

# North Somerset Council

## Report to the Place Panel

**Date of Meeting: 10 March 2022**

**Subject of Report: Place Finance Update**

**Town or Parish: All**

**Officer/Member Presenting: Finance Business Partner (Place)**

**Key Decision: No**

## Recommendations

That the Panel notes the current forecast against budget for Place and the medium-term financial position.

### 1. Summary of Report

- 1.1 This report summarises and discusses the current forecast against budget for Place, highlighting key variances. It builds on the information received by the Executive at its meeting on 2 February 2022.
- 1.2 The overall projected year end position for Place, as at the end of month 9, is a **£1.384m** overspend on a net budget of £29.870m.
- 1.3 The directorate has been significantly impacted by the Covid-19 pandemic which currently represents £0.844m of the overspend, with £0.541m relating to non-Covid operational impacts.
- 1.4 The position has improved from the £1.856m overspend reported to the panel as at the end of month 5.
- 1.5 The council has been allocated a one-off grant by the government which it can use to fund Covid related impacts which may arise during the year. The council will release a proportion of this funding to offset the Covid reported pressures.
- 1.6 Since this funding is one-off, some of the impacts which are likely to be sustained into future years have been recognised within the 2022/23 budget as growth in order to ensure we are setting a robust budget, the most significant impact has been a reduction in parking income at station carparks and on-street in Weston-Super-Mare.
- 1.7 An additional £1.365m of savings have been proposed as part of the 2022/23 medium-term financial plan.

## 2. Policy

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

## 3. Details

### 3.1 Budget Monitor

The overall forecast for the Place directorate is a net over spend of £1.384m. The directorate is still being significantly impacted by the Covid-19 pandemic which currently represents £0.844m of the latest variance, with forecasts showing that £0.541m relates to non-covid operational impacts.

The table below shows the net projected variance by service within the directorate:

PLACE DIRECTORATE	Net Budget	Net Projected Outturn	Net Projected Variance
	£	£	£
Environment and Safer Communities	12,351,470	12,417,436	65,966
Operations Management & Support Services	0	0	0
Highway & Parking Operations	2,733,619	3,069,721	336,102
Highway Technical Services	(63,895)	(32,381)	31,514
Libraries & Community	2,029,243	2,208,187	178,944
Open Space, Natural Environment & Leisure	3,179,906	3,267,797	87,891
Regulatory Services	(547,410)	(578,725)	(31,315)
Transport Planning	7,716,571	8,164,391	447,820
<b>Neighbourhoods &amp; Transport</b>	<b>27,399,504</b>	<b>28,516,427</b>	<b>1,116,923</b>
Property Asset & Projects	(84,017)	(35,588)	48,429
Recharges - Property Assets & Projects	0	0	0
Economy	552,435	509,044	(43,391)
Major Infrastructure Projects	0	0	0
Major Projects	(102,251)	(227,344)	(125,093)
Placemaking & Development	857,801	825,195	(32,606)
Planning Service	645,451	856,910	211,459
<b>Placemaking &amp; Growth</b>	<b>1,869,418</b>	<b>1,928,216</b>	<b>58,798</b>
Place Directorate Management	300,137	606,621	306,484
Place Central Recharges	232,000	134,174	(97,826)
<b>Directorate Overheads</b>	<b>532,137</b>	<b>740,795</b>	<b>208,658</b>
<b>Special Expenses</b>	<b>69,410</b>	<b>69,410</b>	<b>0</b>
<b>Overall Total</b>	<b>29,870,469</b>	<b>31,254,848</b>	<b>1,384,379</b>

The main areas of pressures are:

- Home to Schools Transport demand and market costs £610k
- Shortfall of Parking income £587k
- Shortfall of Planning income £286k
- Other income shortfalls £416k
- Mothball costs associated with Churchill Leisure Centre £65k

These are offset by:

- Staffing vacancies
- Street Lighting Energy savings

### 3.2 Medium Term Financial Planning and 2022/23 Budget

The 2022/23 budget approved by Full Council on 15 February includes the following key items:

#### Planned Additional Spend:

2022/23 Spending Pressures	£'000
Major contract inflation	460
Demand Pressures Home to School Transport	300
Re-base parking income budget	650
Funding for Ash Die-back action Plan	250
Energy Inflation	162
Leisure budget pressure	100
<b>Total</b>	<b>1,922</b>

In order to ensure the 2022/23 budget is robust a number of issues within the Place directorate needed to be addressed to ensure the issues are not carried forward into 2022/23. The two main legacy issues are as follows:

#### Home to School Transport

There is significant pressure on the Home to School Transport budget in 2021/22, the reported variance at month 9 is £0.472m however it should be noted that some one-off funding has been supporting the service in the current year so the variance is likely to increase in 2022/23.

The additional funding included in the 2022/23 budget is likely to be insufficient to address the budget pressures alone, the service are looking at a number of transformational projects to try and mitigate the growing financial pressure.

The pressure is arising from an increase in demand for special educational needs (SEND) transport and an increase in market costs due to market failures and the driver shortages.

#### Parking Income

The parking income shortfall in 2021/22 is estimated to be £0.718m, in order to ensure the income budget is set at an achievable level additional budget has been approved to reduce the budget to match the forecast income for 2022/23 and future years.

## **Planned Additional Savings:**

The savings approved as part of the 2022/23 budget are detailed in appendix two.

The proposals are focused on protecting core front line services where possible and support the delivery of Corporate Plan priorities.

Themes include:

- Reflecting reduced demand in some areas within the budget
- Reviewing delivery models to make financial efficiencies
- Maximising Income

## **Future Financial Year**

The current forecast position for the Council for the medium term, indicates a potential budget gap of close to £9m in each of the years 2023/24 and 2045/25.

The Place Directorate has started planning early for those years looking to use the transformation programme to support the medium-term financial plan.

### **3.3 Risks**

There are several financial risks in the Place budget, the key ones are as follows:

- Home to school transport demand continue to increase over and above the allocated additional budget within the 2022/23 budget
- The continued impact of covid-19 on services for example Leisure
- The impact of covid-19 on public transport once covid funding ceases in April 2022
- Risks arising from the shortfall of HGV driver
- Waste disposal costs are increasing due to increased volumes of waste
- Income losses across the directorate could be sustained and not recover post pandemic
- Inflation across all services, currently higher than budgeted
- Capacity to deliver transformation and MTFP savings

## **4. Consultation**

Not applicable.

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

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

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

## **8. Risk Management**

See paragraph 3.3.

## **9. Equality Implications**

There are no specific equality implications with regard to the recommendations contained within this report.

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

## **10. Corporate Implications**

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**

Not applicable

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### **Appendices:**

# Appendix 1 – Financial Overview Place Directorate

## FINANCIAL OVERVIEW OF THE PLACE DIRECTORATE AS AT 31 DECEMBER 2021

Directorate Summary					
	Original Budget 2021/22 £000	Virements £000	Revised Budget 2021/22 £000	Projected Out-turn 2021/22 £000	Projected Out-turn Variance £000
- Gross Expenditure	53,987	7,866	61,853	65,434	3,581
- Income	(21,014)	(5,036)	(26,051)	(28,091)	(2,040)
- Central Recharge Recoveries	0	0	0	0	0
- Transfers to / from Reserves	(3,408)	(2,524)	(5,932)	(6,089)	(157)
<b>= Directorate Totals</b>	<b>29,565</b>	<b>305</b>	<b>29,870</b>	<b>31,254</b>	<b>1,384</b>
				Projected Out-turn Variance	4.63%
- Neighbourhoods & Transport	27,259	141	27,400	28,516	1,117
- Placemaking & Growth	1,741	129	1,869	1,928	59
- Directorate Overheads	496	36	532	741	209
- Special Expenses	69	0	69	69	0
<b>= Directorate Totals</b>	<b>29,565</b>	<b>305</b>	<b>29,870</b>	<b>31,254</b>	<b>1,384</b>
				Projected Out-turn Variance	4.63%

### Extract showing material variances compared to the revised budget

Service area and projected budget variance	Revised Budget 2021/22 £000	Projected Out-turn 2021/22 £000	Projected Out-turn Variance £000
<b>Environmental Services &amp; Enforcement</b>			
MTFP DE16 Litter enforcement - contract income not expected in 2021/22	(30)	(2)	28
Safer Community Services - CCTV (includes historical £95k budget saving)	243	325	82
Mitigated by one-off use of earmarked reserves	0	(50)	(50)
<b>Highway &amp; Parking Operations</b>			
<b>COVID Income related income losses:</b>			
On-street parking (WSM)	(895)	(556)	338
On-street parking (Leighwoods)	(198)	(17)	182
Off-street parking	(1,722)	(1,453)	269
Civil Parking Enforcement	(657)	(579)	79
Seafront parking	(669)	(818)	(150)
Mitigated by Q1 Sales, Fees & Charges claim		(140)	(140)
Highway Electrical & ITS (prudential borrowing charge - budget will be required for 2022-23)	243	162	(82)
Highway Electrical & ITS - Saving expected on Street lighting energy costs	470	360	(110)
Highway Network & Traffic Management - expected to exceed income target (net expenditure position)	(81)	(200)	(119)
Materials testing Lab - expected shortfall on external fee income (net expenditure position)	(97)	9	106
<b>Open Space, Natural Environment &amp; Leisure</b>			
<u>Leisure:</u>			
Loss of income from Leisure Contracts	(417)	0	417
Agreed mitigation: planned use of reserves	0	(343)	(343)
Mitigated by Q1 Sales, Fees & Charges claim	0	(74)	(74)
Covid Leisure Grant - Receipt of income	(316)	(316)	0
Covid Leisure Grant - Payments to Providers	316	316	0
Churchill Sports Centre - additional costs associated with the closure	0	65	65
Other Leisure Impacts - inc NNDR charge not due for 2021-22	68	(65)	(133)
<u>Parks &amp; Seafront:</u>			
Shortfall in Concessions income - new concessions and closure of existing concessions	(408)	(354)	54
Bay Cafe - COVID related income losses (net of SFC claim and provisions saving)	(276)	(137)	139
<b>Transport Planning</b>			
<u>Home to Schools Transport (HTST):</u>			
Home to School Transport	4,281	5,138	857
Use of ZXB380 Home to School Transport Pressures	0	(185)	(185)
Draw down of S106 funding	0	(214)	(214)
Covid HTST Grant - Receipt of income	(414)	(371)	43
Covid HTST Grant - Payments to Providers	414	371	(43)
<u>Public Transport &amp; Sustainable Travel:</u>			
Increased cost of Public Transport, Bus Services & Concessionary Fares (ticketing income shortfall)	2,325	2,300	(26)
Bus Lane Enforcement (Scheme Delayed until 2022-23)	(20)	0	20
Bus Services Improvement Plan	163	163	0
Bus Services Improvement Plan - grant received	(163)	(163)	0
Covid Bus Services Grant - Receipt of income	(108)	(101)	7
Covid Better Deal for Users Grant - Receipt of income	(134)	(134)	0
Covid Active Travel Grant - Receipt of income	(95)	(95)	0
Covid Active Travel Grant - Initiatives and costs	95	95	0

**Extract showing material variances compared to the revised budget (contd)**

Service area and projected budget variance	Revised Budget 2021/22 £000	Projected Out-turn 2021/22 £000	Projected Out-turn Variance £000
<b>Libraries &amp; Community</b>			
Shortfall in Libraries income (could be COVID related)	(158)	(132)	26
Shortfall in Campus income - reduced internal meetings / more virtual	(179)	(120)	59
Shortfall in Campus income - external income, after cost reductions and Covid S,F&C	(153)	(94)	60
Shortfall in Somerset Hall income - used as a testing site, net of S,F&C	(97)	(47)	50
<b>Placemaking &amp; Development</b>			
<u>Events:</u>			
Shortfall in Events income (incl Tropicana) - Covid related, net of S,F&C	(268)	(237)	31
<b>Planning Service</b>			
Planning income (net of refunds) - early year peak not sustained, recovery to budget target less likely	(1,560)	(1,299)	261
<b>Directorate Salary Position</b>			
Shortfall on salary recharges to the capital programme	(3,086)	(2,216)	870
Mitigated by salary underspends (£687k relates to the capital projects delivery teams)	16,721	15,681	(1,041)
Property Assets & Projects team consultancy costs off-set by salary underpend	0	123	123
Mitigated by one-off use of reserves	0	(80)	(80)
Place COMF staff recharges	0	(101)	(101)
Use of S38 income reserve	(68)	(68)	0
<b>Sub total - material budget variances</b>			<b>1,274</b>
Other minor variations to the budget			110
<b>= Directorate Total</b>			<b>1,384</b>

## Appendix 2 – Saving Proposals 2022/23

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