

North Somerset Council

Report to the Executive

Date of Meeting: 2 February 2022

Subject of Report: Medium Term Financial Plan 2022-2025 and Revenue Budget for 2022/23

Town or Parish: All

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

Key Decision: Yes

Reason:

Financial implications within the report are in excess of £500,000 and impact on all wards and communities within North Somerset

Recommendations

The Executive is asked to:

- i. Note the updated revenue and capital budget forecasts in respect of the 2021/22 financial year as detailed within section 3.1 of the report;
- ii. Note the Equality Impact Assessment report attached at Appendix 4, and familiarise themselves with the published Equality Impact Assessments (EIAs) that underpin the 2022/23 budget savings plans;
- iii. Note the statement of the Chief Finance Officer on the adequacy of reserves and the robustness of the budget as detailed in section 3.8 of the report;
- iv. Recommend to Council a revenue budget for 2022/23 for approval as detailed within this report and shown at Appendix 1;
- v. Recommend that Council approve a council tax increase of 1.99% for 2022/23 to support the proposed budget;
- vi. Recommend that Council approve an adult social care precept of 1% on the council tax for 2022/23 to support the proposed budget;

1. Summary of Report

Reports have been presented to the Executive over recent months, which have provided updates on the council's financial planning assumptions across the period of the Medium

Term Financial Plan (MTFP), giving particular focus to the preparation of the revenue budget for the 2022/23 financial year.

In December 2021 the Executive published details of the draft budget proposals which were available for review and comment by residents and other stakeholders. All elected Members were invited to attend a dedicated scrutiny session on the budget to provide them with an opportunity to fully understand the details being considered, ask any questions and to share their thoughts and views on any issues.

Since that time the council has received details of the Provisional Local Government Finance Settlement as well as some of the specific grant funding allocations which North Somerset can expect to receive next year, which are a key component of the council's financial planning.

Elsewhere on the agenda for this meeting is the council's Capital Strategy report, which details the proposed capital investment plans for the year ahead. It is important to understand these investment plans, particularly how they are likely to be funded, so that we can ensure that any financial impacts are fully integrated into the council's revenue budget plans.

This report therefore finalises the MTFP process by updating all financial assumptions and also integrating the impact of new investment proposals, to enable the Executive to recommend a final balanced revenue budget to Council for the 2022/23 financial year. Council will then consider the recommended budget as part of the council tax setting process for the year ahead.

In broad terms the 2022/23 budget delivers a balanced combination of **robust** budgeting in terms of our core services, further **investment** in key priorities, and **protects** both front line services, residents and the wider community.

Further details are contained throughout the report however, the main points to highlight are;

- A **robust** budget is being proposed having considered the various inflationary cost and demand pressures faced across many of the service areas,
 - This allows the council to maintain and support the existing good quality and effective services that are valued by the many people across North Somerset who use them in their everyday lives
 - The recommended budget also includes significant sums of new money into the adult social care budgets to address the existing pressures experienced within the service, which are not fully funded by the government (the Health and Social Care Levy / National Insurance increase is making no contribution to these pressures)
 - There is investment being made in Children's Services to secure improvement and achieve better outcomes for our young people, as well as additional funding being prioritised to address the increasing demand for our home to schools transport service
- The Executive want to make a difference for residents by improving the facilities and the environment across our communities and are keen to deliver new capital **investment** plans during 2022/23 of £44m, which will be on top of the £306m of

existing plans, focused around; children and young people, climate and the green agenda, and changes to our physical environment and place-shaping priorities.

- This additional investment will be further supported by our capital and infrastructure feasibility fund, which will be used flexibly to help plan for even more investment in the future, through scoping new proposals, developing and preparing business cases, delivering additional capacity, or by funding one-off investment opportunities should they arise
- Whilst some savings proposals have been included within the budget for next year to help fund the pressures we face, they are at the lowest levels for many years and are focused on **protecting** services and customers wherever possible – these proposals have been assessed and do not have any high risk impacts on customers and residents are also being protected from increases in discretionary fees and charges in some areas

2. Policy

The MTFP is a core strategic document that supports the delivery of the council's Corporate Plan which outlines the key priorities for residents and businesses within our communities. The MTFP itself describes the council's current and projected financial position and compares these to the anticipated resources available. It highlights the key risks inherent within the budget planning process and incorporates a range of financial strategies to address these.

There is a legal requirement to produce a robust revenue budget for the 2022/23 financial year along with relevant council tax bandings and rates, and these will be recommended for approval by Council at the meeting in February 2022.

3. Details

3.1. Update on the 2021/22 revenue budget monitoring position

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

Shown below in Table 1 is an update on the council's revenue budget position for the current financial year using forecasts made at the end of November 2021.

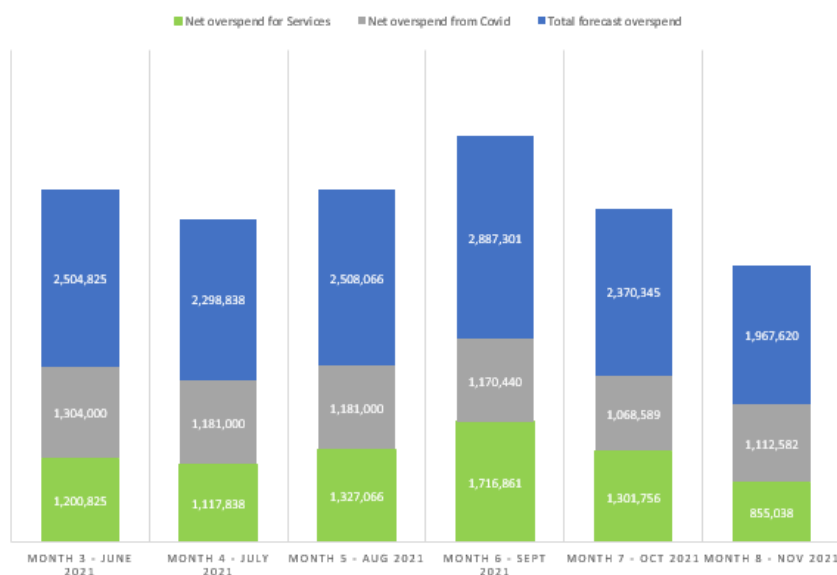
Revenue Budget Monitoring Summary 2021/22								
	Original Net Revenue Budget £000	Month 7 Forecast			Month 8 Forecast			
		Revised Revenue Budget £000	Projected Out-turn £000	Projected Variance £000	Budget Share %	Revised Revenue Budget £000	Projected Out-turn £000	Projected Variance £000
Service Expenditure Budgets								
Adult Social Services	67,905	67,960	69,399	1,439	38.3%	67,960	69,331	1,372
Children's Services	26,512	27,270	26,809	(461)	15.4%	27,270	26,734	(536)
Corporate Services	25,739	24,703	24,696	(7)	13.9%	24,703	24,700	(3)
Place	29,565	29,780	31,121	1,340	16.8%	29,780	31,211	1,430
Public Health & Reg Services	911	919	949	30	0.5%	919	920	1
Capital Financing	10,674	10,674	10,673	(1)	6.0%	10,674	10,673	(1)
Other Non Service Budgets	16,118	16,118	16,147	30	9.1%	16,118	15,822	(295)
Total Net Revenue Budget	177,423	177,423	179,794	2,370	100.0%	177,423	179,391	1,968
General Fund Financing Budgets	(177,423)	(177,423)	(177,423)	0		(177,423)	(177,423)	0
NET REVENUE BUDGET TOTALS	0	(0)	2,370	2,370		(0)	1,968	1,968
Use of Covid Funding			(1,069)	(1,069)			(1,113)	(1,113)
REVISED REVENUE BUDGET TOTALS			1,301	1,301			855	855
Dedicated Schools Deficit	7,150		12,224	5,074			13,001	5,851

The table is displayed in the council's standard financial monitoring template and depicts the financial position for each of the directorates in turn as well as the aggregated picture for all council services and financing resources.

The projected forecasts contain Covid and non-Covid impacts and it is important to recognise and understand the reason for the all of the budget movements so we can ensure that we apply the Covid grant income appropriately and assess whether any of these pressures will continue into future years.

The table above shows that at this time the council is projecting an overspend of approximately **£855k** after taking into account the Covid related impacts and ring-fenced funding which can be used to offset them. This movement equates to a relatively small proportion of the overall budget for the year, at approximately 0.5%.

REVENUE BUDGET FORECASTS 2021/22



It can be seen from the trends depicted within the chart that the latest forecast is a continued improvement from the monitoring positions reported over recent months and is in fact the lowest reported level all year.

Further movements are expected over the next few months when the values have been substantiated.

Integration of 2021/22 and 2022/23 financial years

The information presented above is a high-level financial summary based on the council's more detailed budget analysis and forecasts. The detail which support these values enable us to understand the pressures that relate to the delivery of the council's ongoing service provision, and therefore to assess which of these movements are likely to be one-off in nature or continue into the future.

This review shows that there are several material budget pressures being experienced in the current year, which are likely to continue into future years and a summary of these items is provided below. Additional growth provision has been added into the budget for next year to provide a more sustainable and realistic baseline for these services going forwards.

- £1,400k – Demand pressures in adult social care
- £460k – Legacy issues within the disabled children's budgets
- £300k – Increasing demand pressures within home to schools' transport budgets
- £650k – Short-fall in parking income budgets

The budget for children's placements has been reviewed and subsequently reduced by £960k to reflect the current underspend resulting from a reduction in the number of children looked after.

The Covid pandemic continues to be a factor for the council to consider when delivering services and the impact on our financial position. Our monitoring shows that the council continues to receive and distribute ring-fenced financial support to individuals, providers and businesses and to incur additional unplanned expenditure or receive less income than expected. The continuation of these Covid impacts are uncertain and we recognise the risk that the pandemic may continue to have on us and communities in the future. However, unlike previous years, the government has not allocated any additional funding in respect of Covid and so we have been unable to include any specific provision within the budget at this time.

3.2. Building a sustainable and robust budget, spending and investment plans

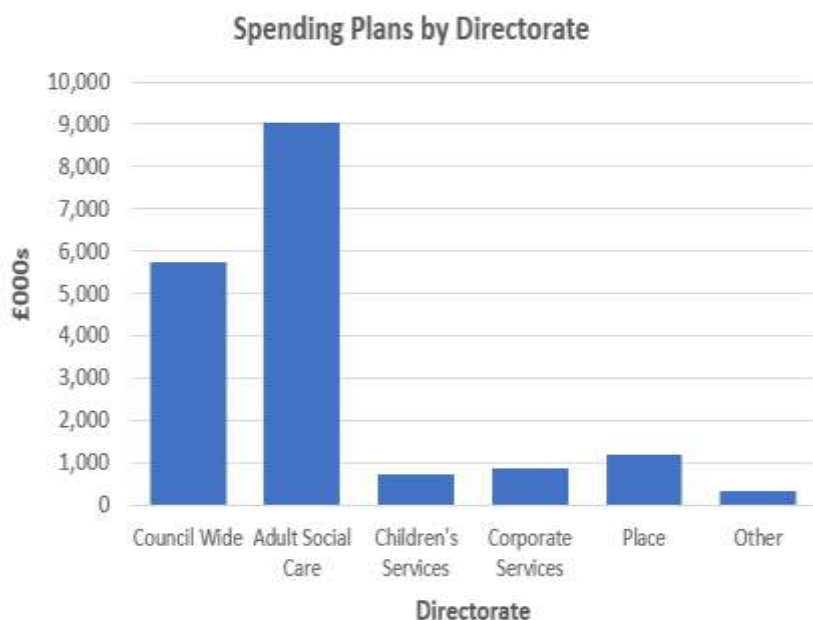
When preparing the budget for next year the council has ensured that key areas have been updated and refreshed to incorporate the latest information in all of its planning forecasts and underlying assumptions.

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

Information has been gathered from a variety of sources to ensure that any new spending plans or growth allocations are supported by evidenced based assessments and that these reflect key drivers, such as changes in legislation, inflation rates and the national living wage (both of which are rising significantly), as well as internal information relating to the projected numbers and volumes within demand led services such as waste, home to schools' transport, adults and children's social care.

The council has also chosen to include a range of strategic investment proposals within the future revenue budgets, some of this **investment** relates to planned service improvements

in areas such as children’s services, whilst other areas of new spending relate to the action plans supporting core strategies such as the communications and customer services and digital, which are focused on improving how we communicate, engage and interact with residents in the future.



As can be seen from the chart, increases in spending plans amount to over £17m, more than half of which relate to adult social care.

‘Council-wide’ pressures relate to borrowing costs, inflation on staffing, pensions and energy, as well as spending on council priorities. These costs are allocated to services as part of the budget work and are reflected within the totals shown in Appendix 1.

Further commentary on significant or notable areas is provided below.

Adult Social Care

Cost and demand pressures in the council’s adult social care budgets are significant and not fully funded by the Government. Planned increases in service spending total £8.7m, with £5.5m relating to increased care provider costs driven by a 6.6% increase in the National Living Wage which was announced by the Government in the Autumn, plus increases in employer National Insurance contributions for the Health and Social Care Levy, which will be passed on.

Demographic pressures are estimated to lead to increased costs of £1.5m; these relate to the increasing numbers of older people needing services and the number of children with complex needs moving into adulthood. By way of example, population estimates indicate that there will be around 1,000 more people aged 75 and over in North Somerset in the coming year and we expect more than 20 young people who reach 18 to need adult social care support.

In addition, as noted in para 3.1 above, there is a budget gap of £1.4m in the current financial year in adult social care due to changes in patterns of demand and this is expected to continue as the impact of Covid persists, including increased waiting time for elective surgery and other treatment, deconditioning and deterioration, and increased pressure on unpaid carers and mental health.

It is worth noting that the increased new revenue being generated by the Health and Social Care Levy is not making any contribution to any of the additional costs described above. Instead of funding existing council pressures and those arising from Government decisions, the new money is designed to fund increased capacity in the NHS and the new Social Care Reforms, which are aimed at ensuring that individuals are not faced with making excessive or unpredictable contributions to their care costs (the Care Cap and changes to capital limits).

The council's initial allocation from this funding for 2022/23 was announced in December 2021 as part of the funding Settlement for local government, and totals £626k. The Government has indicated that this sum must be used to begin the process of paying a "fair cost for care" to adult social care providers where the council arranges that care and so this sum has been ring-fenced in the budget to cover those costs.

Children's Services

Planning growth in spend in Children's Services totals £2.1m and is largely split into two categories – existing cost pressures and investment to deliver service improvements.

Section 3.1 above indicates that additional growth of £460k is needed within the budget for next year so that the council can continue to support families with disabled children.

Other new investment of £1.1m is being included within the budget to support the council's improvement plan for social care and children with special educational needs and disabilities. This will enable us to achieve our vision to make North Somerset a great place for children and young people to thrive, where all have the best possible life and opportunities, including those who are vulnerable, disadvantaged and / or have special educational or additional needs.

Following a review of the estimated numbers of children looked after, the budget for these placements has been reduced by £960k to reflect the reduction in demand that has been experienced since the Spring of 2020.

Corporate Services & Place Directorate

In addition to covering the legacy issues identified in Section 3.1 above, additional resources have also been allocated to these areas to address specific service-related issues such as the Ash-Dieback programme, investment in ICT cyber security and capacity in the council's website and communications services. Other growth relates to increased costs pressures, such as insurances, and also sustained reductions in income budgets.

3.3. Updated resource assumptions

The council has recently updated its resource assumptions following the release of the provisional local government finance settlement announcement on 16 December 2021 and has also confirmed its taxbase for next year.

The provisional settlement focused on providing stability to local government in the immediate term and promised a fundamental review of future funding starting early in 2022. As a national level the government advised that the core spending power, i.e. how much more all councils can spend, increased by over 4% in real terms, when including the new funding for social care reforms although it should be noted that in reality, the increase will differ for all councils depending on their individual circumstances, responsibilities and budget decisions. The provisional settlement for 2022/23 rolls forward many aspects of the current year's settlement with some elements as expected. There were however several changes to the council's previous planning assumptions, and these are noted below;

- a new grant of £626k was allocated to cover the first year of the **social care reforms**, specifically aimed at sustaining the market and providing a fair price for care. The council's spending plans have also been adjusted by this sum and monies

will be ring-fenced to ensure that they meet the relevant criteria. Further sums are expected in later years to fund changes associated with other Reform measures, such as the 'care-cap', although no details have been provided at this time.

- the government confirmed the values and distribution methodology for **existing social care grants**, with the council's share reaching £8.095m in 2022/23 which is slightly higher than the previous forecast and will be maintained and included within future budgets. The council has reflected the new value within the resource budget and this has helped to reduce the budget gap.
- the government announced a further year of the **new homes bonus grant**, on top of the final legacy payments. The council's forecasts had reflected the legacy payment and so the resources budget has been updated to include the latest one-off award of £1.5m in 2022/23, reversing in 2023/24. This will be ring-fenced and used as a one-off fund to support capital planning, feasibility and investment proposals.
- **services grant (lower tier)** – a new allocation of £224k was awarded to the council for 2022/23 which was not included within the previous forecasts. It was announced that this grant will be one-off and so has been included for next year and removed in 2023/24.

The local government finance settlement also confirmed the planning assumptions for council tax referendum thresholds, which is the maximum amount that the council can increase its council tax before undertaking a referendum with residents. The levels remain as expected; i.e. a maximum increase of 2% for core spending and an option to levy a further 1% through the adult social care precept, making a total increase of up to 3%.

It is important to note that whilst the ministerial statement has provided a degree of stability over the next 12-month period through sharing details of the council's grant allocations, it can be seen that there remains significant uncertainty in respect of future years.

Not only are several of these grant allocations one-off in nature, no details were given about funding levels after next year, which was extremely disappointing given the announcements made by the Chancellor in his November 2021 Spending Review, which provided for a 3-year horizon.

North Somerset, along with many others in local government, had hoped that they would be able to receive details of their funding beyond a single year so that they could feed this information into their medium-term strategic plans, thereby reducing areas of risk and uncertainty and enabling focus to be on delivering vital services and implementing investment plans.

The Secretary of State has however, confirmed that the government is committed to ensuring that future funding allocations for councils are based on an up-to-date assessment of their needs and resources, rather than the outdated information currently being used, and so over the coming months will work to update this information as well as look at the challenges and opportunities facing the sector before consulting on any potential changes. It will be essential for the council to feed into this process wherever possible so that it can model and understand the impact that future changes may have on its financial position.

The council's resources have been updated to reflect the latest council tax base information and there are no material changes to note from the information presented in December.

The council has yet to update its business rate resource forecasts for next year as the information was not available for the meeting, although it will be included within the February Council report. The council is required to review the information held in respect of businesses within North Somerset and prepare a detailed forecast for the year ahead which must be submitted to the government by the end of January 2022. Whilst an update will be provided to Members it is not expected that the values will differ from the estimated sums included within the financial modelling at this time because the council has taken care to reflect the detailed information currently held within its records.

3.4. Budget savings and income generation plans

The Executive presented the draft savings proposals for inclusion within the budget at the meeting in December 2021, all of which were supported by an initial equalities impact assessment.

The primary focus of the Executive continues to be to retain and **protect** front-line services and their customers wherever possible, and to introduce savings plans which generate viable and targeted income streams, deliver transformational change within services which can reduce costs, and to ensure best value is achieved through contracts and commissioning arrangements.

Since the December report was published, the savings proposals have been reviewed and discussed in various forums and the following changes have been reflected within the recommended budget for 2022/23,

- Removed £686k of adult social care savings
- Removed £160k of increased garden waste charges
- Reduced car parking savings from £350k to £150k

A full schedule of the remaining savings proposals included within the MTFP is shown at Appendix 2. Each of the proposals is supported by an Equality Impact Assessment to enable the council to understand both their individual and cumulative impacts and mitigate against these. Further information is provided in Appendix 4 of the report.

3.5. Updated financial summary 2022-2025

Having reviewed and updated all assumptions in relation to income levels as well as spending commitments, investment plans and savings proposals, the council is in a position to present a robust and balanced budget for the 2022/23 financial year, which is a significant achievement given the challenges and uncertainties that it has faced over recent months.

However, it is clear that the financial future of the council over the remaining MTFP period remains challenging, which is partly as a result of the continued uncertainty beyond 2022/23 arising from several one-off funding allocations and also the potential changes in how local government funding may be distributed in the future.

The council will await the outcomes of any policies or information so that it is possible to understand and model specific impacts for North Somerset, to enable the council to plan decisions relating to future service delivery more appropriately. Given the scale of the financial challenge presented in the table below, it is important that the council refreshes its budget planning as soon as it is able.

The table below summarises the proposed movements within its budget plans across the period of the MTFP.

MTFP - FEBRUARY 2022			
	2022/23	2023/24	2024/25
	£000	£000	£000
- Resources - Grants, Council Tax & Bus Rates	179,088	183,515	187,408
- Base Spending Position	171,317	179,088	183,515
- Budget pressures, spending and investment plans	17,947	14,068	13,592
- Remove Covid & other one-off impacts	-6,019	0	0
- Savings proposals and increased income	-4,157	-730	-715
- Revised Spending Base	179,088	192,426	196,392
- Budget Gap	0	-8,911	-8,984
		-17,895	

3.6. Allocation of budgets across council service areas

All of the proposed changes to the councils' budget for next year, both investment and savings plans will be allocated to specific service areas, and these items will be added to the existing base budgets currently held and managed by Directors. A summary of the recommended budgets for 2022/23 is shown at Appendix 1.

3.7. Update on reserves

The council has a series of reserves which can be used to support spending within the revenue or capital budgets, or which it can hold to cover future financial risks. A review of these reserves has been undertaken to ensure that they are sufficient to meet the planned business need and also provide cover towards the inherent risks held within the recommended budget for next year, or those risks highlighted within the risk register. The council's Section 151 has assessed these levels and considered them to be adequate and will provide an updated summary of the reserve balances at the end of the current financial year.

3.8. Chief Finance Officer review of the recommended budget

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

- a) Where an authority to which section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) applies is making calculations in accordance with that section, the Chief Finance Officer of the authority must report to it on the following matters:
 - The robustness of the estimates made for the purposes of the calculations, and
 - The adequacy of the proposed financial reserves.
- b) An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made. This includes reporting and taking into account:
 - The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.

- The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council.

The CFO Statement has to be considered and approved by full Council as part of the budget approval and council tax setting process and although it concentrates on the General Fund revenue budget and associated capital programme, it must also consider key issues faced by the council over the medium-term. The Statement covering the council's MTFP and 2022/23 budget is included at Appendix 5, although key points are listed below:

Preparing the budget during an ongoing period of significant financial uncertainties, largely brought about by the sustained impacts of the pandemic, remains extremely challenging as Covid continues to bring uncertainties, volatility and capacity issues to the council in terms of the services it has been able to deliver to residents, businesses and the wider community.

That being said the council has successfully managed to continue to operate during heightened and pressured times and has delivered change and created opportunities in terms of the ways in which it works which were unimaginable a short time ago.

- A review of the council's financial performance over the last three years, excluding the impacts of the pandemic indicate that there is some residual risk within core services, particularly with regards to demand led services, especially care for older and vulnerable people, children looked after and with disabilities, and home to school transport services, where demand is continuing to increase. Account has been taken of current spending trends and, where known, unavoidable cost pressures have been built into the recommended budget for 2022/23.
- The council is aware that the delivery and demand pressures for some services appears to be changing over time. The longer-term impact of Covid-19 such as "Long Covid", delays to elective surgery, deterioration and deconditioning, and impacts on mental health and on carers is an emerging issue, along with the increasing number of children and young people that require specialist education provision.
- Provision has been made for pay awards, pension and national insurance increases, contractual inflationary pressures and the forecast impact of the National Living Wage which will largely arise through increased provider costs. However it should be noted that given the wider economic outlook, inflationary pressures remain a key risk for the council to consider and it may be that additional costs beyond those budgeted could arise.
- Consideration to the funding pressures within the High Needs Block of the Dedicated Schools Grant (DSG) has been given. Whilst the Council has a DSG Management Plan, it is worth noting that the increases in funding from Government cannot keep up with the increases in demand. Whilst action is proposed as part of our SEND Improvement Plan, it is likely that the in-year deficit will not be able to be reduced in the short term.
- There is an emerging risk in relation to the Social Care Funding Reforms announced at the end of 2021. £3.6bn has been promised to the sector over the next 3 years to fund the impacts of reducing client contributions and the move towards paying a "fair cost of care" to providers. It will take some time to understand the additional costs

and whether the funding provided by Government will be sufficient to compensate local authorities for those additional costs.

- Contracts, commissioning and service delivery models will continue to be reviewed and potentially changed across the medium-term and an important area of focus starting in 2022 will be to review the options associated with the council's Support Services Contract.
- The council has prepared its resource forecasts for future years based upon the information available at this time however it is recognised that there remains a great deal of uncertainty regarding the funding position for future years, particularly as the government was only able to deliver a one-year Settlement and none of the intended reforms relating to the financing of local government as a sector. These remain outstanding and need to be reviewed and considered as and when information is released.
- Other risks faced by the council have been reviewed and assessed to identify and quantify potential financial impacts on the budget, and where appropriate have either been provided for, or aligned to resources held by the council within its reserves. This includes specific service risks such as Ash Die-back, or broader impacts such as reductions in rental income which have arisen following the economic downturn. Continuing to support recovery plans and facilitating development will be key to deliver change in these areas in the future.
- The level of reserves has been examined and will continue to be closely monitored during the period of this MTFP, in the context of protecting the council from existing and future liabilities.
- On the basis of the above, the Section 151 Officer's advice is that the financial standing of the council is sound in the context of the key risks, that the recommended budget for 2022/23 has been prepared robustly and is achievable, and the level of reserves held are adequate.

3.9. Schools Budget

The council, through the Strategic Schools' Forum (SSF), is responsible for managing the Dedicated Schools Grant (DSG) and distributing funding to schools and early years providers. The total DSG for 2022/23 is expected to be £191.171m, although this is before any deductions for funding which is made directly from central government to academies (this is known as "recoupment").

Each year, the council and the SSF consults with schools and interested stakeholders, and then takes decisions on the formula for distributing resources to providers (including academies), along with associated funding arrangements, including any proposals for moving funding from one block to another. From April 2018, the DSG has consisted of 4 blocks of funding, and the values (before recoupment) for the current year and next year are shown below.

	2021/22	2022/23 est.	Change	Change %
Schools Block	141,092,716	145,657,318	4,564,602	3.2%
High Needs Block	28,534,328	32,265,778	3,731,450	13.1%
Early Years Block	11,813,242	11,578,185	-235,057	-2.0%
Central Services Block	1,793,442	1,670,194	-123,248	-6.9%
TOTAL	183,233,728	191,171,475	7,937,747	4.3%

The schools block is ring-fenced and must be allocated to schools, although local authorities may transfer up to 0.5% of their schools' block into another block, with the approval of the SSF. Transfers in excess of 0.5% require the approval of the Secretary of State.

The previous and proposed approved transfers are shown in the table below and are used to mitigate spend in the High Needs Block (see below). In view of the increase in High Needs funding provided by the government, and the clear Government policy to protect funding for schools, the council and the SSF restricted its request to a transfer of 0.5% for 2022/23.

	2018/19	2019/20	2020/21	2021/22	2022/23
% transfer from Schools Block to High Needs Block (HNB)	0.97%	1.65%	0.50%	0.50%	0.50%
£s transfer from Schools Block to High Needs Block (HNB)	1,152,341	2,021,557	649,843	674,401	728,287

The High Needs Block increase includes an additional £1.2m to take account of the employer costs of the Health and Social Care Levy and wider cost pressures. Whilst the total increase is welcome, pressures in the High Needs Block continue at a greater pace than the increase in funding, with the latest figures indicating a 23% annual increase in the number of children with and Education and Health Care Plan.

The proposed budget for 2022/23 for the dedicated schools grant is shown in the table below.

Block	Income (DSG) (£s)	Gross Expenditure (£s)	Net Expenditure (£s)
Schools Block	145,657,318	144,929,031	-728,287
Less: DSG paid direct to academies	-135,785,587	-135,785,587	0
Schools Block, after recoument	9,871,731	9,143,444	-728,287
High Needs Block	32,265,778	32,994,065	728,287
Less: Direct funding of high needs places	-3,464,000	-3,464,000	0
High Needs Block after deductions	28,801,778	29,530,065	728,287
Early Years Block	11,578,185	11,578,185	0
Central Services Block	1,670,194	1,670,194	0
TOTAL	51,921,888	51,921,888	0

The allocation to schools that is distributed through the formula will increase from £139.636m in 2021/22 to £143.121m in 2022/23, which represents a 2.5% increase in funding. This increase will ensure that all primary schools receive at least £4,265 in funding per pupil and all secondary schools £5,525 per pupil, with some schools receiving significantly more than that.

In addition to the DSG funding paid through the formula, mainstream schools will also receive a Supplementary Grant of £4.189m to cover costs associated with the Health and Social Care Levy and wider cost pressures.

3.10. Looking ahead

The council's financial planning forecasts will continue to be reviewed and updated regularly to reflect any material changes in locally generated resource assumptions,

national funding reforms as well as any spending pressures identified through the budget monitoring reports.

However as throughout the report, there remains significant uncertainty in terms of the continuation of the pandemic throughout the next 12 months as well as government resource allocations and constraints beyond 2022/23.

Notwithstanding that, the council will continue to plan for the future and formulate strategic financial proposals to close the budget gap, which will require new savings ideas to be generated and delivered. It is anticipated that a large proportion of these will focus upon the council's technological ambitions and transformational approach as evidence of pilots in these areas have been successful in the past and shown potential for further progress.

All such initiatives will be set within the Corporate Plan vision and will seek to promote independence and well-being.

4. Consultation

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 in December 2021, 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.

Previous reports have shared details of the council's communication, consultation and engagement plans, including a review of the responses and views given by the Citizens Panel to the questionnaire they completed on the draft budget. Further engagement has taken place during January, most notably with the Equalities Stakeholders Group and Town and Parish councils.

5. Financial Implications

Financial implications are contained throughout this report.

6. Legal Powers and Implications

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

7. Climate Change and Environmental Implications

Climate and environmental related implications continue to be at the forefront of our thinking when considering the underlying Corporate Plan and service policies and priorities, as well as the detailed capital investment options. The council is acutely aware of the pledges it has made and the action plan required to achieve core climate outcomes and has also focused attention on fully understanding the impacts arising from the decisions it takes through developing specific sections within all formal governance reports.

There are numerous climate related implications within the revenue budget although these are integrated into the business-as-usual ways in which services are being considered and delivered, rather than be seen as a separate component of the budget itself. For example, the budget reflects provision for increased energy costs however, the procurement activity associated with assessing what types of energy to purchase and where to buy it from, now also include objectives linked to achieving 'greener' outcomes. Similar considerations were taken into account when re-procuring the parks and Streetscene contract, as re-wilding and other environmental impacts were assessed.

The council also has the ability to influence the environmental impacts when investing in services and projects, further details relating to planned investments for next year are described in the Capital Strategy report, elsewhere on the agenda for this meeting.

8. Risk Management

In setting the revenue and capital budgets, the council must take into account the known key financial risks that may affect its plans and these will either be explicitly provided for within the base budget or be offset and held against the unallocated contingency budget or the council's general fund working balance.

One of the most significant issues for the council to be aware of is that there are currently many more uncertainties or unknown factors within our medium-term financial planning in respect of both service delivery and also resource levels.

It could be argued that the sustained impacts and legacies associated with the Covid-19 pandemic are contributing to this, at both a national and a local level, as not only does capacity continue to be focused on helping to respond to the pressing issues faced on a daily basis rather than be seen to address the strategic plans and priorities for the country as a whole; but the pandemic also continues to impact on the broader economic position. Inflation particularly, would be of concern for the council should rates continue to climb at current levels.

In addition to this there remain inherent uncertainties within the local government finance sector, particularly with regards to proposed arrangements surrounding the Spending Review because although a three-year Review was announced by the Chancellor in November 2021, the individual financial allocations for local councils have only been calculated and shared for the year ahead. This means that local government as a whole will have received a single-year settlement for the third consecutive year and is not something which enables strategic 'local' decisions to be made across the medium-term.

The council is also aware that the planned reforms to local government finance, such as the Fair Funding Review, the Levelling Up agenda and changes to the business rate system have been deferred again bringing yet more uncertainty. When allocating funding for the 2022/23 financial year, the government have provided additional funding to councils although only for a single year and reports have been clear in that these resources will not

form part of the base funding position and should not be relied upon to continue into the future. The government plan to announce further consultation in the Spring 2022 and it will be important to understand what this might mean for the council going forward.

An MTFP risk register is continually updated which reflects some of the more specific areas of risk associated with the council's financial planning, although at this time some of the most significant risks are shown in Appendix 3.

9. Equality Implications

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

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

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

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

Appendix 4 provides an overall summary and all of the EIAs that underpin the £4.157m of budget savings and increased income proposals as recommended for inclusion within the 2022/23 revenue budget.

One of the areas included in the budget savings were initially identified as having a potential 'medium' impact on equality groups so those EIAs have been discussed in detail at the Equality Stakeholder Group meeting, held in January 2022, and feedback from the consultation has been taken fully into account within the final Assessments.

10. Corporate Implications

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

11. Options Considered

The council is required to formally approve a revenue and capital budget for 2022/23. This could be undertaken as a stand-alone annual process however, planning will continue to focus on a multi-year funding horizon and MTFP period where possible as this sets the context within which decisions relating to the setting of annual budgets are taken.

Author:

Amy Webb, Director of Corporate Services and S151 Officer

E: amy.webb@n-somerset.gov.uk

Jo Jones, Finance Business Partner (Place)

E: jo.jones@n-somerset.gov.uk

Katherine Sokol, Finance Business Partner (Adults & Children's)

E: Katherine.sokol@n-somerset.gov.uk

Melanie Watts, Head of Finance

E: melanie.watts@n-somerset.gov.uk

Appendices:

- Appendix 1 Recommended budget for 2022/23, allocated across Directorates
- Appendix 2 Savings proposals incorporated into the recommended budget
- Appendix 3 Risk register summary
- Appendix 4 Equality Impact Assessment report on the 2022/23 savings proposals
- Appendix 5 Section 151 Officers statement on the adequacy of reserves and the robustness of the budget

Background Papers:

MTFP & 2020/21 Budget Setting Reports (Executive & Council – Feb 2021 to Dec 2021)
Budget Monitoring Reports (Executive - June-December 2021)

RECOMMENDED NET REVENUE BUDGETS FOR 2022/23

	Adult Social Care £000	Children's Services £000	Corporate Services £000	Place £000	Public Health & Reg Serv £000	Capital Financing £000	All / Other £000	TOTAL £000
2021/22 Revised Budget - December 2021	67,960	27,270	24,703	29,780	919	10,674	10,012	171,317
Budget movements;								
- Growth and additional areas of spending	9,333	2,063	1,837	2,304	168	950	699	17,354
- Budget reduction to reflect demand	0	-960	0	0	0	0	0	-960
- Savings proposals and additional income	-1,389	-626	-455	-1,365	-41	-281	0	-4,157
Changes from Growth & Savings (£000)	7,944	477	1,382	939	127	669	699	12,237
Changes from Growth & Savings (%)	11.7%	1.7%	5.6%	3.2%	13.8%	6.3%	7.0%	7.1%
Other budget changes;								
- Other budget adjustments, incl prior year impacts	-200	-150	-45	-349	0	0	-3,722	-4,466
- Budget transfers between service areas, incl recharges	-565	-589	1,422	-291	328	-136	-170	0
Overall total budget change (£000)	7,179	-262	2,760	299	455	533	-3,193	7,771
Overall total budget change (%)	10.6%	-1.0%	11.2%	1.0%	49.6%	5.0%	-31.9%	4.5%

Budget transfers are where services or areas of responsibility transfer between directorates, for example, the budgets for housing services are currently all reflected within the Adult Social Care directorate however, some services are now delivered within the public health and regulatory services directorate.

The largest adjustment relates to internal legal recharges, which need to be reflected within the relevant directorates as these are charged on an actual basis throughout the year – this schedule reverse out the charges incurred in the 2021/22 financial year.

MTFP SAVINGS PROPOSALS - FEBRUARY 2022					
Directorate	Ref	Idea / proposal	Financial Impact		
			2022/23 £000	2023/24 £000	2024/25 £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 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	75	0

MTFP SAVINGS PROPOSALS - FEBRUARY 2022					
Directorate	Ref	Idea / proposal	Financial Impact		
			2022/23 £000	2023/24 £000	2024/25 £000
Place	PD 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	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 charges	-150	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; seafronts, concessions, the Bay and Tropicana; Libraries; and Highways related activities	-90	-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
TOTALS			-4,157	-730	-715

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 8 budget monitor shows a projected net over spend of £0.8m, which is a further reduction on previous months reports, thereby providing encouraging signs that mitigating actions are helping the council to address some of the challenges it faces. 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. Savings included within the budget are also at lower levels than in previous years.	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 data has been incorporated into the monitoring processes along with indicative growth for core demand in future years, which reflects the latest levels of demographic and demand growth. That being said, there remains the distinct possibility that demand will continue to grow beyond these forecasts and so such areas will continue to be closely monitored within future reports.	4	4	16
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. Changes arising from the newly announced Social Care 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 given to local government 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

APPENDIX 3

	Risk area	Initial Risk Score			Potential Mitigation	Risk Score After Mitigation		
		P	I	S		P	I	S
7	Changing market conditions for major contracts could lead to a changed risk profile	4	4	16	Clarity and flexibility in the council's contracting processes, exploring different delivery models, monitoring of contract performance, ability to renegotiate terms and conditions as a last resort.	3	4	12
8	Uncertainties in future funding levels following 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. This will result in further work being required once further information is released early in the new year. This will be fed into the council's refreshed 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 officers and Members are focused on ensuring that all of the needs of the organisation (for both today and the future) are captured and considered before any decisions are made. Any new spending plans will be aligned to a range of core strategies, action plans and priorities as well as an overall affordability envelope because all such plans must be sustainable within the context of the MTFP.	4	5	20

EQUALITY IMPACT ASSESSMENT REPORT

Please refer to separate document on the website

ASSURANCE STATEMENT FROM THE SECTION 151 OFFICER

The following are the summary assurances and recommendations of the council's Section 151 Officer who is Amy Webb, the Director of Corporate Services.

A Review of the Revenue Budget

In relation to the 2022/23 revenue budget I have examined the underlying base spending position, assessed future demand forecasts, considered potential risks and future impacts, and also reviewed the draft savings proposals which are to be included within the budget for next year.

I believe that, whilst some elements of the council's spending and service delivery proposals are challenging, they are nevertheless achievable given the political and management will to implement the required changes, good management, and the sound monitoring of performance and budgets, which has been evidenced this year, whilst continuing to deal with the on-going financial volatility which has arisen from the Coronavirus pandemic situation.

I am satisfied that sufficient management processes currently exist within the council to deliver this budget and to identify and deal with any new problems which may arise during the year, this of course includes the continuation of the Covid-19 pandemic itself.

The council must however recognise that the financial information that it has received from the Government in respect of a funding package to support spending **over the medium-term**, is insufficient as it has only provided limited information relating to the 2022/23 financial year.

The Government has advised that some elements of funding that it intends to provide to the council next year, are one-off in nature and cannot be relied upon to support spending in the future. This is concerning, but when seen in the context of the potential changes in Government policy in respect of the planned fair funding review, levelling up agenda and reforms to the business rate retention system, it does mean that the council faces greater uncertainties in its funding than ever before and must re-assess its financial plans for the medium-term as soon as is practicable.

My recommendations are also conditional upon:

- The council approving the updated projections within the Medium Term Financial Plan for 2022/23 to 2025/26,
- A recognition that the level of reserves and corporate risk assessment need to be regularly reviewed in the light of changing circumstances and that it needs to show a commitment to maintain reserves at a level which provides adequate cover for most identified risks during the planning period. This approach is pragmatic, and shows a clear commitment to prudent contingency planning. It must be noted however, that the recommended levels of reserves could still leave the council exposed to the very exceptional risks identified in this review and, if all those risks crystallised, then the total level of reserves could be inadequate;
- Directors and managers not exceeding their ongoing operational allocated base budgets for 2021/22;

- Taking every opportunity to ensure that underspends or favourable windfall variances are fed into the council's bottom line as a first call rather than be used for alternative purposes within the service, thereby ensuring a one-council approach to financial management and a more strategic use of resources to meet the council's Corporate Plan aims;
- Not considering further calls on reserves other than for those risks that have been identified, those that could not have been reasonably foreseen and that cannot be dealt with through management or policy actions. Any excess reserves should be targeted towards business transformation, asset management and invest to save initiatives, economic recovery following the pandemic or to smoothing reserves to mitigate further risks associated with current issues such as demand-led pressures and broader economic impacts.
- That the council has arrangements and resources in place to **consider value for money in preparation for future years' budgets.**

B Adequacy of Reserves

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

- An absolute minimum level of unallocated reserves within the general fund working balance of £9 million is maintained throughout the period between 2022/23 to 2025/26;
- An optimal general fund working balance level of £11 million over the period 2022/23 to 2025/26 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances;
- A maximum recommended level of unallocated reserves within the general fund working balance of £14 million for the period 2022/23 to 2025/26 to provide additional resilience to implement the Medium Term Financial Plan;

The council's general fund working balance at 31 March 2022 based on current projections is £9.053 million. Therefore:

- The absolute minimum level of reserves of £9 million is currently being achieved;
- The optimal level of reserves of £11 million criteria is achievable for 2022/23, if departments spend against budget as currently projected, the impacts of the Adult Social Care Reforms are fully funded by government funding, and there is no call on the council's contingency budget;
- The maximum level of reserves of £14 million is not being exceeded;
- Reserves should remain within the recommended range of reserves during 2021/22, and no transfers out of the general fund working balance should be made.

These recommendations are made on the basis of:

- The risks identified by the Chief Executive and Directors reviews of their budgets;
- My own enquiries during the development of the current budget proposals;
- The resilience and sustainability required to deliver the Medium Term Financial Plan;

- That the general fund working balance reserves in 2022/23 and the foreseeable future are used only if risks materialise and cannot be contained by management or policy actions.
- That where reserves are drawn down, the level of reserves is maintained in line with the latest Medium Term Financial Plan.

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

- The continuation of the Covid-19 pandemic together with no further allocations of government funding, compared to those received in the current financial year.
- The potential for unforeseen and material remediation works relating to the council's owned infrastructure issues;
- Ongoing and sustainable provision within the market to cover the social care requirements;
- Other material contract failures or changes;
- Additional financial implications from the Social Care Reforms, other welfare reform changes or updates to associated Housing legislation;
- The increasing cost and demand pressures for adult and children social care;
- Failure to provide a permanent funding solution in respect of the overspending and pressures within the High Needs Block of the Dedicated Schools Budget;
- The risk surrounding the non-delivery of savings and exceeding investment proposals within the budget package for 2022/23;
- Material insurance claims;
- The extreme financial issues for the public sector arising from the prevailing and continuing national and local conditions;
- Significant changes in the assumptions supporting the delivery of capital investment plans, whose funding may be linked to funding streams such as asset sales or capital receipts;
- The risk of significant reductions in both locally generated income and also government grant funding, particularly in relation to:
 - Sustainable growth and / or decline in the council's tax base and business rates base;
 - Ongoing business rates appeals from the last revaluation;
 - The local council tax support scheme with reduction in subsidy funding and no protection for caseload increases;
 - Further changes to the way in which local government is financed by government particularly with any changes to the business rates retention scheme;
 - Future government changes in policy and funding for local government, particularly the unknown impact of the fair funding review and levelling up agenda;
- The need to address the country's ongoing Public Sector Borrowing Requirement (PSBR), the structural financial deficit or inflationary impacts, all of which may result in significant changes to interest rates.
- Further changes to Public Sector Borrowing permissions which are likely to arise through updates to the Prudential Code and other capital financing regulations, which place restrictions on the council's ability to borrow in order to fund its investment plans.

C Capital Planning

In relation to the Capital Programme 2021/22 to 2025/26 (including commitments from previous years and new approvals):

- The capital budgets are based on the best information available in terms of project costs.
- The council has established a Major Projects Capital Delivery Team within the Place Directorate who have the required skills and experience to deliver significant infrastructure projects on time and on budget, and which demonstrate value for money;
- The council has also introduced new Capital Programme Planning and Delivery board to oversee and manage all aspects of capital spending, approvals and performance
- New processes are currently being introduced which will require project managers for all schemes to provide a monthly forecast of planned spending, along with a highlight report at least once a quarter. The monitoring of all schemes will be reviewed by the Capital Programme Planning and Delivery although more intense scrutiny will be applied to schemes above a range of financial thresholds. Details of the council's 'strategic' schemes will be shared with Members who sit on the Strategic Capital Delivery Board;
- Whilst there is currently less certainty around the actual phasing of planned expenditure as this can fluctuate, this will be monitored and developed throughout the year to understand associated cash-flows and assess whether any re-phasing across financial years may need to be carried out;
- The council operates a rolling capital programme which means that changes and additions can be reflected on an ongoing basis, subject to the relevant approvals;
- That the funding identified for the approved capital programme has been assessed as being prudent, affordable and sustainable.

In relation to the medium to long term Capital Programme:

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

D Assurance

Given all these factors, I, as the council's Section 151 Officer, consider the estimates for 2022/23 to be sufficiently robust for approval by the council. I am also able to advise the council that the level of general fund revenue reserve is adequate and to recommend a Reserves Strategy which is achievable during 2022/23.