

North Somerset Council

Report to the Executive

Date of Meeting: 27 April 2022

Subject of Report: Month 10 Budget Monitor & Financial Update

Town or Parish: All

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

Key Decision: Yes

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

Recommendations

The Executive are asked to;

- i. Note the projected revenue and capital budget forecasts as detailed within the report
- ii. Approve the amendments to the capital budgets as detailed within Appendix 4
- iii. Agree receipt of two additional contributions from the Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group (CCG) to the Integrated Care S256 agreement of £1.223m and £360k respectively and approve that the relevant budgets are increased in line with the proposed spend as required, and as outlined in paragraph 3.5.1
- iv. Agree receipt of £2.472m from the CCG in relation to the Healthier Together Matched Funding S256 agreement, and approve that the relevant budgets are increased in accordance with the details in paragraph 3.5.2 as required
- v. Delegate approval to the Directors of Place and Corporate Services to submit an Investment Plan to the Government in respect of the UK Shared Prosperity Fund

1. Summary of Report

This report provides a summary of the council's integrated revenue and capital financial position after the first ten months of the 2021/22 financial year and includes details relating to key issues, known pressures as well as the potential risks that have been identified at this point in time.

2. Policy

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

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

3. Details

3.1. Introduction and context

This is the latest in a series of financial reports which have been considered by the Executive during the year. Previous reports have provided an overview in terms of the size, shape and content of the council's revenue budget and spending plans, as well as details of potential risks and opportunities that have affected the council over recent months. This report provides a further update and advises on the latest forecasts, which look ahead to the end of the financial year.

3.2. Revenue budget summary

Shown below is a summary of the council's forecast year end position after the ten months to January 2022, using the information provided by budget managers from across the council. The projected forecasts do contain both Covid and non-Covid impacts, and further information on any material items has been included throughout the body of the report as well as within the statements from each directorate attached at Appendix 2.

Revenue Budget Monitoring Summary 2021/22					
	Original Net Revenue Budget £000	Month 10 Forecast			
		Budget Share %	Revised Revenue Budget £000	Projected Out-turn £000	Projected Variance £000
Service Expenditure Budgets					
Adult Social Services	67,905	38.3%	67,960	69,123	1,164
Children's Services	26,512	15.4%	27,270	26,472	(798)
Corporate Services	25,739	13.9%	24,703	24,509	(194)
Place	29,565	16.9%	30,020	31,289	1,269
Public Health & Reg Services	911	0.5%	919	919	0
Capital Financing	10,674	6.0%	10,674	10,673	(1)
Other Non Service Budgets	16,118	8.9%	15,878	15,307	(570)
Use of Covid Funding	0	0	0	(950)	(950)
Total Net Revenue Budget	177,423	100.0%	177,423	177,344	(80)
General Fund Financing Budgets	(177,423)		(177,423)	(177,423)	0
NET REVENUE BUDGET TOTALS	0		(0)	(80)	(80)

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

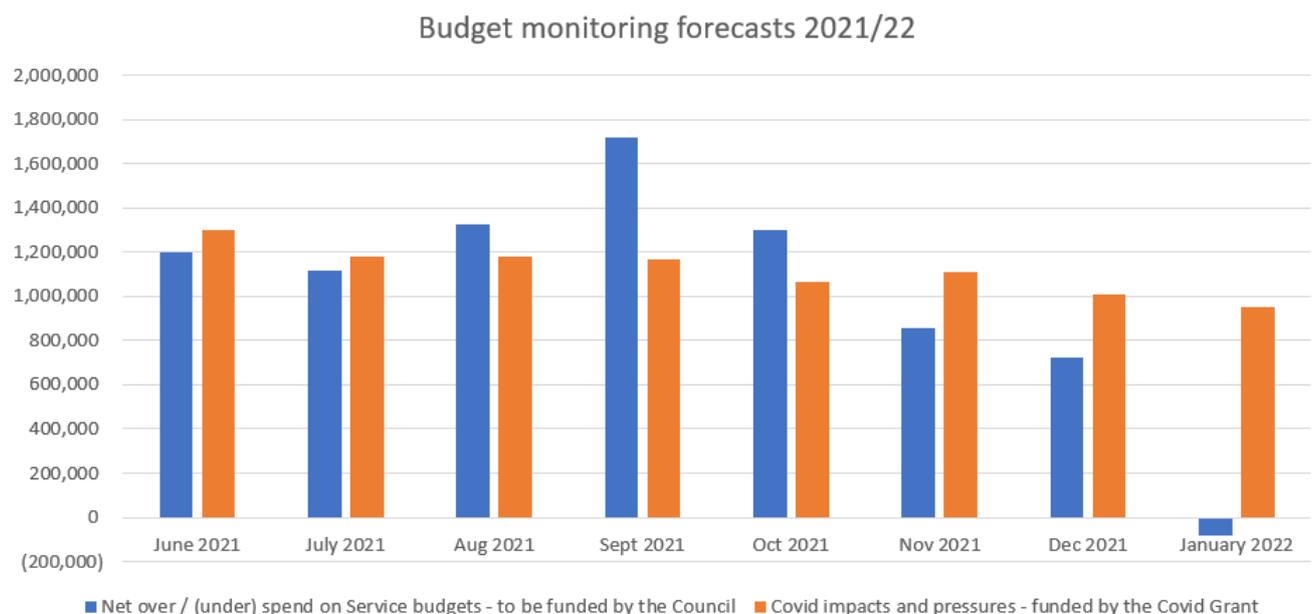
Key messages and headlines which can be taken from the table above are;

- The amount of money the council has to spend during the year totals £177.423m (blue shaded column)
- The latest assessment indicates that the council will spend £177.344m on delivering its services, which is slightly **less** than the resources it has available (yellow shaded column)

This means that if the projections remain unchanged for the rest of the year, then the council will have achieved a small **under spend** on its overall budget of **£80,000**, which is an excellent outcome given the challenges faced by many services over recent months.

As noted above, the financial position includes a range of impacts that relate to Covid and these will be funded from the one-off grant given by the Government at the start of the year. The latest forecast in the table above shows that the council will utilise £950k of the grant.

The chart below shows how the council has continued to monitor and update its financial forecasts throughout the year, both in terms of Covid and Non-Covid impacts. The blue shaded bars on the chart reflect the variance on the council’s core budget, as a result of delivering services to the public, and the orange shaded bars reflect the financial impacts that primarily relate to Covid.



Officers across the council have worked hard over recent months reviewing all areas of the budget to identify mitigations which can be used to offset the pressures faced in other services, many of which have arisen because of increased levels of demand.

As can be seen from the chart, Covid impacts have been harder for the council to mitigate, as they are often relating to circumstances outside of the council's control. This is recognised by the Government who have provided a specific grant to fund these items.

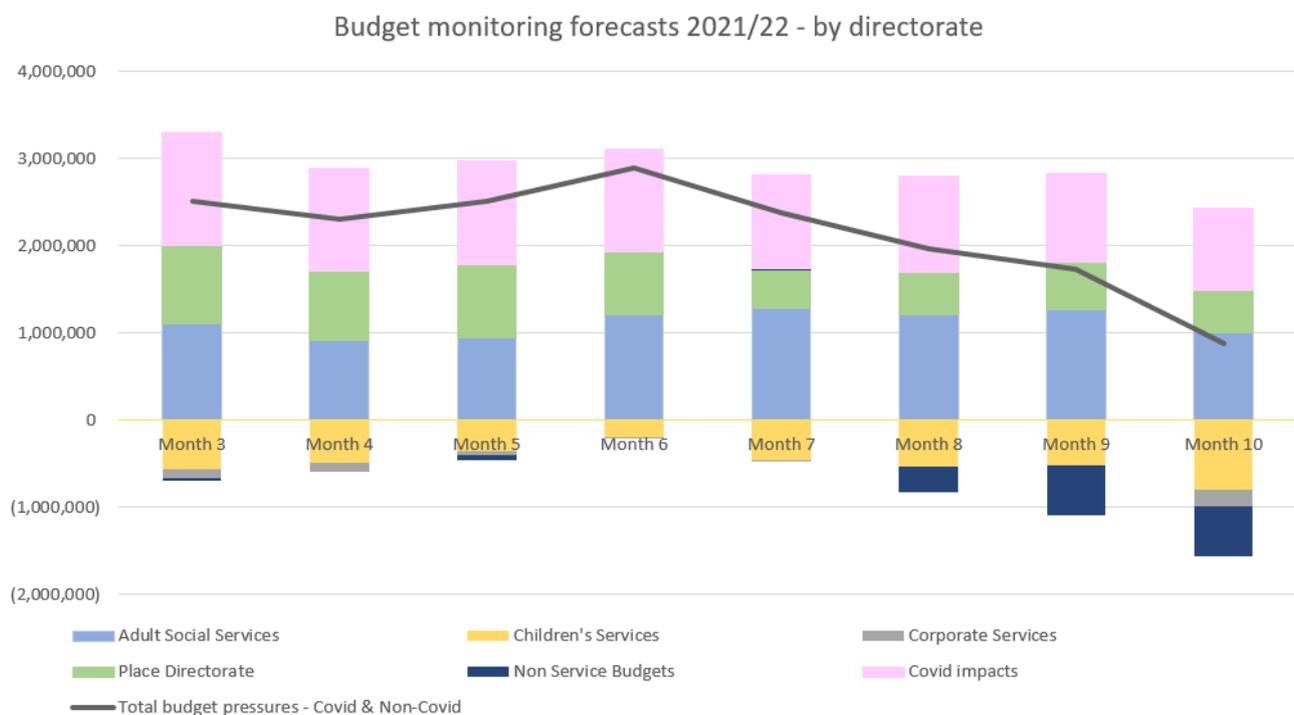
3.3. Significant budget variances

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

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

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

The chart below shows the budget monitoring forecasts that have been made by directors over the course of the year, including those impacts which have arisen as a result of Covid.



Given the scale and breadth of services provided by the council, as well as the complexity of its financial arrangements, the council's budget monitoring assurance framework focuses on exceptions, i.e. whilst the council reviews all areas of its budget performance, it only actively reports on those areas of the budget that are shown to have a material difference when compared to the budget that was approved for the year.

This way budget managers, senior leaders and Members can review any service areas which could potentially provide an opportunity or a concern, depending on the type of variance being reported.

An extract of the monthly reporting information from each Director is included within this report and can be found in **Appendix 2**. Each of these summaries provide;

- an overview showing the total budget delegated to each director,
- how this budget has been allocated across different services,
- a forecast of how much the relevant director will spend on service delivery by the end of the year,
- a listing of any material budget variances that are projected to occur

When directors review the lists of budget movements within their reports, care is taken to highlight and assess which of these issues are likely to be one-off in nature and which may continue to be a feature in future years. These ongoing pressures are fed into the council's medium term financial planning processes meaning that they are considered within the context of understanding and approving budget plans for future years.

A summary of the largest variances or notable issues which have arisen during the current financial year, and which are included within the directors' reports, are listed below. Many of these issues have been described in detail in previous reports or are being actively considered by the relevant policy and scrutiny panel as part of their annual work-plans.

£m	Significant or notable budget variance
2.00	Individual care and support packages within Adult Social Care
-0.70	Reductions in Adults Commissioning and Service Delivery costs
0.80	Supporting children with Disabilities and Community Support packages
-1.40	Placement costs for children looked after
-0.40	Increased income and reduced costs for Office Accommodation
0.60	Shortfall in parking income
0.30	Shortfall in planning income
0.20	Shortfall in seafront income (concessions and café)
0.70	Increase in Home to School Transport costs (non-covid)
-0.30	Contributions from S106 agreements to fund HTS Transport costs
-0.90	Use of the council's Covid grant
-0.60	Release of the council's contingency budget
-0.38	Other minor variations across all areas of the council's budget
-0.08	Total forecast under spend

Monitoring also shows that the deficit on the Dedicated Schools Grant budget is predicted to increase by £5.4m by the end of the year, to a revised balance of £12.6m.

3.4. Capital budgets

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

Appendix 3 provides details of all schemes currently included within the latest programme – the summary shows that the overall programme totals £296m. Resources have been allocated for each of the schemes within the programme and records show that £204m will be financed by external grants and contributions, £78m by borrowing and the remaining £14m by other council resources, such as capital receipts and reserves.

Appendix 4 summarises the changes which have been reflected within the programme during the current financial year, which require approval from the Executive. A small number of these changes have been the subject of individual reports to the Executive in recent months due to their scale, whilst others of a smaller scale have been through the director or section 151 governance decision making process in accordance with financial regulations. A full list of all changes to the capital programme is therefore included within this report for completeness.

3.5. Section 256 agreements with the Clinical Commissioning Group

3.5.1. S256 – Integrated Care

In March 2021, the Bristol, North Somerset and South Gloucestershire (BNSSG) Clinical Commissioning Group (CCG) entered into a S256 agreement with the council and subsequently transferred an amount of £4.840m which was to be spent on system wide projects to improve integrated care and, in particular to support the change to hospital discharge arrangements.

So far, £700k of this funding has been drawn down and the following schemes have been approved for delivery;

- Children’s Services - £210k - PAUSE Project - to provide support to parents at risk of having multiple children brought into care,
- Children’s Services - £95k - Autism Intensive Service - support where a young person’s behaviour is causing significant problems, such that they are at high risk of home breakdown and/or social exclusion resulting in a Tier 4 admission or an out of area residential referral,
- Adult Social Care - £241k - Intensive Positive Behaviour Support Service - a person centred, evidence-based framework for supporting people with learning disabilities and autism with behaviour that is viewed by services to challenge,
- Public Health - £154k - Population Health Management - a project that will use data to help health and care systems to improve population health and wellbeing

In addition to these individual schemes, some of the funding will support in-year spending on the new reablement service, ahead of it being funded recurrently by the CCG from 1 April 2022, as part of the Discharge to Assess Business Case. The reablement service costs will be finalised as part of the 2021/22 accounts closure process but is expected to be in the region of £200k.

The unspent balance from the S256 agreement, i.e some £3.9m, will be transferred into an earmarked reserve at the end of the financial year for spending in future years, largely on the risks and costs associated with the Discharge to Assess Business Case.

March 2022 update – in addition to the original commitment of £4.840m, the CCG has also set aside amounts of £1.223m and £360k, which will be transferred to the council following an amendment to the S256 agreement.

The £1.223m is transferred on the basis that it is spent on social care projects that have health benefits. The initial indicative spending proposals, which are subject to minor change, are shown in Appendix 5.

The £360k is intended to top up the original fund and held in relation to risks associated with the delivery of the Discharge to Assess Business Case and spend across the health and social care system.

3.5.2. S256 – Healthier Together Matched Funding

The CCG has also agreed to transfer £2.472m to the council under a new S256 agreement, with the funding to be spent on improving health and wellbeing. The council will match fund the commitment from a combination of newly earmarked reserves, MTFP budget growth and existing revenue budgets.

The schemes approved by Healthier Together for delivery in North Somerset are shown in Appendix 5.

Again, any unspent sums will be transferred into a series of earmarked reserves so that they are ring-fenced to support agreed spending plans in future years. The council's budgets will be grossed up at that point to allow spending to be incurred within the usual governance processes.

3.6. UK Shared Prosperity Fund (UKSPF)

The UK Shared Prosperity Fund is a central pillar of the UK Government's Levelling Up agenda and will provide £2.6 billion of new funding for local investment by March 2025. Monies will be used to support the vision and objectives for Levelling Up which are to;

- Boost productivity, pay, jobs and living standards, especially in those places where they are lagging,
- Spread opportunities and improve public services, especially in those places where they are weakest,
- Restore a sense of community, local pride and belonging, especially in those places where they have been lost, and
- Empower local leaders and communities

It is proposed that local authorities in all areas of the UK will receive an allocation from the Fund over the next few months via a formula allocation, rather than receive funding through a competitive bidding process. Whilst no details have been provided, it is estimated that the council's share could potentially be in the region of £3m. This allocation will provide a mixture of both revenue and capital funding to invest in local priorities.

To access allocations local councils will be required to set out the measurable outcomes that they are looking to deliver, and what interventions they are choosing to prioritise within an Investment Plan, which will need to be submitted to the Government for approval.

Investment plans will be grouped into three priorities; communities and place, local business and people and skills, which will build pride in communities, support high quality skills training and also support pay, employment and productivity growth. Councils will be required to sign up to indicators so that outcomes can be monitored and assessed.

The Government is currently within the pre-launch phase of the UKSPF which means that not all details have been confirmed however indicative timelines and stages are as follows;

- End of March / April – Fund launch - local authorities will be advised of indicative allocations covering the period 2022 to 2025
- April – June – local authorities will be required to submit its Investment Plan to the Government for consideration
- Summer – confirmation of funding following approval of Investment Plans

The council's constitution requires funding bids to be approved prior to their submission although in this case the early guidance indicates that an indicative funding allocation will be provided to the council, meaning that a bid is not required.

However, to be successful the council will be required to submit an Investment Plan to the Government during a short window during the late Spring / early Summer period for their consideration and approval. The Director of Place will lead on developing the Plan for the council, in conjunction with the Director of Corporate Services, who is the council's Section 151 Officer and leads on developing the council's capital strategy and it is recommended that they be delegated approval to submit the council's Investment Plan to the Government within the required timeframes.

A further report will be brought back to the Executive to share details on the subsequent stages and outcomes associated with the UKSPF.

4. Consultation

The report has been developed through consultation with the council's corporate leadership team, and also with each of the departmental leadership teams, although additional consultation has been undertaken with other stakeholders, such as the CCG.

Consultation will be undertaken with Members of the Executive and other relevant stakeholders in respect of the UK Shared Prosperity Fund investment plan priorities.

5. Financial Implications

Financial implications are contained throughout the report.

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

6. Legal Powers and Implications

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

7. Climate Change and Environmental Implications

There are no direct or specific climate change and environmental implications associated with the recommendations within this report although these remain an important factor in many areas of the council's operational arrangements, and therefore climate and

environmental factors and implications are integrated within the revenue and capital budgets.

8. Risk Management

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

- Risk that we are unable to deliver the priorities of the council by not planning to meet the Medium-Term financial challenge.
- Risk that we do not manage budgets effectively in-year, including by not implementing and delivering the savings or transformational projects required to meet the financial challenge.

The council's Corporate Leadership Team regularly review the budget monitoring forecasts as well as significant risks which may emerge from within directorate risk registers or operational activities, which may also have a financial consequence. Since the start of the pandemic the council has focused attention on risks associated with maintaining delivery of front-line services and also supporting providers who have been operating within challenging circumstances.

However, in recent weeks the council's risk register has been updated to reflect more inflationary factors that being driven by the wider economic uncertainty and so further works are being planned to model a range of scenarios in respect of inflation on pay, energy and contracts so that the council can better understand the risks and provide appropriate mitigation.

9. Equality Implications

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

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

10. Corporate Implications

The Corporate Plan and MTFP, along with the supporting financial monitoring processes and performance management framework are vital tools to help align effort across the organisation and ensure that services are all are focused on delivery to agreed community and organisational priorities.

With continuing financial pressures and demands for services, it is essential that the councils' limited resources continue to be prioritised and allocated in line with the identified priorities. The Corporate Plan continues to be reviewed in the light of emerging risks and pressures and steps are being taken to assess timeframes and monitor key outcomes.

11. Options Considered

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

Authors:

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

Appendices:

Appendix 1	Revenue budget summary for 2021/22
Appendix 2	Financial commentaries from each director
Appendix 3	Capital budget monitoring for 2021/22
Appendix 4	Schedule of capital budget virements – to be approved
Appendix 5	Summary of spending proposals for S256 agreements

Background Papers:

Exec Report- February 2021, Medium Term Financial Plan and Revenue budget update
Council Report- February 2021, Council Tax Setting
Exec Report- September-February 2022, Budget Monitor Months 4 and 5, 7 & 9