly in relation to out of authority placements and top-up funding, given the high level of increases in the number of children with Special Education Needs and Disabilities (SEND) who have an Education, Health and Care Plan (EHCP).

Given the significant additional pressures in the High Needs Block, it is not anticipated that the DSG deficit (projected to be c.£12m by the end of 2021/22) will reduce in the short term. Medium term plans are in place to increase the provision of local special school places and resource units, which will mitigate future increases. In addition, as part of the Council's Accelerated Progress Plan, actions have been identified to improve SEND services, which should lead to more children and young people with SEND being supported in mainstream schools, which should mitigate spending in independent non-maintained special schools.

The timetable for the setting of the Schools Budget covered by the DSG is as follows:

| Key Dates                            | Details   |
|--------------------------------------|---|
| 26 November 2021 to 17 December 2021 | Consultation period   |
| W/C 30 November 2021                 | Noticeboard article containing link to the will be published                            |
| Late December 2021                   | EFA confirms DSG allocations for 2022-23 (prior to recoument of funding for academies)  |
| December/January 2021/2022           | Formula funding for schools updated to reflect on October 2021 data set and 2022-23 DSG |
| 12 January 2022                      | SSF report published  |
| 19 January 2022                      | SSF Meeting   |
| 21 January 2022                      | Deadline for submission of final 2022/23 APT to ESFA                                    |
| 2 February and 22 February 2022      | Executive and Council approval of schools budget  |
| By 28 February 2022                  | Delegated budget shares for mainstream maintained schools 2022/23 to be confirmed       |

|                  |   |
|------------------|---|
| 9 March 2022     | SSF Meeting                                   |
| By 31 March 2022 | Early years and high needs allocations issued |

#### **4. Consultation & Engagement**

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

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 budget, need to be considered and consulted upon. Failure to do so adequately could result in aspects of the budget being subject to legal challenge.

Publication of the council's draft budget along with details of the core assumptions, planned budget changes for both additional costs and the proposed savings plans supports the objective of the Executive to be as transparent as possible.

Within the North Somerset Corporate Plan there is a commitment to engage with and empower our residents and as part of this commitment a North Somerset Citizens' Panel has been formed. The panel has recruited from people who live, work or study in North Somerset and has a current sample of over 550 people who want to actively be part of the council's vision and journey going forwards and are willing to participate in surveys, polls and focus groups.

The panel offers an opportunity for early engagement with residents on the emerging themes within the MTFP and so officers within the Business Insight team have recently shared a survey to gather information, thoughts and comments on specific areas within MTFP planning and /or future service delivery.

The survey was open for a 2-week period from 19 October to 2 November 2021 and 200 panel members submitted a response, which is more than double the responses received when the survey was held in 2020. An analysis of the responses received is shown in Appendix 2.

#### **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 for the forthcoming year is an integral part of the financial administration process.

#### **7. Climate Change and Environmental Implications**

No specific impacts to note at this stage, although climate and environmental related implications will be at the forefront of our thinking when considering underlying service policies, priorities and strategies associated with the revenue budget, as well as through formulating investment plans and determining options to make reductions in energy costs and climate initiatives.

## **8. Risk Management**

Risks associated within the MTFP planning process have been described in detail in previous reports although are summarised the sections above. Officers will continue to test the impact of varying assumptions within the medium-term financial planning process to assess the sensitivity of the indicative budget figures and compare these to evidenced based facts and information wherever possible, as this informs decisions about spending plans, savings proposals and ultimately the level of working balances needed to provide assurance as to the robustness of the budget estimates.

The council recognises that in addition to the risks documented within its register, there are now many more uncertainties and unknown factors within the financial planning which include the associated impacts and legacies arising from the Covid-19 pandemic, for both service delivery and resource levels, although at times it is difficult to establish a definitive link and cause.

## **9. Equality Implications**

In considering its vision, ambitions and financial planning the council is mindful of its Public Sector Equalities Duties to have due regard to the need to:

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

As per previous years, we will undertake thorough Equality Impact Assessments, (EIA), for all budget savings plans which will be incorporated within the relevant budget papers throughout the MTFP process. It is anticipated that an initial summary EIA will be completed and published on the council's website in December 2021, which will provide an outline of the plans should they be approved and integrated into the budget in subsequent years.

## **10. Corporate Implications**

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

## **11. Options Considered**

Ensuring value for money and protecting public funds continue to be core considerations by all service managers across the council who actively contribute in the councils financial planning processes. As a result, the council will consider a range of options throughout this period it is aware of the importance of managing its financial position effectively to ensure that it can continue to provide the range of services to residents and businesses within communities, some of whom are extremely vulnerable and most in need of support.

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**Appendices:**

Appendix 1 Draft savings plans

Appendix 2 Response from Citizens Panel Survey

Appendix 3 MTFP Risk Register

**Background Papers:**

MTFP & Budget Setting Reports (Executive & Council, February 2021, Executive, September & October 2021)

Budget Monitoring Reports (Executive, July-October 2021)

## APPENDIX 1 - MTFP Draft savings proposals

| MTFP DRAFT SAVINGS SCHEDULE - NOVEMBER 2021 |         |   |                  |                 |                 |
|---|---------|---|------------------|-----------------|-----------------|
| Directorate                                 | Ref     | Idea / proposal   | Financial Impact |                 |                 |
|   |         |   | 2022/23<br>£000  | 2023/24<br>£000 | 2024/25<br>£000 |
| Adults                                      | ASS S1  | Review of Care Packages - care needs  | -250             | 0               | 0               |
| Adults                                      | ASS S2  | Review of Care Packages - NHS funding opportunities   | -200             | 0               | 0               |
| Adults                                      | ASS S3  | Improved TEC / reablement pathways  | -350             | 0               | 0               |
| Adults                                      | ASS S4  | Accommodation Shift arising from extension to Diamond Court Extra Care Housing Scheme   | -90              | 0               | 0               |
| Adults                                      | ASS S5  | Better Care Fund inflation  | -145             | 0               | 0               |
| Adults                                      | ASS S6  | Adults - balance of savings target - range of areas being explored  | -686             | 0               | 0               |
| Adults                                      | ASS S7  | Supported Living schemes as more independence-promoting alternatives to residential placements  | -100             | -100            | 0               |
| Adults                                      | ASS S8  | New / Increased Extra Care capacity as alternative to residential placements  | 0                | 0               | -250            |
| Childrens                                   | CH S1   | Further reduction in Looked After Children placement costs, through increased use of inhouse foster placements and more local supported independent provision | -214             | 0               | 0               |
| Childrens                                   | CH S2   | More robust challenge and monitoring of health contributions to children with complex needs   | -200             | 0               | 0               |
| Childrens                                   | CH S3   | Delivery of more effective commissioning of individual community support packages   | -200             | 0               | 0               |
| Corporate                                   | CSD S1  | Increase in trading income - Inspire opportunities  | -20              | 0               | 0               |
| Corporate                                   | CSD S2  | Contracted Support Services - TOM for Customer Services   | -25              | 0               | 0               |
| Corporate                                   | CSD S3  | Contracted Support Services - Business Support  | -50              | 0               | 0               |
| Corporate                                   | CSD S4  | Contracted Support Services - Review of contracted support cost base provision  | -50              | 0               | 0               |
| Corporate                                   | CSD S5  | Internal Support Services - Review of operational staffing and support costs  | -100             | 0               | 0               |
| Corporate                                   | CSD S6  | Other - Reduction in former employee pension costs  | -50              | -10             | -10             |
| Corporate                                   | CSD S7  | Other - Review of operational building costs  | -50              | 0               | 0               |
| Corporate                                   | CSD S8  | Other - Increase in investment interest following rise in market rates  | -162             | 0               | 0               |
| Corporate                                   | CSD S9  | Other - Reduction in debt costs and charges (Avon Loan Debt & RIF)  | -119             | -20             | -15             |
| Corporate                                   | CSD S10 | Other - transformation initiatives relating to contracted support services  | -75              | 0               | 0               |

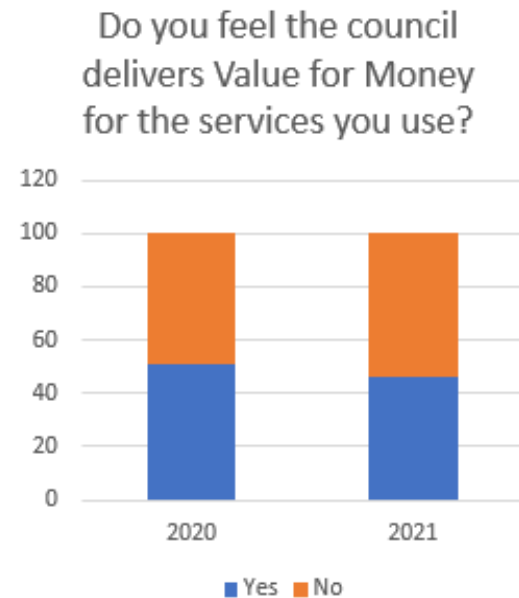
|           |          |  |               |             |             |
|-----------|----------|--|---------------|-------------|-------------|
| Place     | ▼ S1     | Increase of recycling materials income   | -500          | 0           | 0           |
| Place     | PD S2    | Re-base garden waste income budget to align to actual levels   | -230          | 0           | 0           |
| Place     | PD S4    | Use income from Permit Scheme to fund existing staff   | -50           | 0           | 0           |
| Place     | PD S6    | Integrated Transport Unit - Establishment of a single, council-wide transport function and improved commissioning  | 0             | -50         | 0           |
| Place     | PD S7    | Revisit safe Home To Schools Transport routes  | -100          | -100        | 0           |
| Place     | PD S8    | Safer roads initiatives (additional sites meeting relevant criteria)   | -30           | 0           | 0           |
| Place     | PD S9    | Events programme to become cost neutral or minimal support   | -65           | 0           | 0           |
| Place     | PD S10   | Introduce break-even policy for Building Control   | -20           | 0           | 0           |
| Place     | PD S11   | Libraries income   | 0             | -50         | 0           |
| Place     | PD S12   | Seafront concessions - additional income / review model of service   | 0             | -40         | 0           |
| Place     | PD S13   | Parking income - range of proposals to apply inflationary measures to existing fees and charges  | -350          | 0           | 0           |
| Place     | PD S14   | Reduction in Concessionary Fares costs - aligned to lower levels of demand for the service   | -50           | 0           | 0           |
| Place     | PD S15   | Reduction in staff travel costs - to reflect the new ways of working   | -25           | 0           | 0           |
| Place     | PD S16   | Reduction in street lighting energy costs - aligned to roll-out of LED investment programme  | -40           | 0           | 0           |
| Place     | PD S17   | Increase in income levels, e.g. public conveniences  | -15           | 0           | 0           |
| PH&RS     | PH S1    | Review of operational staffing budgets within public health and regulatory services and align to external funding opportunities  | -32           | 0           | 0           |
| Adults    | CORP S1a | Annual inflationary increase applied to fees and charges income budgets - Adult social care; client contributions towards care costs and services (NB increase in income generated from increased charges depends on clients' assessed ability to pay) | -254          | -255        | -256        |
| Childrens | CORP S1b | Annual inflationary increase of 1.25% applied to fees and charges income budgets - Children's services; nursery charges; children's centres  | -12           | -13         | -14         |
| Corporate | CORP S1c | Annual inflationary increase of 1.25% applied to fees and charges income budgets - Corporate services; carelink services; contract related trading activities  | -35           | -36         | -37         |
| Place     | CORP S1d | Annual inflationary increase of 1.25% applied to fees and charges income budgets - Place services; parking fees and charges; garden waste charges; seafronts, concessions, the Bay and Tropicana; Libraries; and Highways related activities           | -120          | -121        | -122        |
| PH&RS     | CORP S1e | Annual inflationary increase of 1.25% applied to fees and charges income budgets - Public health and regulatory services; licensing, trading standards, food safety inspection activities  | -9            | -10         | -11         |
|           |          | <b>TOTALS</b>  | <b>-5,073</b> | <b>-805</b> | <b>-715</b> |



## APPENDIX 2 – RESPONSE FROM CITIZENS PANEL SURVEY

### Value for money

The council asked the panel whether they believe that they receive value for money in respect of the services they use and the chart below shows a broadly similar response to the survey in the previous year, with approximately half of the panel saying that they thought that the council did provide value for money for the services they used, and the other half did not.



Although this was a Yes / No question, it was supported by a narrative option which provided the panel members with an opportunity to expand on their initial answer and give a more detailed response.

Over half of the panel who felt that the council delivered value for money, specifically referenced the councils' challenging financial position, either because of reductions in the amount of money the council receives from the government, or because of the growing demands for its services. The analysis show statements from panel members who felt that the council did well with the limited resources it has available.

Panel members were positive about how they felt the council prioritises services for vulnerable adults and children, they liked some of the changes that they could see happening within their towns and spoke highly about the quality of a number of specific services which they use, such as, parks, libraries, music service, street lighting as well as planning and local plan services.

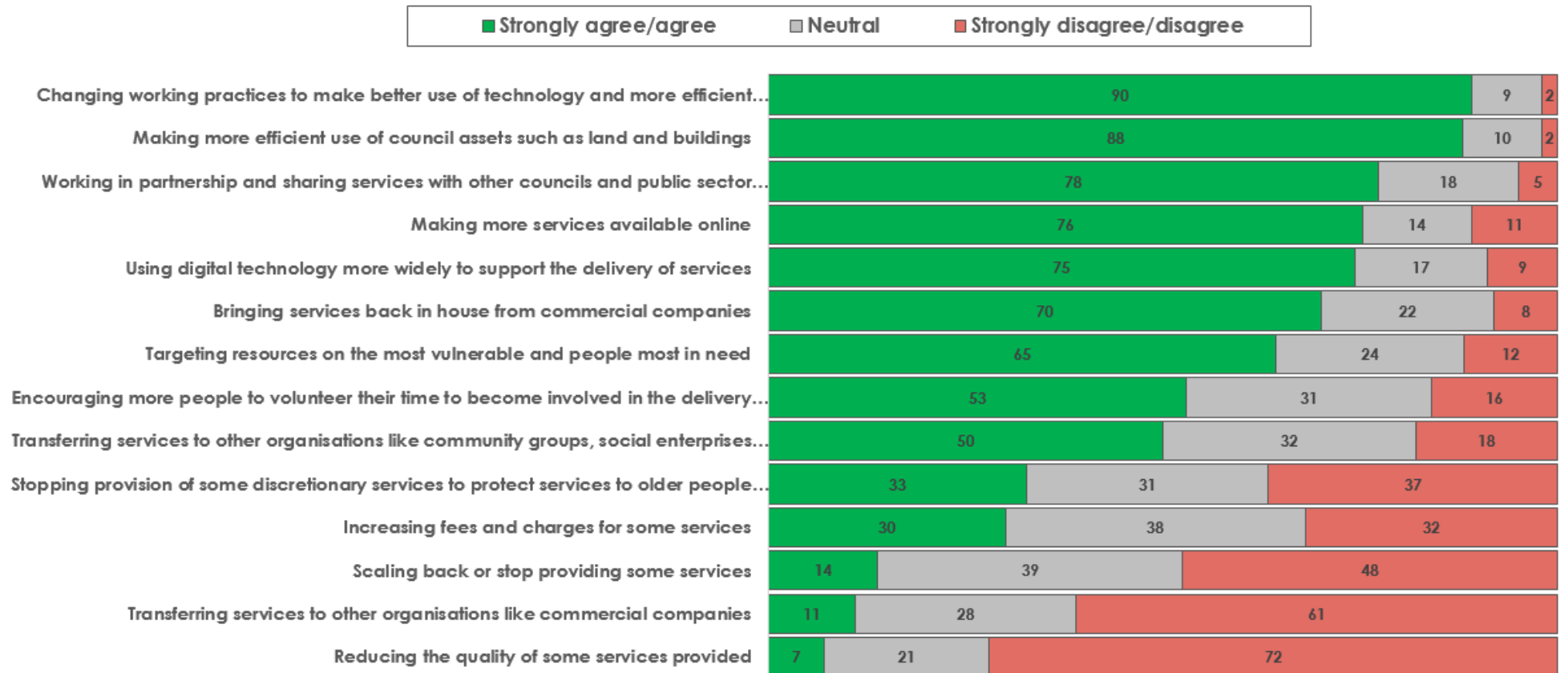
Panel members provided a lot of commentary on the council's waste services, both in terms of the collection of general and recycled waste as well as the garden waste service. The panel felt that the general and recycled services were generally good and offered value for money, although several comments submitted clearly recognised the challenges faced over the past year in respect of the garden waste collection service which was unfortunately impacted by a range of factors, including the national lorry driver shortage, fuel shortages and the increased numbers staff who tested positive for Covid-19, or who were required to self-isolate for periods in line with the government guidance.

Other areas which the panel felt that the council could improve include the maintenance of the roads and pavements and also the environment in which residents live. Environmental issues ranged from perceptions of the cleanliness of streets, increased amounts of litter and fly tipping, overgrown verges, hedgerows and trees along roads and pathways as well as poor drainage.

## Ways to make services more affordable

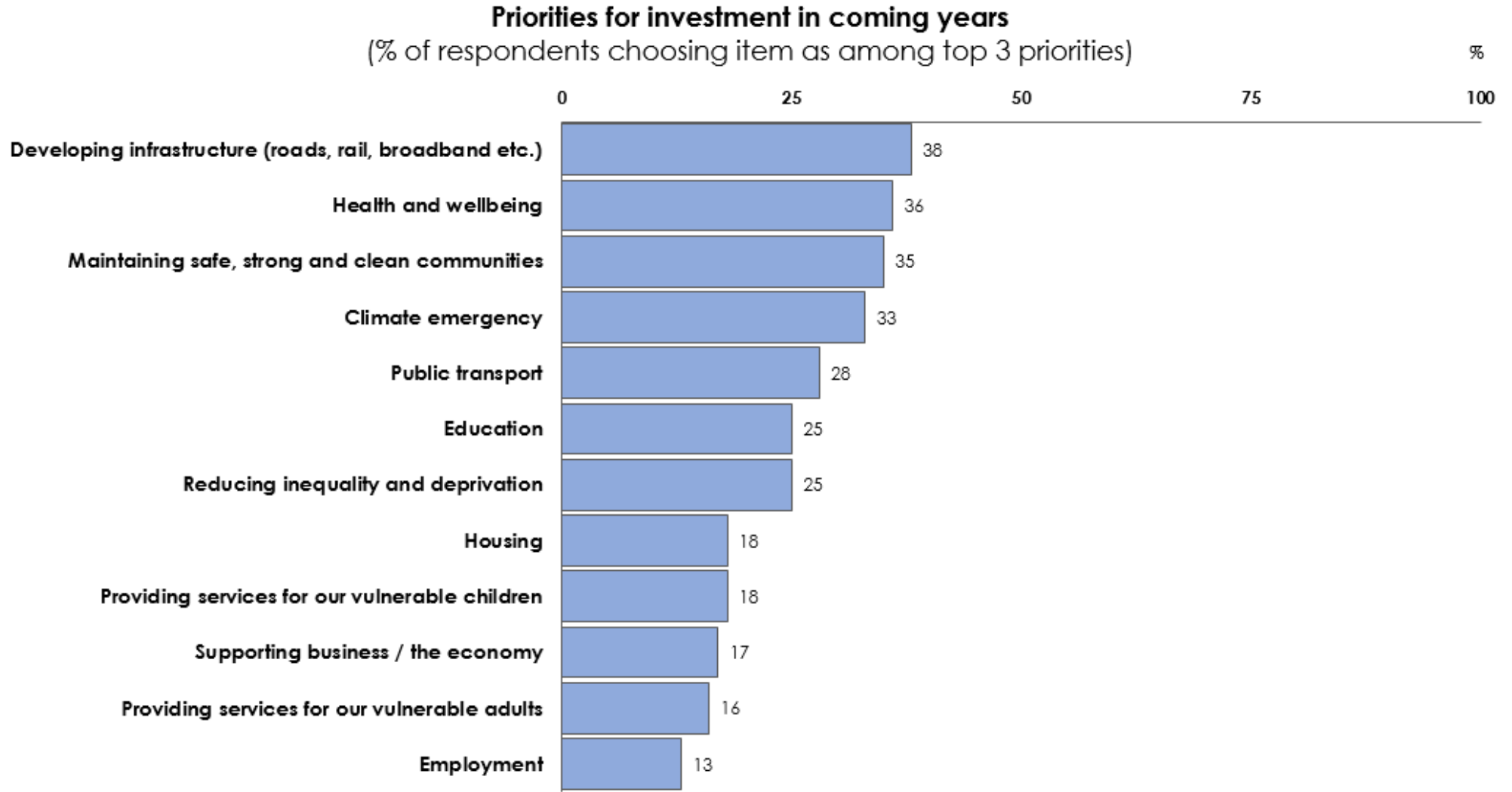
Members of the citizens panel were asked to share their thoughts by prioritising the approaches which the council has identified as ways that it could make services more affordable to run. The chart below shows the responses given, which those at the top more acceptable than those at the bottom.

Agreement with approaches to 'finding innovative and transformative ways to make services more affordable to run' (% of respondents)



## Priorities for investment in the future

The panel were asked which of the following areas would they choose as the three highest priorities for investment in the coming years and the chart below shows the percentage of respondents choosing each item among their top three priorities.



## Ideas and ways the council can save money and improve services

An open question was shared with the panel members asking for ideas and ways which they felt the council could use to save money and / or improve services. Some of the comments and suggestions have been taken from the responses and grouped into themes below.

- Community support, use of volunteers;
  - look to the community to support in some areas, make more use of our excellent volunteers, set up community volunteer groups to support the council in areas such as grass or hedge cutting (subject to training and tools), employment networking, engaging with the community to gain a fresh perspective, mobilise communities to support each other, help communities combat isolation.
- Changes to the environment;
  - Transform flower beds and roundabouts to become wild-flower banks, encourage communities to have shared garden waste composting to reduce the number of green bins, encourage more allotments, change the timing of bin collections to after 9am when most of the traffic has gone, review the time and areas which need street lighting to save energy and money, reduce black bin waste, turn heating down in council buildings, reduce recycling collections from weekly to fortnightly or even monthly, reduce black bin collections to 3 weekly, fine people who do not recycle, recycle more items, introduce charging at recycling centres, put more bins out during the summer to encourage tourists not to litter.
- Responsibility and accountability;
  - More enforcement of planning rules, ensure those who dig up roads and pavements put them back correctly to reduce potholes, stricter management of contracted services, challenge poor quality and low standards and introduce fines for poor contractor performance.
- Contracts and procurement;
  - Link with other councils to negotiate better financial terms for bulk buying, award smaller contracts to local people who can contribute and grow the local economy, hire local people who have skills and experience, stop using contractors and do more research by putting contracts out to tender.
- Other;
  - Introduce a park and ride scheme, introduce residents parking, licensing of landlords, introduce workshop style events, reduce bureaucracy, improve public transport system to reduce the number of cars on the road, have smaller buses but a more frequent timetable, remove the bulky waste charge to reduce fly tipping, build on the goodwill of communities built up through the pandemic, invest in youth services.

## APPENDIX 3 – 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 2021/22   | 4                  | 4 | 16 | Month 6 budget monitor shows a projected net over spend of £1.8m. The 2022/23 draft budget has allocated growth to key areas of ongoing pressure to re-base the budgets meaning that there is a lower 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 | Increased focus including regular reviews, 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 Health & Social Care Reforms | 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 under current proposals. Although any changes arising from the Reforms will need to be modelled at a national and level and then scrutinised at a local level once detailed proposals are released to ensure that funding allocations are appropriate. | 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 |

|    | Risk area  | Initial Risk Score |   |    | Potential Mitigation   | Risk Score After Mitigation |   |    |
|----|--|--------------------|---|----|--|-----------------------------|---|----|
|    |  | P                  | I | S  |  | P                           | I | S  |
| 8  | Uncertainties in future funding levels following potential changes to local government finance arrangements, previous reforms included the Fair Funding Review, and transition to 75% Business Rate Retention  | 5                  | 4 | 20 | The council has submitted responses to previous government consultations to ensure the needs of council are shared and can be reflected within future changes where possible. However the council notes the potential change in direction in terms of Levelling Up, which means a change of approach may be considered and implemented by the government meaning further work will be required once further information is released. This will be fed into the council's financial modelling and MTFP 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 climate change in all policies and decisions. Greater emphasis on risk assessment measures and early intervention where possible.  | 3                           | 3 | 9  |
| 10 | Inability to reduce the Dedicated Schools Grant deficit in the short term  | 5                  | 5 | 25 | Increased funding from central government was announced for this area in the Spending Review 2021 and additional local special provision and mitigations are also planned. However, this is unlikely to reduce the deficit in the short term. The Deficit is currently not chargeable to the General Fund following a temporary change in the accounting regulations.  | 5                           | 2 | 10 |
| 11 | Availability of one-off revenue resources to mitigate risk, and fund investment in key priorities such as transformation   | 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 | Prioritising, funding and implementing projects within the Capital Strategy to ensure that the council strategically plans for the future in terms of ensuring that the aspirational vision of the council is focused on delivering the needs for the residents and business within our communities. | 5                  | 5 | 25 | The council's Capital Strategy is being developed alongside the MTFP and is ensuring that all of the needs of the organisation are considered and fully aligned to a range of core strategies and action plans, e.g. Asset Strategy, Place-making Strategy, Climate Change Strategy etc.<br>Priorities will be established by following a set of core principles which give focus to essential health and safety maintenance issues, invest to save initiatives, leveraging in external funding as well as preparing new assets which may be required as a result of demographic growth forecasts. | 4                           | 5 | 20 |

