

North Somerset Council

Report to the Council

Date of Meeting: 10 January 2022

Subject of Report: MTFP & Revenue Budget Update

Town or Parish: All

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

Key Decision: N/A

Reason: Not an Executive Decision

Recommendations

1. Council is asked to note the updated revenue budget assumptions included within the Medium Term Financial Plan (MTFP) for the period 2023-2027 as detailed within the report and also the revised budget gap of **£2.536m**.
2. Council is asked to grant approval for the S151 Officer, in consultation with the Executive Member for Corporate Services, to review the council's reserves and identify sums which could be considered for reallocation and used as part of the Council's Safety Valve funding settlement discussions.

1. Summary of Report

This report provides a further update with regards to the assumptions that underpin the council's medium term financial plan (MTFP) modelling, which covers the 4-year period to 2026/27, with significant focus on being able to deliver a balanced budget for the 2023/24 financial year.

Previous reports on the MTFP have been considered by the Executive and the latest update in December 2022 advised that significant progress had been made to reduce the budget shortfall by developing a range of strategies and savings proposals for inclusion within the draft budget plans. This work resulted in the budget shortfall for 2023/24 reducing from over £17m, to £4.1m at that time.

Further work has been carried out over recent weeks to review and update core assumptions within the financial modelling that are linked to both the impacts associated with Autumn Statement and also the provisional Local Government Finance Settlement, as well as to identify additional measures which could be used to close the budget gap for next year.

The council recognises the need to share material changes in the council's financial plans and so this report outlines proposed changes to spending pressures, funding assumptions and savings plans, all of which will feed into draft budget for 2023/24.

The report advises that the revised budget gap for next year has further reduced from £4.111m to **£2.536m**.

2. Policy

The council has a net revenue budget of £185m for 2022/23, which is supported by a rolling MTFP process. It also has a capital investment programme for the period 2022-2027 which totals c.£340m, which is based on the needs and ambitions described within the Capital Strategy.

The council's MTFP supports the on-going provision of services for the people of North Somerset, within the context of the priorities for the area, as set out within the approved Corporate Plan. It identifies the likely costs and pressures that the council will face and compares these against the anticipated income and resource allocations over the period. The MTFP integrates a range of financial strategies and highlights the key risks inherent within our budget planning processes.

There is a legal requirement to prepare and approve a robust revenue budget for the 2023/24 financial year, along with relevant council tax bandings and rates. Ultimately the MTFP will work towards delivering these outcomes and will culminate in draft balanced budget being considered by the Executive in February before being recommended onto Council for approval later that month.

3. Details

3.1. Latest budget projections for 2023-2027

Over recent weeks the council has updated its financial modelling across the medium term and the table below shows that the budget gap across the 4-years is now £31.542m, with **£2.536m** of this relating to the budget for 2023/24.

MTFP FINANCIAL SUMMARY	MTFP - JANUARY 2023				
	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
- Resources - Grants, Council Tax & Business Rates	179,090	198,920	203,161	207,198	213,552
- Current Budget - base spending position	171,317	179,090	198,920	203,161	207,198
- Budget pressures, increased spending and investment plans	16,396	34,955	18,389	13,982	14,221
- Remove Covid & other one-off impacts	-4,466	-1,553	0	0	0
- Savings proposals and increased income	-4,157	-11,036	-1,693	-572	-690
- Revised Spending Base	179,090	201,457	215,616	216,571	220,729
- Budget Gap / Surplus	0	-2,536	-12,456	-9,373	-7,177
			-31,542		
Core Assumptions for Council Tax Increase:	2.99%	2.99%	2.99%	2.99%	2.99%
- North Somerset Council Services	1.99%	1.99%	1.99%	1.99%	1.99%
- Adult Social Care Precept	1.00%	1.00%	1.00%	1.00%	1.00%

Revised forecasts are described throughout the report and include the impacts and changes that have arisen from a variety of sources. For example they include; the ongoing release of inflationary indices, updated demand forecasts from service areas, the Autumn Statement and also the release of the provisional Local Government Finance Settlement. Each of these data sources provides clarity to specific areas within the budget and helps provide assurance that the council's financial planning assumptions are robust and supported by evidence.

The report also includes details of the actions and measures that have been taken to reduce the budget gap, through a combination of reduced spending, increasing income or by introducing new savings proposals into the budget. The following sections have therefore grouped the material budget changes into these themes so that it is possible to understand the core assumptions within the latest modelling.

3.2. Update on spending pressures

The table below shows the additional spending of nearly £80m that has been included within the council's latest financial modelling over the 4-year period, with **£33m** of this relating to the 2023/24 financial year. The level of increase planned for next year is the highest that the council has ever included and reflects the significant challenges faced by services as they try to manage both an increase in demand from residents, as well as the sustained cost pressures.

MTFP Growth Pressures	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000
Inflation - pay	5,078	2,671	2,751	2,841
Inflation - energy	4,198	-972	395	435
Inflation - major contracts	2,929	1,027	1,049	1,072
Adult social care - existing services	8,870	6,233	6,032	6,055
Adult social care - new responsibilities	3,923	4,837	0	0
Childrens services	1,989	488	550	550
Waste Service	3,052	0	0	0
Home to Schools Transport	2,366	350	350	350
Other growth items	997	3,755	2,855	2,918
TOTALS	33,402	18,389	13,982	14,221

There have been several material changes to the council's spending assumptions over recent weeks with the main areas of change listed below;

1. Inflationary uplifts – increased cost
2. Adult social care spending – increased cost
3. Home to schools transport – increased cost
4. Capital financing costs – reduced cost
5. Pension costs – reduced cost

3.2.1. Inflationary uplifts

Many of the council's costs are affected by annual price rises although the most notable are those that affect pay, energy and contracts.

The council has updated its assumptions on pay inflation to reflect the outcome of the final award agreed for the current financial year (i.e. converting a flat rate increase of £1,925 to all pay-bands), as well as including provision for a 5% increase in pay for next year. This is an estimated uplift used for budgeting purposes only and benchmarking has found that this is comparable to estimates used by other unitary councils. The actual increase will be agreed as part of the national pay negotiation process next year.

Decisions relating to the annual pay award also feed into other parts of the councils' budget as there are a range of contractual obligations in place which are linked to this outcome. The budget forecasts in areas such as members allowances and some of our specific contracts have been updated to ensure that the uplift assumptions have been consistently applied to all relevant areas and that there is sufficient growth included to cover the projected cost increases.

In the Autumn Statement the Chancellor confirmed that the National Living Wage will reach £10.42 per hour in 2023/24, which is more than the council had previously included as a growth item within its modelling and so an adjustment has been made to ensure that the council's budget for next year aligns with the new pay rate.

Other contract costs have been reviewed to ensure that budget forecasts for future years accurately reflect the latest published indices, for example, the most up to date retail and consumer prices indices and the fuel index have been used within the calculations to support the waste, highways, grounds maintenance and support services contracts.

3.2.2. Adult social care spending

As illustrated in the table above, there are two elements to the proposed increase in adult social care spending – that which relates to existing service provision (largely inflation and demographic / demand growth) and also investment in new services, which will be funded from a series of additional resources.

The draft Local Government Finance Settlement announced 3 additional funding streams (as well as the Adult Social Care Precept) and the main areas of investment against these funding streams are as follows:-

- **Social Care Grant** (increase of £4.855m) – supporting MTFP growth in adults and children's services in relation to inflation and demand / demographics, plus investment in priorities such as addressing waiting lists, preparing for new responsibilities such as the new quality assurance framework and new Liberty Protection Safeguards, and improvements to systems and information & advice
- **Adult Social Care Discharge Grant** (new grant of £0.979m) – working with the Integrated Care Board to make improvements to hospital discharge arrangements by increasing capacity, particularly in domiciliary care and intermediate care / reablement
- **Market Sustainability and Improvement Fund Grant (Fair cost of care)** (increase of £1.540m) – to continue to move towards the Fair Cost of Care and address any other demand and capacity pressures

The MTFP has therefore been updated to replace previous assumptions in respect of funding for social care with these new values and adjustments have also been made to the amount of spending associated with these grants. Further details are expected in relation to

specific grant conditions that may be linked to the new funding allocations listed above which are likely to inform how the funding must be applied, and these will be provided within future reports.

3.2.3. Home to schools transport

The council has updated its assumptions on Home to School Transport to reflect the current forecast position following the beginning of the new academic year. The additional budget requirement for 2023/24 now totals **£2.3m**. The main service pressures are as follows: -

- **Underlying financial pressure carried forward from the previous financial year** (Growth of £0.510m) – The MTFP for 2022/23 included £0.450m of additional budget to cover spending pressures expected in the current financial year. This however was calculated ahead of the new academic year in September 2021. The actual demand was greater than the MTFP assumption and therefore a funding pressure was carried into the current financial year.
- **New contract requirements** (Growth of £0.682m) – An additional 139 pupils require transport in the new academic year, this is an increase of 5.4%. This is the largest increase in demand over the past 4 years. Of the increase, 77 pupils have special educational needs (SEN), the cost of providing transport for SEN pupils varies significantly depending on the need and type of transport required.
- **Cost increases to existing routes** (Growth of £0.416m) – The transport market has faced significant challenges this year including rising fuel prices and a national driver shortage, this is being reflected in tender prices. On a like for like basis, some contracts which have expired are being retendered with cost increases of between 30% - 50%.
- **Contract variations** (Growth of £0.401m) – In some situations contract variations are agreed, this is to deal with additional pupil requirements, changes to routes, an increase in the number of pupils being transported or contract inflation.
- **Forecast additional demand for 2023/24** (Growth of £0.350m) – Based on the demand increases over the past four years, we are forecasting there could be an additional 115 pupils that may need transport in the new academic year.

All the above have been reflected in the MTFP to ensure a robust budget is being set for the service going forward.

The financial situation however does remain volatile and will continually be monitored. The service is looking at ways to mitigate future growth where possible and to look to transform to help make this service more sustainable in the future.

3.2.4. Capital financing costs

Previous budget reports outlined the council's approach to capital investments plans over the short-term with spending being focused in the following areas;

- those projects which have ring-fenced external funding, such as maintenance of the highways network, bus service improvement plan, spending on maintaining schools and

providing additional places, enabling residents to stay in their homes by providing disabled facilities grants and providing funding for more affordable housing.

- projects that actively support the council’s essential operational service delivery, such as investment in ICT provision and further investment in the maintenance of our roads, buildings, leisure facilities, or library assets to ensure that they are fit for purpose. Projects that deliver a positive financial outcome from a business case would also be considered.

The council’s MTFP has assumed that additional resources will be required to support new capital spending, although given that this will be at lower levels than initially planned, the estimated value of external borrowing costs within the latest financial modelling has been reduced by £500k. Further details will be included within the Capital Strategy report considered by the Executive at the meeting in February.

3.2.5. Pension costs

The council has recently received an update from the Avon Pension Fund who have undertaken their regular review of the local government pension scheme. This process happens every three years and the outcome is an assessment which shows how much the council needs to contribute into the Fund in each of the next three years. The MTFP has been updated to reflect the revised contributions, which will be £300k lower than the previous assumption.

3.3. Update on resource assumptions

The council pays for its services each year through three main sources of income, these being council tax, business rates and a range of government grants. The table below shows how much money the council currently expects to receive from each of these sources within the latest modelling, and the notes describe the main assumptions that underpin these forecasts along with an indication of whether there have been any changes since the previous report.

MTFP Resources	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000
Revenue Support Grant	2,712	2,712	2,712	2,712
New Homes Bonus Grant	1,386	819	0	0
Lower Tier Services Grant	0	0	0	0
Services Grant	1,235	1,235	0	0
Minimum Income Guarantee Grant	0	0	0	0
Social Care Support Grant (*)	8,440	8,440	8,440	8,440
Social Care Grant (*)	4,855	7,064	7,064	7,064
ASC Market Sustainability & Improvement Grant	2,163	4,791	4,791	4,791
Council Tax Income - baseline	125,373	130,666	135,772	141,011
Council Tax Income - increase of 2% p.a	2,495	2,603	2,700	2,807
Council Tax Income - ASC Precept of 1% p.a	1,256	1,310	1,354	1,407
Business Rate Income	32,974	33,110	33,791	34,482
Business Rate Grants	10,274	10,411	10,574	10,838
Other - incl Collection Fund Surplus / (Deficits)	4,236	0	0	0
Use of Risk Reserve to fund energy costs	1,521	0	0	0
TOTALS	198,920	203,161	207,198	213,552

(*) Existing and new social care grants will be merged

3.3.1. Revenue support grant

The provisional local government finance settlement increased the amount of this grant by £462k compared to previous forecasts, although part of the increase relates to the government 'rolling in' or including grants that were previously provided on an individual basis. An adjustment has been included within the spending pressures to reflect this loss of direct income to the revenue budget, which means that the net increase in funding is £227k.

3.3.2. New homes bonus grant

The provisional local government finance settlement confirmed that the council would receive £1.386m from the new homes bonus grant next year, which was £167k higher than the latest working assumptions.

3.3.3. Lower tier services grant

The provisional local government finance settlement advised that this grant was being removed and no longer allocated to councils although the value would be retained for distribution within the local government sector and used to help fund the new minimum income guarantee grant. This reflects a reduction of £224k compared to previous forecasts.

3.3.4. Services grant

The provisional local government finance settlement increased the amount of this grant by £139k compared to previous forecasts.

3.3.5. Minimum income guarantee grant

The government have introduced a new grant to ensure that all councils receive a minimum increase in their core spending power of at least 3% in 2023/24 before any decisions about organisational efficiencies, use of reserves or council tax levels are considered. The council has not been allocated any income from this grant as funding levels are expected to exceed the 3% threshold. A review has found that over 98% of this funding has been allocated to district councils and fire authorities who are forecast to receive lower average increases in core spending power than upper tier authorities.

3.3.6. Social care support grant *

The provisional local finance settlement confirmed that the council will receive £8.440m in respect of the social care support grant next year, which is the existing grant currently received to fund social care related pressures.

This grant has essentially been held at the same level as in the current financial year, as although it has increased by £341k compared to the baseline, the increase relates to the rolling in, or inclusion of the Independent Living Fund grant which has previously been received as a specific grant. An adjustment has therefore been included within the spending pressures to reflect this loss of direct income to the revenue budget meaning that there is no change from the current budget position.

However, it is important to note that the council's previous modelling assumed that it would receive an increase in this grant of c£2.5m to help fund the significant pressures currently being faced within social care. This is a large change to the council's MTFP funding assumptions.

3.3.7. Social care grant *

The provisional local finance settlement confirmed that the council will receive £4.855m in respect of the social care grant next year. This grant represents **new** resources allocated by the government which are designed to cover a range of specific outcomes.

Again, although this represents an increase in resources of nearly £5m compared to previous assumptions, the MTFP will also need to update the additional spending commitments that the council will be required to undertake associated with this grant. An initial assessment has been carried out which shows that approximately £1.4m of this grant can be used to fund spending pressures currently reflected within the MTFP, which means that there is a net gain in the council's financial modelling by this sum and could be used to close the budget gap.

* In 2023/24 the social care support grant and the social care grant will be merged into a single grant although they are being separately shown within this report to enable a better understanding of the council's latest MTFP modelling, as well as changes to previous assumptions.

3.3.8. Adult social care market sustainability and improvement grant

The provisional local finance settlement confirmed that the council will receive £2.163m in respect of the market sustainability and improvement fund grant next year, which is an increase of £1.540m compared to the sum received in the current financial year. It is anticipated that this funding will come with conditions and will need to be spent on initiatives linked with providers that will improve and stabilise the social care market. Although the council expected this grant to increase next year and included spending proposals of this nature, the allocation is £626k more than the previous MTFP modelling assumptions and so this element could be used to close the budget gap.

3.3.9. Council tax income

The latest modelling now reflects the revised taxbase for 2023/24 which was approved by the Executive Member for Corporate Services in December 2022. The overall taxbase has grown by 1,087.9 Band D properties, which is an increase of 1.36% compared to the previous year and means that income levels will increase by a further £700k compared to the initial MTFP modelling included within the December report.

In terms of annual council tax increases, the MTFP currently assumes that council tax levels will rise over the course of the MTFP, although assumptions remain unchanged from those approved when the budget was set in February 2022, i.e. the MTFP assumes;

- 2% increase in general council tax for all services
- 1% increase in the adult social care precept

The provisional local finance settlement confirmed the capping levels for councils for both the 2023/24 and 2024/25 financial years, this being the maximum level that councils can increase their council tax by without the need for a local referendum.

The government has clearly recognised the significant financial challenges faced by councils over the past year and does expect these to continue into future and so has increased the amount that councils can increase their council tax by. The new levels permitted are;

- 3% increase in general council tax for all services, i.e. **+1%**
- 2% increase in the adult social care precept, i.e. **+1%**

When the government makes statements to explain the national increases in core spending power being given to councils, it assumes a raise in council tax to the maximum level because it is giving local decision makers the ability to influence levels of income within their own budgets to meet spending commitments.

It should be noted that a 1% increase in council tax will generate approximately £1.25m of additional council tax income and so the additional flexibilities granted in the announced Autumn Statement, and subsequently confirmed in the provisional local finance settlement, would mean that the council could generate further income of £2.5m if it raised council tax to the levels reflected within the government assumptions, which could be used to close the budget gap.

3.3.10. Business rate income

At this time the business rate income totals included within the council's financial modelling, along with those values for the Top Up / Tariff business rate grant, are provisional because they do not fully reflect the potential changes that are expected to arise from the implementation of the national business rate revaluation process.

These changes will come into force from April 2023 although are generally expected to be cost neutral at a national level, which would mean that if business rate income goes up in one sector, then it will go down in another sector. Depending on the distribution of businesses within an area, some councils may generate more money in the future whereas others will receive less. The transition to the new levels will be managed through the grant to ensure that councils are no better or worse off as a result of the revaluation.

3.3.11. Business rate grants

Whilst the direct business rate income noted above cannot currently be quantified with any degree of certainty, the council can see that the provisional local government finance settlement has confirmed its Top Up / Tariff grant for next year. In 2022/23 the council's budget shows that it received a Top Up grant of £2.652m, whereas the settlement shows that in 2023/24 the council will be required to pay a Tariff of £720k, which is a movement of £3.372m. The financial modelling has been updated to reflect this change, although it has also adjusted business rate income to ensure a neutral impact at this point.

One further change within this area relates to compensation provided by the government through a specific business rate grant. Compensation is given at times when the government chooses to 'hold' business rate levels and not increase them by inflation each year. Given that the council is entitled to receive 49% of the business rate income generated within its area, a national decision to freeze income levels would have a negative impact on the council's finances as they would expect their core baseline income to increase each year. The Autumn Statement announced that levels would be frozen for 2023/24 and the provisional local government finance settlement confirmed the arrangements for how and at what rate the compensation would be calculated. This change is estimated to result in a net gain of £2.835m, compared to the previous MTFP modelling, which helps reduce the MTFP gap for 2023/24.

The final values for business rates income and all other business rate grants will be included within the February report to the Executive, which will be after the annual review and submission of business rate returns, although these are largely expected to be cost neutral.

3.3.12. Council tax support

Alongside the Settlement the government have announced a new scheme for next year which will protect vulnerable households from council tax rises. They have allocated £100 million of additional funding that will be given to councils to enable them to deliver additional support to the 3.8 million household who are already receiving council tax support. Full details of the funding package are expected to be received in the coming weeks and so a further update will be included within the next report however the government have advised that the additional funding supports the government's council tax referendum package, which strikes a fair balance to ensure taxpayers are not over-burdened at a time of significant pressure on the public finances.

3.4. Update on savings plans

In addition to some of the changes noted above which deliver cost reductions or increases in income, the council has also looked at other ways in which it can close the budget gap and specifically for next year.

This has included the corporate leadership team identifying additional savings proposals of **£606k** that can be included within the budget plans for 2023/24. Appendix 1 provides a schedule of these proposals, several of which are an extension or acceleration to proposals included within the draft budget in December 2022 which helps to mitigate risks associated with being able to deliver a full year impact from April 2023. All savings proposals have been reviewed in detail and will be supported by an Equalities Impact Assessment.

The council recognises that its budget planning process over the past year has been extremely challenging, largely driven by spending pressures which have grown to over £33m. Although income levels are expected to increase, the council's financial plans now include savings proposals of £11m for next year which are needed to help balance the budget.

This level of savings is the highest that have been needed for many years and the council recognises a range of risks associated with delivering savings of this scale. As in previous years the council's S151 Officer has included some provision within the budget plans by way of a contingency which could be used to temporarily fund some aspects of the more complex savings which may be hard to deliver or which may be impacted by circumstances outside of the council's control. This measure, which equates to £525k (c5% of the planned savings) will form part of the council's overall risk management process and will help to provide assurance that the council is preparing a robust balanced budget.

3.5. Timetable and next steps

Sections 3.2 to 3.4 provide commentary and describe some of the main changes within the council's financial modelling assumptions across the period of the MTFP. A table has been provided below which aims to simplify some of these movements and show the latest budget gap.

Budget Gap - per December report	4,111
Material changes to spending pressures;	
- increase in inflationary pressures (incl national living wage)	1,570
- increase in home to school transport costs	950
- increase provision for Ash Dieback costs	285
- include provision for risks associated with savings plans	525
- reduction in capital financing costs	-500
- reduction in pension costs	-300
	<hr/> 2,530
Material changes to resource assumptions;	
- reduced funding assumptions for current social care grant Autumn Statement	2,500
- new funding stream for social care from Autumn Statement (net)	-1,438
- additional business rate income from Autumn Statement	-2,835
- increase in new homes bonus grants from LG Finance Settlement	-567
- other changes to funding assumptions from LG Finance Settlement (net)	-459
- increase in council tax income from taxbase	-700
	<hr/> -3,499
Include additional savings proposals	-606
Budget Gap - per January report	<hr/> 2,536 <hr/>

This shows that the **revised budget gap** for next year is currently **£2.536m** having taken into account all information available to the council. The only areas that still to be reviewed and updated relate to business rate levels (expected to have a neutral impact) and the level of council tax that will be recommended for approval within the budget in 2023/24 as the modelling remains unchanged and does not take into account the increased flexibilities confirmed within the provisional local government finance settlement.

The formal and informal milestones associated with the MTFP process are as follows;

- Engagement – December and January, including equalities forum, discussions with town and parish councils and other key stakeholders
- Report to Council, January – to provide an update on the financial modelling, including the outcome from the Autumn Statement and provisional local government finance settlement
- All Member Budget Scrutiny, 1 February – to provide an additional opportunity to review detailed budget assumptions and proposals
- Report to Executive, 8 February – recommended balanced revenue and capital budgets for 2023/24 to Council; including detailed Equality Impact Assessments and the consideration of any alternative budgets
- Report to Council, 21 February – approval of the 2023/24 revenue and capital budgets along with council tax levels and bandings

3.6. Dedicated schools grant and safety valve programme

The cumulative deficit on the Dedicated Schools Grant (DSG) as at 31 March 2022 was £11.8m and this is projected to rise to c. £18m by the end of 2022/23 and further in the medium term, leading to a potential peak cumulative deficit in the region of £26m by the end of 2025/26.

The council has a DSG Management Plan in place and is currently taking part in the Department for Education's (DfE's) Safety Valve Programme, with an agreement hoped to be reached by 31 March 2023.

The Safety Valve Programme requires local authorities to develop substantial plans for reform to their high needs systems and associating spending, with support and challenge from the Department, to rapidly place them on a sustainable footing (i.e. in a position to deliver an in-year balanced budget within a "reasonable" period of time). The Plan has a number of key themes which are:

- Changes to arrangements for Top-Up Funding
- Increasing capacity in mainstream schools for Nurture Groups and Resources Bases
- Increasing the provision of local specialist provision
- Reducing bespoke capacity and out of area placements
- Manage increasing demand

The council will be held to account for the reforms they implement and the associated deficit reduction targets via regular reporting to the Department. In turn the Department will support the council with additional funding over a period of time, which will contribute towards "paying off" the historic DSG deficit balance, although this will be contingent on delivery of the reforms. Funding from the Department through the Safety Valve Programme is expected to be capped which means that the council will also be required to contribute some funding from its own resources if the peak forecast of £26m materialises.

Therefore the council is being actively encouraged to consider a movement of resources from the School Block to the High Needs Block of the DSG of around 1% (movements of 0.5% have been agreed in the last 3 years), in order to close the gap between the expected total peak deficit and the amount that the DfE is estimated to contribute. There is a meeting of the Strategic Schools Forum on 6 January 2023, which is likely to give a steer as to the likely level of movement from the Schools' Block to support investment in the DSG Management Plan.

However, given the likely size of the deficit and the amount that we can expect in contributions from a) the DfE and b) the Schools Block of the DSG, it is becoming increasingly likely that the council will also need to look at its own general or earmarked reserves to close the gap (subject to agreement by the Local Government Minister).

Negotiations with the DfE take place throughout January to a strict DfE timetable and therefore recommendation 2 of the report seeks delegated approval for the Director of Corporate Services with the Executive Member for Finance to review the council's resources and make any appropriate council contribution allocations to support the Safety Valve negotiations.

Further details regarding the outcome of discussions with the DfE, the Strategic Schools Forum and the impact on the council's resources will be included within future reports.

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.

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 including balancing their budgets each year from within their own resource allocations, 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 to ensure that the councils spending is within the approved limits, is an integral part of the financial administration process.

Further requirements are contained within the Local Government Act 1988, Section 114 (3) which provide for instances whereby the chief finance officer of an authority makes a judgement that the expenditure of the authority in a financial year is likely to exceed the resources available.

7. Climate Change and Environmental Implications

When setting budgets for the year ahead the council is aware that it must reflect the financial impacts that environment and climate change issues could have on its plans. The most notable impact at this time is the increasing costs of energy, which does provide an opportunity to highlight climate and environmental issues.

The council's financial forecasts show that it will need to spend more on its energy costs than ever before which is a challenge given the scale of other financial pressures.

The council is therefore considering ways in which it can reduce these costs through the development of longer-term investment proposals. Whilst there are no specific climate related investment plans detailed at this time, climate and environmental related implications will be at the forefront of our thinking when considering underlying service policies, priorities and strategies associated with the revenue budget, as well as through formulating investment plans and determining options to make reductions in our energy usage and associated costs to ensure a more sustainable future and the continued commitment to Net Zero by 2030.

8. Risk Management

In setting the revenue and capital budgets, the council must consider 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.

Officers will continue to test the impact of varying key assumptions in the medium term financial strategy to assess the sensitivity of the ranges of indicative budget figures and this informs decisions about the level of working balances needed to provide assurance as to the robustness of the budget estimates.

A more detailed statement on risks and robustness of assumptions within the MTFP and the adequacy of council reserves will be included within the report considered by the Executive at the meeting in February 2023.

9. Equality Implications

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

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

As per previous years, the council will undertake thorough Equality Impact Assessments, (EIA), for all budget savings plans which will be incorporated within the relevant budget papers throughout the MTFP process and also on the council's website.

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 core services are all are focused on delivery to agreed community and organisational priorities.

With continuing financial pressures and rising 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 although it should be noted that the proposed changes included within the MTFP may impact on colleagues and capacity levels and deliverability.

11. Options Considered

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 and work to date has focused on achieving that objective.

Some of the core assumptions that unpin this aim are subjective or based on information held at a specific point in time could therefore be updated or alternative options could be considered for inclusion within future modelling, particularly to enable the budget to be balanced for next year.

All proposals contained within the draft budget have been considered by individual Executive Members and approved by the Executive collectively.

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Appendices:

Appendix 1 Further savings plans to be included within the draft budget

Background Papers:

Exec Report – February 2022, MTFP & Revenue Budget 2022-2025
Council Report – February 2022, Council Tax Setting 2022/23
Exec Reports – September to December, Revenue Budget Monitoring for 2022/23
Exec Reports – September to December, MTFP and Revenue Budget 2023-2027

Additional MTFP savings proposals included within the draft budget

APPENDIX 1

Directorate	Ref	Description	2023/24	2024/25	2025/26	Total Proposals
CH	CH05	Amend existing proposal - increase the vacancy management target within Children's staffing budgets by further 0.75%	62	0	0	62
CSD	CSD17	Amend existing proposal - further reduction in the Finance Service resource	45	-45	0	0
CSD	CSD21	Amend existing proposal - increase income from external investment activity	155	0	0	155
CSD	CSD23	Amend existing proposal - reduction in former employee pension costs	20	0	0	20
CSD	CSD22	Amend existing proposal - reduction in debt costs and charges (Avon Loan Debt & RIF)	40	0	0	40
CSD	New-CSD25	Increase the vacancy management target within Corporate Services staffing budgets	75	0	0	75
PD	PD21	Amend existing proposal - fund £50k of the existing concessionary fares budget with bus lane enforcement income to release a revenue saving	50	-50	0	0
PD	New-PD37	Increase scope of LED rollout programme to include Port Marine lanterns and Non-LED zebra floodlights to reduce energy consumption	70	0	0	70
PD	New-PD38	Increase in Land Charges Income due to change in charging mechanism	19	0	0	19
PD	New-PD39	Increase the vacancy management target within Place staffing budgets	70	0	0	70
			606	-95	0	511