North Somerset Council

Report to the Executive

Date of Meeting: 8 February 2023

Subject of Report: Medium Term Financial Plan 2023-2027 and Revenue Budget for 2023/24

Town or Parish: All

Officer/Member Presenting: Ash 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 2022/23 financial year as detailed within section 3.1 of the report;

ii. Note the updated changes included within the medium-term financial plan as detailed within sections 3.2 and 3.13 of the report;

iii. Note the Equality Impact Assessment (EIA) report attached at Appendix 3, and familiarise themselves with the published EIA's that underpin the 2023/24 budget savings plans;

iv. Note the statement of the Chief Finance Officer on the adequacy of reserves and the robustness of the recommended budget as detailed in section 3.8 of the report and attached at Appendix 6;

v. Recommend to Council a revenue budget for 2023/24 for approval as shown at Appendix 1;

vi. Recommend that Council approve a council tax increase of **2.99%** for 2023/24 to support the recommended budget;

vii. Recommend that Council approve an adult social care precept of **2%** on the council tax for 2023/24 to support the recommended budget;

viii. Approve uplifts to the basic care home fees rates for 2022/23 and 2023/24 as detailed in section 3.12.1 of the report;

ix. Approve an increase of £0.770m to the gross expenditure and income budgets of the Adult Social Services directorate for the 2022/23 financial year, in respect of the council's direct share of the Adult Social Care Discharge Fund, as detailed within section 3.12.2 of the report;

x. Approve an increase of up to £2.411m to the gross expenditure and income budgets of the Adult Social Services directorate for the 2022/23 financial year, in respect of the council's share of the Adult Social Care Discharge Fund allocation awarded to the Bristol, North Somerset and South Gloucestershire (BNSSG) Integrated Care Board (ICB) as detailed within section 3.12.2 of the report; and to delegate approval to the Director of Adult Social Services to use these funds to increase the North Somerset Better Care Fund.

xi. Note that the MTFP has been aligned with a series of other reports that are also on the agenda for this meeting, with the main ones being; Capital Strategy, Treasury Management Strategy, Fees and Charges Report, Bus Service Improvement Plan report.

1. Summary of Report

Reports have been presented to the Executive and Council 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 budget for the 2023/24 financial year.

In December and January, the Executive published details of the draft budget proposals which were made available for review and comment by residents and other stakeholders. All elected Members have also had the opportunity to feed into the process by attending dedicated scrutiny sessions to enable them to fully understand the issues being considered, ask any questions or to share their thoughts and views.

Elsewhere on the agenda for this meeting is the council's Capital Strategy and Treasury Management reports, which detail the proposed capital and 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 2023/24 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 2023/24 budget delivers a balanced combination of **robust** budgeting in terms of being able to support our core services and further **investment** in our asset base, both of which **protect** 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 significant 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 both the existing pressures experienced within the service as well as providing funding to deliver a range of new responsibilities for residents

    - There is investment being made into areas that support children by increasing budget provision for children's placements, support to disabled children and also additional funding being prioritised to address the increasing demand for our home to school 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 2023/24 of £138m, which will be on top of the £385m of existing plans, focused around; children and young people, climate and the green agenda, and changes to our physical environment and place-shaping priorities.

- The capital strategy report will also provide details a range of funding bids being made by the council to access additional external resources to support more investment within communities.

- Whilst savings proposals have been included within the budget for next year to help fund the financial pressures we face, they have largely been focused on **protecting** and sustaining the vital services we provide to vulnerable residents wherever possible. Additional measures will also be introduced to help over 10,000 residents with their council tax bills by introducing a council tax support scheme for 2023/24.

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 2023/24 financial year along with relevant council tax banding and rates, and these will be recommended for approval by Council at the meeting in February 2023.

3. Details

3.1. Update on the 2022/23 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 2022.

Table 1: Budget Monitoring summary for 2022/23

	Month 8 Forecast (end of November 2022)				
	Original Net Revenue Budget £000	Revised Revenue Budget £000	Projected Out-turn Position £000	Projected Out-turn Variance £000	%
Service Expenditure Budgets					
Adult Social Services	75,158	75,633	75,895	263	0.35%
Children's Services	26,989	28,272	29,871	1,599	5.66%
Corporate Services	27,553	27,097	27,308	211	0.78%
Place	29,989	31,230	32,579	1,349	4.32%
Public Health & Reg Services	1,374	1,445	1,409	(36)	-2.46%
	161,063	**163,675**	**167,062**	**3,387**	**2.07%**
Other Revenue Budgets					
Incremental impact of pay offer	0	(1,603)	(1,603)	0	
Impact of energy procurement	0	(830)	(830)	0	
Capital Financing & Interest	11,207	11,207	9,251	(1,956)	-17%
Other Non Service Budgets	13,205	13,025	13,102	76	1%
	24,412	**21,799**	**19,920**	**(1,879)**	**-8.62%**
Total Net Revenue Budget	**185,475**	**185,475**	**186,982**	**1,507**	**0.81%**
General Fund Financing Budgets	(185,475)	(185,475)	(185,475)	0	0.00%
NET REVENUE BUDGET TOTAL	**(0)**	**0**	**1,507**	**1,507**	**0.81%**

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.

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

- The council's approved net revenue budget for the year totals **£185.475m** (white and blue shaded columns)
- Managers estimate that the council will spend **£186.982m** on delivering services by the end of the year (yellow shaded column)
- This is **£1.507m, or 0.81%,** more than the council has available to spend or had planned to spend when the budget was approved back in February.

The latest forecast shows that the council will draw down £2.433m from the financial risk reserve to fund the additional costs in respect of pay and energy inflation, both of which have re-based and reflected within the budget for next year.

The approved budget for the current financial year does include a contingency provision of £1.4m, which could be released towards the end of the financial year assuming no further urgent calls are placed on it and would mean that the forecast overspend would reduce to a much lower level. Efforts continue to be made by budget managers across the council to reduce costs wherever possible so that the council can deliver a balanced budget by the end of the financial year and avoid the need to access its reserves.

The latest budget monitoring activity for the Collection Fund, which is the central 'pool' that collects council tax and business rate income and then distributes the money to the various preceptors, shows that council tax is expected to deliver a small surplus of £200k by the end of the financial year compared to the previous monitoring position. Surplus or deficit positions on the Collection Fund would not be reflected within the Table 1 summary above but, would instead be reflected within the MTFP in a subsequent year.

Integration of 2022/23 and 2023/24 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 list of these items is provided below. Additional sums have been added into each of these budgets for next year to provide a more sustainable and realistic baseline for these costs and services going forwards.

- Demand pressures in children's placements
- Demand and inflationary pressures in home to school transport
- Inflationary pressures in pay budgets
- Inflationary pressures in energy budgets

3.2. Updated financial summary 2023-2027

The council has been developing and updating its financial modelling for the next four years over many months and updates have been regularly shared through a series of formal reports so that members, residents and other stakeholders can understand the challenges being faced and are aware of the potential plans being considered which would be required to balance the budget for the year ahead.

The latest update was provided in January 2023, when a budget gap of £2.536m for 2023/24 was reported, and since that time work has been carried to update the MTFP modelling assumptions and close the gap.

Having reviewed and updated all assumptions in relation to income levels as well as spending commitments, investment plans and savings proposals, a series of small changes have been included within the recommended budget for next year and these are shown in the table below.

Table 3: Changes reflected within the recommended budget for 2023/24		**£000**
Budget gap reflected within the January 2023 report		**2,536**
	£000	
Updated collection fund surplus (section 1)	- 200	
Updated spending plans (net change in adults / childrens')	- 60	
Updated council tax (section 3.4.1)	- 2,499	
Updated business rates (section 3.4.3)	- 273	
Updated savings proposals (section 3.5)	+ 646	
Reprofile risk pot / contingency for savings (section 3.5)	- 150	
Updated for Bus Service Improvement Plan (section 3.13)	0	
Sub-total re changes		**- 2,536**
Budget gap February 2023, after proposed changes		**0**

These changes mean that the council is able to present a robust and balanced budget for the 2023/24 financial year, which is a significant achievement given the demand and inflationary challenges and uncertainties that it has faced over recent months.

The council has also updated its financial plans for the following three financial years and a summary of these are reflected within the table below.

Table 3: Updated financial summary for the period 2023-2027

MTFP FINANCIAL SUMMARY	MTFP - FEBRUARY 2023				
	2022/23 £000	**2023/24 £000**	2024/25 £000	2025/26 £000	2026/27 £000
- Resources - Grants, Council Tax & Business Rates	**179,090**	**202,089**	**208,431**	**212,683**	**219,249**
- Current Budget - base spending position	171,317	179,090	202,089	208,431	212,683
- Budget pressures, increased spending and investment plans	16,396	34,972	18,956	14,151	14,142
- Remove covid & other one-off impacts	-4,466	-1,553	0	0	0
- Savings proposals and increased income	-4,157	-10,420	-2,043	-722	-690
- Revised Spending Base	**179,090**	**202,089**	**219,002**	**221,860**	**226,135**
- Budget Gap / Surplus	**0**	**0**	**-10,572**	**-9,177**	**-6,886**
			-26,635		
Actual / Proposed Council Tax Increase:	***2.99%***	***4.99%***			
- North Somerset Council Services	*1.99%*	*2.99%*			
- Adult Social Care Precept	*1.00%*	*2.00%*			
Indicative Council Tax Increase per Govt Capping Limits:			***4.99%***	***2.99%***	***2.99%***
- North Somerset Council Services			*2.99%*	*1.99%*	*1.99%*
- Adult Social Care Precept			*2.00%*	*1.00%*	*1.00%*

The financial future of the council over the remaining MTFP period remains challenging, which is partly as a result of the continued uncertainty in knowing what amounts of funding the council can expect to receive from 2024, and from where. The table above includes a range of indicative information and will continue to be reviewed. One example of this would be the assumptions for council tax increases, which are currently based upon the latest government capping limits for future years and are not reflective of any local decision at this time.

The council will await the outcomes of any national policies or government led 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.

3.3. Building a sustainable and robust budget

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.

Previous reports have given a detailed account of all of the factors that have been assessed and included within the council's spending plans for the year ahead, along with the core assumptions that underpin these values, and whilst it is not necessary to repeat this information, it is important to understand that the recommended budget does mean that council will be increasing provision to enable it to spend over £32m more on its services next year, compared to spending levels now.

This is a significant increase at a scale not seen before and demonstrates the council's commitment to ensuring that it can continue to deliver vital services to the public.

3.4. Updated resource assumptions

The council recently updated its resource assumptions following the release of the provisional local government finance settlement, which was announced in December 2022. The provisional settlement focused on providing stability to local government in the immediate term by providing the sector with information to support the 2023/24 budget as well as an indication of grants that would continue into the 2024/25 financial year, although nothing beyond that point.

At a national level the government advised that core spending power for next year, i.e. how much more money councils have to spend, will have increased by 9.2% in real terms when include 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 and responsibilities.

Some of the increase in funding has been provided through government grant allocations, whereas other increases will potentially come from locally generated sources, notably council tax and business rates, depending upon their tax-base and also decisions taken by individual councillors.

3.4.1. Council tax

The local government finance settlement also confirmed the planning assumptions for council tax referendum thresholds for the 2023/24 and 2024/25 financial years, which is the maximum amount that the council can increase its council tax before undertaking a referendum with residents.

The levels, often known as capping limits, have been increased compared to previous years in recognition of the significant financial pressures faced by many councils over the past year, which means that North Somerset Council is able to approve the following rises before needing to seek a referendum;

- Up to 3% Increase in council tax for general services
- Up to 2% Increase in council tax for the adult social care precept

The recommended budget for 2023/24 proposes an increase in council tax of **2.99%** to support the council's general services and a **2%** increase in respect of the adult social care precept, a change that will generate additional income of **£2.499m**.

3.4.2. Council tax support scheme

The Executive are aware that the recommended budget for next includes many difficult choices, and the decision to raise council tax by these levels is one of these because it will impact on many residents across the district who are also facing pressures and struggles within their own finances.

Alongside the Settlement the government have announced a new scheme for next year which will help to protect vulnerable households from council tax rises aiming to strike a fair balance to ensure taxpayers are not over-burdened at a time of significant pressure on the public finances.

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 and potentially many more, as they have included some local flexibility within the scheme to enable councils to determine the most appropriate approach to support the vulnerable within their area.

The council's share of this funding is £311k and will be used to deliver both the mandatory and discretionary elements of the scheme.

The mandatory element of the scheme will mean that those residents who will be in receipt of council tax support on 1 April 2023 will receive a council tax discount of up to £25 on their bill for next year. Records show that this will benefit over 8,300 residents, including both working age and pensionable age residents.

The discretionary element of the scheme will again focus on those most in need of support, and funds have notionally been allocated to the following groups of residents;

- Residents who may be awarded council tax support through the year following a change in their circumstances
- Residents who are in receipt of housing benefit
- Families who are in receipt of free school meals

It is anticipated that the discretionary element of the scheme will benefit some 4,300 households although given that there is a high correlation between families who access free school meals and working age families in receipt of council tax support, approximately 2,600 of these households who have children, will benefit from a double award. Modelling shows that these families could receive a total discount of over £47 from their council tax bill. Modelling would therefore mean that approximately 10,000 households will be impacted by this support.

3.4.3. Business rate income

The council currently receives approximately 23% of its total funding from business rates generated within the local area, although the source of this income can vary. In the current financial year the budget reflects the following funding;

- £28m of income paid by businesses
- £12m of income given through government grants

The government gives business rate grants to councils for many different reasons although the two main ones are;

- to compensate councils for the national policy related decisions that they wish to make to businesses across the country; examples of this would include awarding reliefs to small businesses or those in the retail, hospitality and leisure sectors, and
- to ensure that all councils receive a baseline level of funding following the introduction of the business rate retention scheme back in 2013.

Whilst the base budget shows that £28m of income will be collected from businesses and retained at a local level, the overarching system of business rates is based on a national framework and the council has no influence over the major decisions that impact on the amount of business rates that become payable each year. The national framework dictates that business rate income collected within from North Somerset is shared across the following organisations;

- 50% Given to central government
- 49% Retained by the council
- 1% Given to the Fire Authority

The amount of business rates paid each year are determined by two main factors;

- the **annual price** applied to the rateable value of a property, which is set by the government each year (this is also known as the 'multiplier'),
- the **Rateable Value** (RV) of a property – this is determined by the Valuation Office (VO) and is linked to the use and profitability of the property, along with factors such as its size etc. The VO review properties on a period basis and each time they do this, they produce a Ratings List. The List was last reviewed in April 2017 and has recently been updated in readiness for April 2023. The government have advised that a Revaluation will be undertaken every three years and a new List shared.

Changes for 2023/24

Within the local government finance settlement, the government have advised that is has frozen the business rate multiplier for next year, which means that businesses will not see an inflationary increase on their bills from April. Whilst this is good news for local businesses, councils across the country will receive less, so the government have made arrangements to compensate councils for this potential loss of income, with an adjustment to the amount of government grant that they will receive next year.

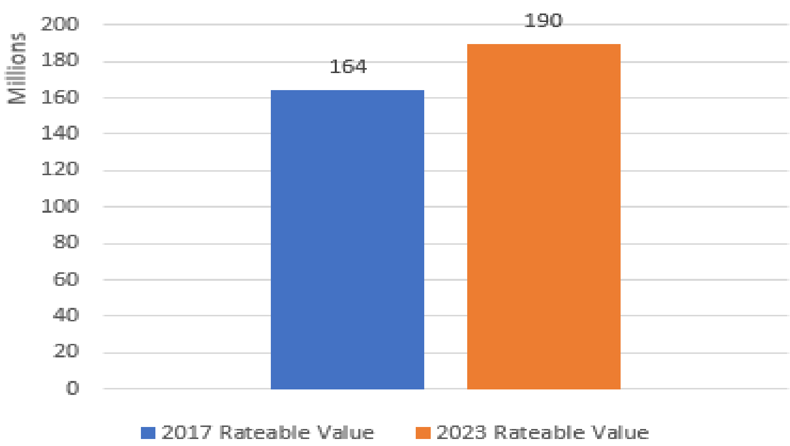
As noted above, the Valuation Office have recently released details of the new Ratings List which will come into force from April 2023. The new List shows that there has been a change in the Rateable Values (RVs) for properties who operate within different business sectors. It is not possible to list all of the changes as there are many different sectors, but the main areas of change appear to be as follows;

- Businesses who operate within the industrial, warehousing and factory related sectors could see their RVs increasing from April 2023,
- Businesses who operate within the retail sector could see their RV's decreasing

As in previous Revaluations, businesses who see a material increase in their RV will be awarded transitional relief over the period of the Rating List, so that the financial impact is smoothed and the increase introduced over a number of years.

It should be noted that at an overall level the amount of funding generated through business rate income across all sectors is expected to remain broadly similar for councils next year, although it will be necessary to make adjustments to individual council funding levels through changes to their grant allocations, for where the underlying RV's within their areas have changed.

To understand the specific financial impact of all of these changes on the council's MTFP modelling it is necessary to understand how many businesses operate within each of the various sectors, along with the rateable values and the charts below provide details to show these changes.



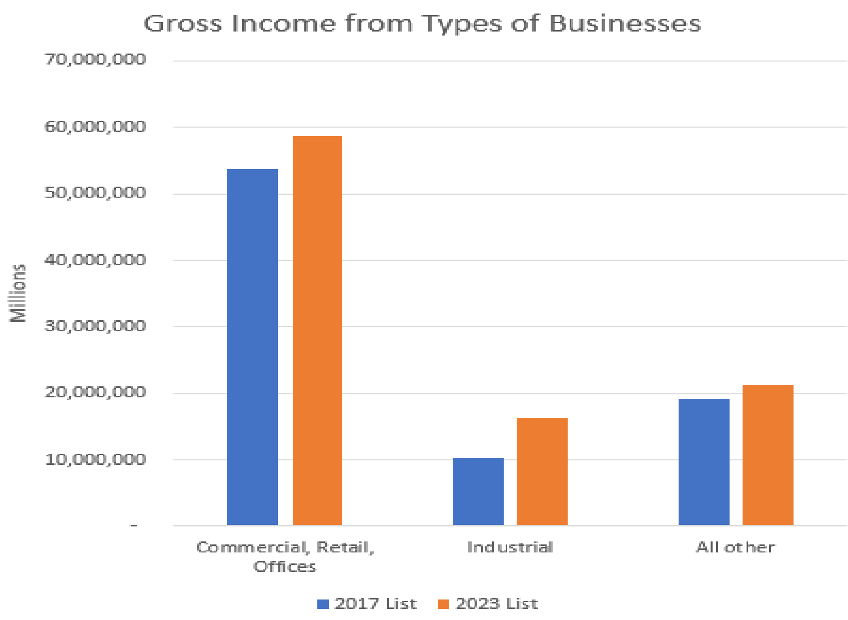


Chart 1: shows a significant increase in the rateable value of properties within the North Somerset area from April 2023.

Chart 2: shows a significant increase in the amount of business rate income likely to be received from the businesses within the North Somerset area from April 2023, before transitional relief is applied).

Whilst the amount of income received from businesses is expected to increase next year, the associated business rate related grants from the government will be reduced. The net impact of all these changes within the base budget is estimated to be an increase of **£0.273m.**

3.5. Updated savings and income generation plans

The Executive presented the majority of the draft savings proposals for inclusion within the MTFP at the meeting held in December 2022, although further proposals were also included within the report presented to Council in January 2023. All of these proposals were supported by an initial equalities impact assessment which not only provided more details about the proposals themselves, but they also outlined the potential impact on groups who have a protected characteristic.

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 previous reports were published the savings proposals have been reviewed and discussed in various forums and feedback has also been received from residents across communities, including through the Citizens Panel. As a result, the Executive have made the following changes to the recommended budget for 2023/24;

Ref	Saving	Action	Was	Now	Change
ASS14	voluntary and community sector grants	Reduce	200	32	-168
PH1-3	reductions to regulatory service functions	Reduce	130	80	-50
CSD4	reductions to voluntary sector grants	Remove	10	0	-10
PH8	public health realignment	Remove	-168	0	168
CH07	review staffing in family support & safeguarding	Remove	76	0	76
PD8	increases to public convenience charges	Remove	30	0	-30
PD2	saving to close Backwell Recycling Centre	Rephase	300	0	-300
CH11	redevelop Childrens' centres into family hubs	Rephase	300	150	-150
	Total changes to savings plans		**878**	**232**	**646**

A full schedule of the remaining savings proposals included within the 2023/24 revenue budget, which total **£10.420m**, is shown at Appendix 2.

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 £375k (c3.6% 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.

Each of the proposals is supported by an Equality Impact Assessment (EIA) to enable the council to understand both their individual and cumulative impacts and mitigate against these. Further information on the EIA's is provided in Appendix 3.

3.6. Allocation of budgets across service areas

All of the proposed changes to the councils' budget for next year, both in terms of additional spending plans and savings proposals will be allocated to specific service areas, and these items will be added to the existing base budgets currently held by managers and Directors. A summary of the recommended budgets for 2023/24 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. Some of these reserves are general in nature and would be available to fund any risk or pressure, whereas others have been earmarked to signify that they have been set aside to fund or be required for a specific purpose.

A review of these reserves has been undertaken to ensure that they are sufficient to meet the planned business need in both the current and future years, and 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 Officer has assessed these levels and considered them to be adequate alongside other mitigations and risk management measures and will provide a detailed listing of all 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/ Section 151 Officer) 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 considering:

- 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 2023/24 revenue budget is included at Appendix 6, although some of the key points are noted below.

- The council has been preparing the budget during a period of significant financial uncertainty, brought about by the rapid and unprecedented rises in inflation on many of the council's costs, which has affected the financial position in the current financial year as well as the planning for future years from April 2023.

  The inflationary increases have continued to grow during this time which has introduced volatility into the financial planning process and meant that the underlying assumptions have needed to be continually reviewed and updated to ensure that future forecasts are robust and reliable.

- A review of the council's financial performance over the last three years indicate that the council retains some residual risk within core services, particularly with regards for demand led services. The most notable changes have arisen in areas such as care for older and vulnerable people, children looked after and with disabilities, and home to school transport services. Account has been taken of both current and future demand levels and provision has been built into the recommended budget for 2023/24.

- Provision has been made for pay awards, pension and national insurance changes, contractual inflationary pressures and the forecast impact of the National Living Wage which will 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.

- The ongoing process to build a sustainable budget with numerous changes to underlying assumptions has meant that funding solutions have needed to be adapted and changed to accommodate the increased costs and resultant budget shortfalls. The rising cost base has resulted in the council developing savings proposals of over £10m and including these within the budget for next year. Savings plans of this scale do represent a risk if they are not supported by clear delivery plans and so efforts have been made to ensure that these are in place before the start of the year. The proposals will form part of the council's budget monitoring framework as well as being integrated into the performance management framework. That being said, in recognising the underlying risks associated with delivery the council has included some provision within the budget as a mitigation measure.

- Significant consideration and attention has been given to the funding pressures within the High Needs Block of the Dedicated Schools Grant (DSG) and recognising the challenges that have arisen in previous years, and also those which could continue into the future, the council has been in discussions with the Department for Education through the Safety Valve Programme.

- The councils budget setting process reflects the new funding streams allocated to the council along with the additional responsibilities that will be attached to them.

- The council has prepared its resource forecasts for future years based upon the information available at this time and although the government have provided clarity on the 2023/24 position, only indicative policy statements have been released in respect of the 2024/25 position and nothing for the period thereafter. The long-term funding position for the local government sector therefore remains uncertain, which is clearly a challenge for the council's own financial modelling.

- 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. One example of this would be the specific service risks associated with Ash Die-back which have been reflected within the revenue budget and within reserves.

- 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 2023/24 has been prepared robustly and is achievable, and that the level of reserves are adequate.

3.9. Alternative budgets

The detailed budget proposals and decisions contained within this report have been supported by the Executive as they fulfil their duties as an administration however, all political parties have the right to submit an alternative budget for consideration by other members as part of the budget setting process. At the time of writing no alternative budgets have been received.

3.10. Looking ahead

The council's financial planning forecasts for future years will continue to be reviewed and updated to reflect material changes to any of the core assumptions included within the modelling, whether these are driven by national or local factors.

The council is fully committed to addressing and closing the budgets gaps that remain within its financial plans in later years, although it recognises that there remains a great deal of uncertainty about both national funding allocations as well as local income generating abilities beyond 2024/25.

Notwithstanding that, the council will continue to plan 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.

3.11. Schools' budget and safety valve programme

The council, in consultation with the Strategic Schools' Forum (SSF) is responsible for managing the Dedicated Schools Grant (DSG) and distributing resources to providers. From April 2018, the DSG has consisted of 4 blocks of funding, and the values for the current and next year are shown below.

	2022/23	2023/24	Change £s	Change %
Schools Block	£145,657,318	£154,548,440	£8,891,122	6.1%
High Needs Block	£32,235,778	£35,557,941	£3,322,163	10.3%
Early Years Block	£11,640,321	£12,304,261	£663,940	5.7%
Central Service Block	£1,670,194	£1,704,238	£34,044	2.0%
TOTAL	**£191,203,611**	**£204,114,880**	**£12,911,269**	**6.8%**

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 funding to another block, with the approval of the SSF. Transfers in excess of 0.5% require approval of the Secretary of State for Education.

The proposed budget for 2023/24 for the DSG is shown in the table below and includes a 1% transfer from the schools block to the high needs block (£1.545m) to support the DSG Management Plan and the Safety Valve proposal (see below).

	Income (DSG)	Gross Expenditure	Net Expenditure
Schools Block	£154,548,440	£153,002,956	-£1,545,484
Less: Deductions for NNDR	-£851,937	-£851,937	£0
Less: Recoupment for Academies	-£146,064,845	-£146,064,845	£0
Schools Block after deductions	**£7,631,658**	**£6,086,174**	**-£1,545,484**
High Needs Block	£35,557,941	£37,103,425	£1,545,484
Less: Deductions	-£3,686,000	-£3,686,000	£0
High Needs Block after deductions	**£31,871,941**	**£33,417,425**	**£1,545,484**
Early Years Block	**£12,304,261**	**£12,304,261**	**£0**
Central Services Block	**£1,704,238**	**£1,704,238**	**£0**
TOTAL DSG BUDGET	**£53,512,098**	**£53,512,098**	**£0**

As described in the report to Council on 10 January, the council is in dialogue with the Department for Education (DfE) in relation to the growing deficit on the High Needs Block of the Dedicated Schools Grant (DSG), as part of our participation in the Safety Value Programme. Members will be aware that the deficit, which is estimated to grow to c. £18m by the end of this financial year, has arisen as a result of an increasing number of children and young people with Special Education Needs and Disabilities (SEND).

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 council will be held to account for the reforms they implement and the associated deficit reduction targets via regular reporting to the DfE. In turn the DfE 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.

The timescales for the Safety Valve Programme indicate that the council is required to submit a final submission to the DfE by 6 February, with an agreement due to be reached by 31 March 2023.

As described above, the Strategic Schools Forum has agreed a 1% (c. £1.5m per annum) movement of funding from the Schools Block to the High Needs block for 2023/24, which is a positive measure to support investment into the DSG Management Plan. In addition, our final submission is likely to extend the period of the plan to 4-5 years, in order to allow projected future surpluses to reduce the cumulative deficit further. These two factors have the potential to reduce the cumulative deficit to a manageable amount, i.e. one that the Department for Education may “pay off” with a limited contribution from the council’s general resources.

3.12. Update on adult social care funding and spending plans

3.12.1. Uplifts to care home fees in 2022/23 and 2023/24

In September 2021 the Prime Minister confirmed that the government would be providing funding to councils to support them moving towards paying adult social care providers a ‘fair rate of care’ and in December 2021 the Department for Health and Social are (DHSC) announced funding to support these changes.

As part of the local government finance settlement last year, the council was allocated £624k of new funding which means that this sums forms part of the approved base budget for the current financial year.

However, as the Settlement last year only covered one year it was not possible to tell whether the funding would be for a single year in isolation or whether it would form part of a multi-year plan. Without this information it has been difficult to develop spending plans that supported the market but did not commit the council to future levels of unbudgeted spending.

The government has recently confirmed that this funding will be sustained into the medium term which means that the council can begin to allocate the funding to providers, both in terms of the current financial year as well as next year.

In line with the guidance, it is proposed that the funding will be used to increase the basic care home fee rates payable by the council as shown in the table below.

Care Setting	Increase from April 2022		Additional increase from April 2023		Total increase	
	% uplift	Cost £000	% uplift	Cost £000	% uplift	Cost £000
Nursing Care	1.45%	249	0.30%	302	**1.75%**	**551**
Residential Care	1.20%	293	0.10%	322	**1.30%**	**615**
Totals		**541**		**624**		**1,165**

The purpose of the grant is to help address issues identified within the Cost of Care exercise as well as the sustainability of care homes, particularly given the reduction in self-fund demand. Given the availability of the Adult Discharge Grant which will support the domiciliary care sector, the care home gap has been prioritised.

Decisions to increase care home fees would usually be taken by the Executive Member and reflected within directorate spending forecasts however, given the timing pressures associated with funding allocations and the alignment with two financial years, it is appropriate to integrate this decision into the joint budget monitoring and MTFP framework.

3.12.2. Adult Social Care Discharge Grant 2022/23

On 18 November 2022 the Minister for Care released details of the £500m Adult Social Care Discharge Fund, which is a national fund to support councils and Integrated Care Boards (ICB's) to improve performance in relation to hospital discharges.

North Somerset Council has been allocated a grant of £770k in respect of the 2022/23 financial year and the Bristol, North Somerset and South Gloucester (BNSSG) ICB has been allocated a grant of £8.315m for 2022/23; it is estimated that the council's share of the ICB allocation will be approximately £2.411m.

The funding for both grants is to be pooled into the Better Care Fund (BCF) with planned spending signed off by the Chair of the Health and Well-Being Board as well as the ICB. The conditions associated with the grant funding required spending plans to be developed and submitted to the Department of Health and Social Care by 16 December 2022.

The council achieved this stage of the process within the required timescales and the spending plans were submitted, they consisted of a variety of measures designed to create capacity and support domiciliary care and bed-based intermediate care services, as well as providing additional assistive technologies and equipment.

However, before further steps can be taken it is necessary to follow the council's internal governance process and approve an increase to the revenue budget for both the increased level of income funding and the associated spending plans. Given the value of the proposed budget adjustments, specific recommendations for the Executive have been included at the beginning of the report to meet the council's financial regulations. Details of spending will be included within the council's budget monitoring framework and updates provided in later reports, in addition to the reporting arrangements already in place for the Better Care Fund and the ICB.

3.13. Bus Service Improvement Plan (BSIP)

On 24 November 2022 the Department for Transport (DfT) confirmed the grant funding allocation for the joint West of England Combined Authority and North Somerset Council

Bus Service Improvement Plan. The funding package offers a transformational level of funding providing an opportunity to deliver on 2030 net zero carbon reduction targets by improving the effectiveness of public transport to a level that creates a genuine alternative to the use of private vehicles.

The total amount of revenue funding allocated is £57.505m, this is to be spent over a three-year period starting 1 April 2022. The indicative share of this revenue funding for the council is £12.939m over the three years, with £1.250m being spent in the current financial year.

The revenue funding for future years has been included within the MTFP modelling to reflect additional spending of £6.694m in 2023/24 and £4.995m in 2024/25, all of which will be funded by additional grant funding of equivalent amounts. Because both the gross spending and the grant income have been increased within the MTFP, it means that there will be a net impact of £0 on the council's revenue budget over this period.

The grant funding from the DfT also includes £47.983m of capital funding for North Somerset Council, this will be reflected within the Capital Strategy.

Full details of the Bus Service Improvement Plan are included within the Bus Service Improvement Plan Update that is also on the agenda for this meeting.

4. Consultation and Engagement

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

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

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

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

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

The survey was open for a 2-week period from 3 January to 12 January 2023 and 244 panel members submitted a response, which equates to approximately 40%. An analysis of the responses received is shown in Appendix 4.

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

When setting budgets for the year ahead the council is aware that is 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 modelling shows 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 and these 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 for the year ahead, 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.

An MTFP risk register is held which follows the principles of the council's overarching Risk Management Strategy and has therefore been designed to;

- Identify the core risks within the MTFP
- Analyse and assess the control framework for each of these risks
- Implement and integrate these risks into our monitoring and reporting programme

As such these risks and the wider risk register will continue to be updated even after the budget is set as many will be inherent rather than the more specific areas of risks associated with the council's financial planning. An extract showing the material items within the MTFP risk register is included at Appendix 5.

Within this framework officers continue to test the impact of varying key assumptions in the medium term financial strategy throughout the process to assess the sensitivity of the ranges of indicative budget figures as this informs decisions about the level of working balances needed to provide assurance as to the robustness of the budget estimates. A table showing some of these considerations has also been included at Appendix 5.

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 3 provides an overall summary and all of the EIAs that underpin the **£10.646m** of budget savings and increased income proposals as recommended for inclusion within the 2023/24 revenue budget.

Some of the savings' proposals included within the budget 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 meetings, and feedback from the consultation has been taken fully into account within the final Assessments.

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 as some of the proposed changes included within the MTFP will impact on capacity levels within services and it may be necessary to review and reassess core priorities.

11. Options Considered

The council is legally required to set a balanced budget for the year ahead 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.

Various options in respect of potential budget changes have been considered throughout the financial planning process, many of which will have been recorded within the risk register and discussed in previous reports. The recommended budget for 2023/24 reflects the most up to date assumptions in respect of spending plans, aligning underlying data for service demand and costs, to council priorities.

All savings 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 Recommended budget for 2023/24, allocated across directorates
Appendix 2 Savings proposals incorporated into the recommended budget
Appendix 3 Equality Impact Assessment report on the 2023/24 savings proposals
Appendix 4 Response from the Citizens Panel Survey on the budget
Appendix 5 Risk register summary and sensitivity analysis
Appendix 6 Section 151 Officers statement on the adequacy of reserves and the robustness of the 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
Council Report – January 2023, MTFP & Revenue Budget Update 2023-2027

APPENDIX 1 – Recommended budget for 2023/24, allocated across directorates

	Adult Social Care £000	Childrens Services £000	Corporate Services £000	Place Directorate £000	Public Health Reg Services £000	Capital & Interest £000	Non Service £000	**Total £000**
2022/23 Base Budget - approved by Council Feb 2022	**75,158**	**26,989**	**27,553**	**29,989**	**1,374**	**11,207**	**6,821**	**179,090**
Growth included within the MTFP								
Pay related inflation	1,007	1,062	749	1,275	140	0	-15	**4,218**
Energy inflation	0	229	2,052	1,917	0	0	0	**4,198**
Contract inflation	0	0	1,468	1,625	0	0	0	**3,093**
Business rates inflation	1	12	47	43	0	0	47	**150**
Childrens - placements, disabled children, foster care allowances	0	2,429	0	0	0	0	0	**2,429**
Adults - inflation, demographics, transitions, re-basing for 22/23	8,852	0	0	0	0	0	0	**8,852**
Adults - new funding and responsibilities	3,863	0	0	0	0	0	0	**3,863**
Place - waste service	0	0	0	3,052	0	0	0	**3,052**
Place - home to school transport	0	0	0	2,366	0	0	0	**2,366**
Place - other (incl Ash Die Back, property costs)	0	0	0	608	0	0	0	**608**
Other - audit fees, insurance, rolled-in grants, coroners, contingency borrowing, remove prior year one-offs (feasibility, priorities)	0	0	810	0	0	217	-437	**590**
	13,723	**3,732**	**5,126**	**10,886**	**140**	**217**	**-405**	**33,419**
Savings proposals	-4,227	-764	-1,453	-2,808	-258	-910	0	**-10,420**
Budget transfers 2022/23 and 2023/24	-320	55	-25	366	118	-194	0	**0**
2023/24 Draft Budget - as per Executive report February 2023	**84,334**	**30,011**	**31,201**	**38,433**	**1,374**	**10,320**	**6,416**	**202,090**
Analysis								
Net change in Budget year-on-year - £000	9,176	3,023	3,648	8,444	0	-887	-405	**22,999**
Net change in Budget year-on-year - %	12.2%	11.2%	13.2%	28.2%	0.0%	-7.9%	-5.9%	**12.8%**
Savings as a % of 2022/23 Base Budget	-5.6%	-2.8%	-5.3%	-9.4%	-18.8%	-8.1%	0.0%	**-5.8%**
Growth (total) as a % of 2022/23 Base Budget	18.3%	13.8%	18.6%	36.3%	10.2%	1.9%	-5.9%	**18.7%**
Growth (excl Energy and Bus Rates) as a % of 2022/23 Base Budget	18.3%	12.9%	11.0%	29.8%	10.2%	1.9%	-6.6%	**16.2%**

Budget transfers are where services or areas of responsibility transfer between directorates, for example, the budgets for the net property compliance contracts have (£275k) been transferred into the Place directorate from Corporate Services. Other transfers relate to funding for public health outcomes.

APPENDIX 2 – Savings proposals incorporated into the recommended budget for 2023/24

Ref	Description	2023/24	2024/25	2025/26	Total Proposals
ASS01	Better Care Fund - Inflation on adult protection element - contribution to increased costs	300	0	0	**300**
ASS02	Extra Care Housing - reduced unit costs of care element following re-tender	25	0	0	**25**
ASS03	Reducing the number / size of new care packages through reablement, Technology Enabled Care (TEC) and other early intervention services	400	0	0	**400**
ASS04	Meeting the needs of people through strengths-based assessment and governance approach that ensures equity and consistency	200	0	0	**200**
ASS05	Reviews of existing care packages to ensure that all appropriate Continuing Health Care (CHC) or joint funding is received	500	0	0	**500**
ASS06	Reviews of existing care packages to ensure still appropriate, strengths-based assessment and use of TEC	500	0	0	**500**
ASS07	Review the services received within Mental Health / Learning Disabilities considering TEC, Shared lives and Housing with support to maximise independence.	325	0	0	**325**
ASS08	Identify new Supported Living schemes as a more cost effective and independence maximising alternative to residential placements	100	0	0	**100**
ASS09	Equipment demonstration delivery moved to alternative venues, end use of MOTEX demonstration centre	60	0	0	**60**
ASS10	Review of arrangements for shared office accommodation with Avon and Wiltshire Mental Health Partnership	75	0	0	**75**
ASS11	Review staffing arrangements in the Learning Disabilities and mental Health Teams	120	0	0	**120**
ASS12	Increase vacancy management target in adult social care by 1%	125	0	0	**125**
ASS13	Increased client contributions to reflect increases in benefits and pensions	940	0	0	**940**
ASS14	Review Voluntary and Community Sector Grants and Commissioned Services	32	0	0	**32**
ASS15	Review of staffing and deletion of non-statutory Bristol Autism Services seconded Social Worker role	59	0	0	**59**
ASS16	Freeze TEC Coordinator post until external funding becomes available	49	0	0	**49**
ASS17	Review of funding arrangements for staff in the Housing Team	162	0	0	**162**
ASS18	Annual uplift to fees and charges to cover inflationary cost of services - Adults	255	256	256	**767**

APPENDIX 2 – Savings proposals incorporated into the recommended budget for 2023/24

Ref	Description	2023/24	2024/25	2025/26	Total Proposals
CH01	Efficiency savings or reductions in budgets in line with projected or historic spend or demand	85	0	0	**85**
CH02	Relocate Family Support and Safeguarding team to alternative office accommodation	20	0	0	**20**
CH03	Deletion of vacant posts in Education Funding, Fostering Training, Strategy and Policy and Training Teams	121	0	0	**121**
CH04	Review of Family Time Service to ensure service supports children with the highest needs	60	0	0	**60**
CH05	Increase in Vacancy Management target	100	0	0	**100**
CH06	Review of costs for children with complex care needs	50	0	0	**50**
CH08	Review of arrangements for Family Group Conferencing	56	0	0	**56**
CH09	Remove final tranche of discretionary funding for under two's child care	80	0	0	**80**
CH10	Review funding arrangements for staffing costs in Youth Justice Service	29	0	0	**29**
CH11	Redevelopment of Children's Centres into Family Hubs	150	150	0	**300**
CH12	Annual uplift to fees and charges to cover inflationary cost of services - Children	13	14	14	**41**
CSD1	Reduce senior management within the directorate, along with external resources previously used to support transformation	159	0	0	**159**
CSD2	Review the scope and scale of support provided to the council through external contractual arrangements in respect of Internal Audit and Archiving, i.e. the storing of historic artefacts.	10	10	8	**28**
CSD3	Review the scope and scale of the Business Intelligence team, the Policy & Partnerships team and the delivery of consultation and research activity	80	20	0	**100**
CSD5	Review and reduce resources required to deliver Procurement services, reflecting reduced demand as a result of lower overall external spend.	54	0	0	**54**
CSD6	Review of the Comms team and release capacity from vacant post	35	0	0	**35**
CSD7	Reduce number of editions of North Somerset Life from 3 to 2 per year. Also look to increase income opportunities	39	0	0	**39**
CSD8	Realign occupational health budget and annual leave buy back budgets to current levels	13	0	0	**13**
CSD9	Review the resources required to deliver a range of internal support services including the senior leadership support team, legal, democratic and scrutiny services as well as electoral and registration services and look to reduce costs and / or increase income.	21	95	60	**176**
CSD10	Review and reduce the resources required to deliver a range of internal support services such as ICT support and project management and external contract costs for bought in services. Seek further income from trading opportunities and project management activity.	120	0	0	**120**

APPENDIX 2 – Savings proposals incorporated into the recommended budget for 2023/24

Ref	Description	2023/24	2024/25	2025/26	Total Proposals
CSD11	Reduce printing costs and equipment leases, reduce physical document storage costs	10	10	0	**20**
CSD13	Increase income from Carelink users - aligned to inflation	10	0	0	**10**
CSD14	Implement a range of changes and cuts to the Support Services Contract through reductions to the scope and scale of services and capacity available to the council. Areas of change include; Facilities, Digital Support, Cash Collection, Revenues and Benefits, Accounts Payable, Carelink and ICT.	133	235	0	**368**
CSD15	Increase council tax income by introducing a new policy to levy a second homes premium	0	0	150	**150**
CSD17	Undertake a review of the Finance Service to evaluate core areas of responsibility, reduce the scope and scale of services currently provided and efficiencies.	103	20	14	**137**
CSD19	Align income budget from tenants to current levels at Castlewood and reduce premises related costs within office accommodation sites by 10% e.g. paper supplies, maintenance etc	235	0	0	**235**
CSD20	Reduce budgets associated with the Sovereign Centre including the removal of resources set-aside to fund the capital financing costs of potential future investment and contract management costs.	290	0	0	**290**
CSD21	Increase income from external investment activity largely as a result of higher interest rates	850	0	0	**850**
CSD22	Reduction in debt costs and charges (Avon Loan Debt & Revolving Infrastructure Fund)	60	15	0	**75**
CSD23	Reduction in former employee pension costs	30	10	0	**40**
CSD24	Annual uplift to fees and charges to cover inflationary cost of services - Corporate	36	37	37	**110**
CSD25	Increase the vacancy management target within Corporate Services staffing budgets	75	0	0	**75**
PH1-3	Budget savings within Regulatory Services, covering Housing, Consumer Protection and Environment Protection related services. Will include opportunity to increase income, and reduce expenditure.	80	0	0	**80**
PH4	Annual uplift to fees and charges to cover inflationary cost of services - PH&RS	10	11	11	**32**
PH5	Remodel team structure and limit recruitment against restructure plans agreed earlier in 2022. New reporting lines and allocation of functions to share increased workload. Will deliver savings to also support further realignment in 22/23.	118	0	0	**118**
PH6	Reduce allocation of budget to GP delivery of health checks and target provision in areas of higher deprivation or high risk workplace settings.	30	0	0	**30**
PH7	Seek economies of scale in delivery of settings programmes and reduce funding to support some interventions e.g. mental health training.	20	0	0	**20**

APPENDIX 2 – Savings proposals incorporated into the recommended budget for 2023/24

Ref	Description	2023/24	2024/25	2025/26	Total Proposals
PD1	Increase recycling materials income target	900	0	0	**900**
PD2	Review recycling provision and initiatives across the district	0	200	0	**200**
PD3	Garden Waste inflationary increase	150	0	0	**150**
PD4	Garden waste optimisation of rounds (Garden Waste collected on a different day to other collections)	50	100	0	**150**
PD5	Find efficiency savings within the Waste Contract - This could include campaigns to improve the sorting of recycling by residents	150	150	0	**300**
PD6	Refresh and embed a policy to minimise replacement/additional bins/containers	50	50	0	**100**
PD7	Campaigns to increase recycling and reduce disposal costs	50	0	0	**50**
PD9	Income from public surveillance cameras & private CCTV monitoring	10	0	0	**10**
PD10	Fixed Penalty Notice (FPN) revenue for Anti-Social-Behaviour & CCTV used to issue FPNs for Highways and Public Protection Order and review funding models for Community Response	50	85	0	**135**
PD11	Realign income budgets for leisure centres to current usage levels	15	0	0	**15**
PD12	Make permanent the existing closure of Churchill Sports Centre	117	0	0	**117**
PD13	Seafront staff review	40	0	0	**40**
PD14	Review the commercial model for the following buildings: Somerset Hall Playhouse Theatre Tropicana The Bay Cafe	248	0	0	**248**
PD15	Realign the budget for Curatorial Service	5	0	0	**5**
PD17	Establishment of a single, council-wide transport function and improved commissioning	50	0	0	**50**
PD18	Revisit safe walking routes to school	100	0	0	**100**
PD20	Moving traffic violations - Adopt new powers available to Highways Authorities to improve safety and reduce congestion by enforcing traffic contraventions	100	100	0	**200**
PD21	Bus lane enforcement	100	0	0	**100**
PD22	Realign budget for structure repairs to reflect actual spending	25	0	0	**25**
PD23	Reduce external spend and increase internal spend on the Capital Programme	200	0	0	**200**

APPENDIX 2 – Savings proposals incorporated into the recommended budget for 2023/24

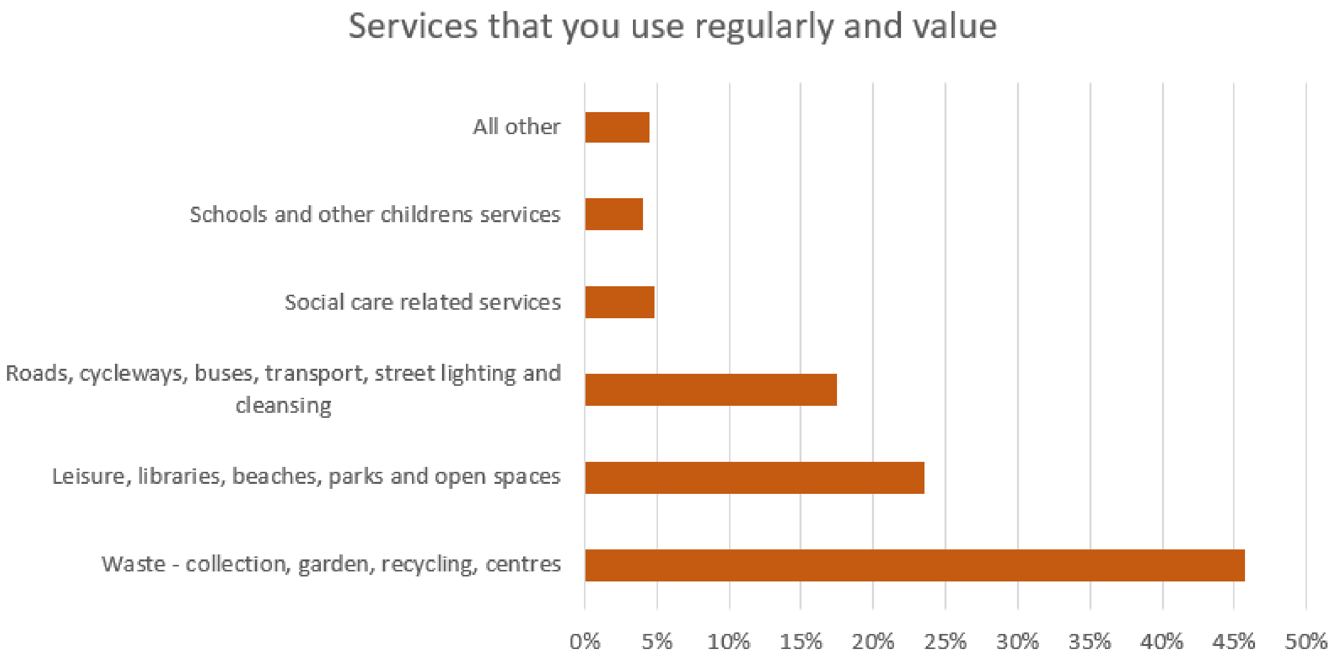
Ref	Description	2023/24	2024/25	2025/26	Total Proposals
PD24	Realign budget for affordable housing income	28	0	0	**28**
PD25	Deletion of vacant officer post within Development Team	36	0	0	**36**
PD26	Estimated increase in national planning application fees	16	0	0	**16**
PD27	Delete vacant Access Officer post	19	0	0	**19**
PD28	Economy team additional income	16	0	0	**16**
PD30	Expand commercial waste service	0	50	0	**50**
PD32	Review residents parking zones	0	50	50	**100**
PD33	Biodiversity Net Gain	0	25	0	**25**
PD34	Progress the libraries strategy by investigating alternative funding opportunities, models and partnerships	0	135	0	**135**
PD35	Review Placemaking & Growth services	0	93	0	**93**
PD36	Annual uplift to fees and charges to cover inflationary cost of services - Place	124	122	122	**368**
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**
PD38	Realign income budget for Land Charges & Street Numbering to reflect an increase in fees to offset the cost of providing the service	19	0	0	**19**
PD39	Increase the vacancy management target within Place staffing budgets	70	0	0	**70**
		10,420	**2,043**	**722**	**13,185**

APPENDIX 3 – Equality Impact Assessment report on the 2023/24 savings proposals

This report is listed as a separate document within the Agenda and can be accessed from there

APPENDIX 4 – Response from the Citizens Panel on the budget

Services regularly used and valued



The council asked the panel to list the services that they regularly use and value and the responses are shown in chart.

As can be seen the top response was '**waste**' as almost half of residents specifically referenced one or more of their waste related services, which includes the kerbside collection of the black bins and green recycling boxes, as well as garden waste and recycling provision.

In addition to the services selected, panel members also had the opportunity to provide free text to support their choices.

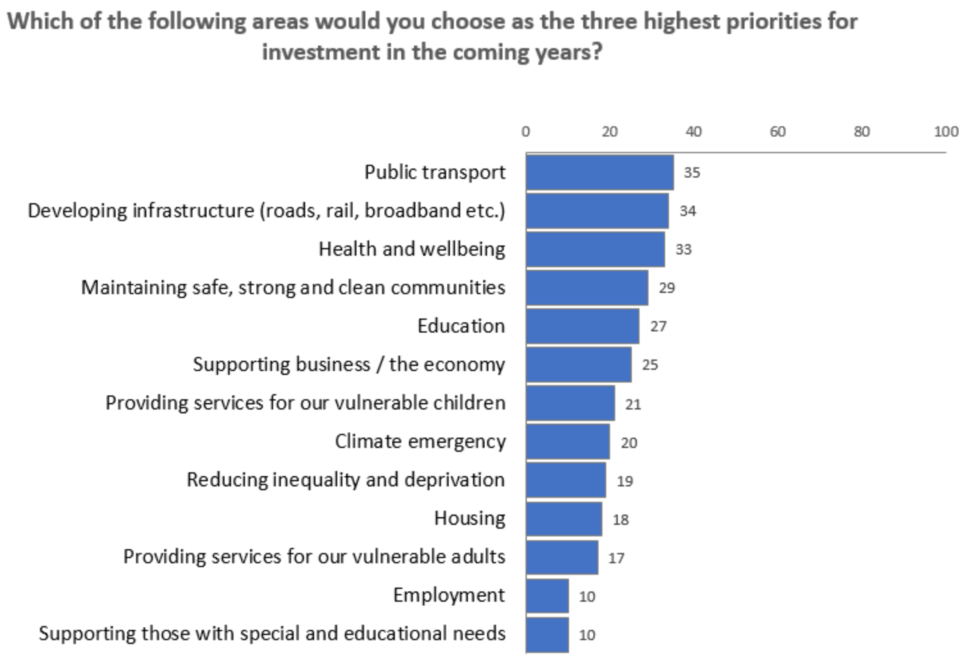
Panel members provided a lot of commentary on the council's waste services and there was recognition that this area had improved a lot compared to the service received in previous years. Staff were mentioned for the difficult job that they do, and residents valued and appreciated that the recycling centres are well laid, clean and provided an essential community-based facility. Several responses asked for service levels in this area to be retained and not reduced.

A lot of commentary was also provided about other 'core' services that panel members regularly use, notably community-based leisure facilities, parks, open spaces, public rights of way and beaches; the panel stated that they used these facilities to go for walks, be with their families and to get fresh air and exercise.

Roads, cycle ways, buses and transport related facilities were highlighted by the panel as being very valuable resources within communities, although there was the perception that these areas were lacking in some areas and also in need of some additional investment.

APPENDIX 4 – Response from the Citizens Panel on the budget

Highest priority areas for investment in the future



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

The responses in this chart provide some correlation to the free text given in the first question, in that public transport and developing infrastructure, including roads and rail facilities would be amongst the top two priority areas for investment in the future.

Other priority investment responses given were more linked to the provision of services that people value and did not just focus on investment that could be spent on physical assets.

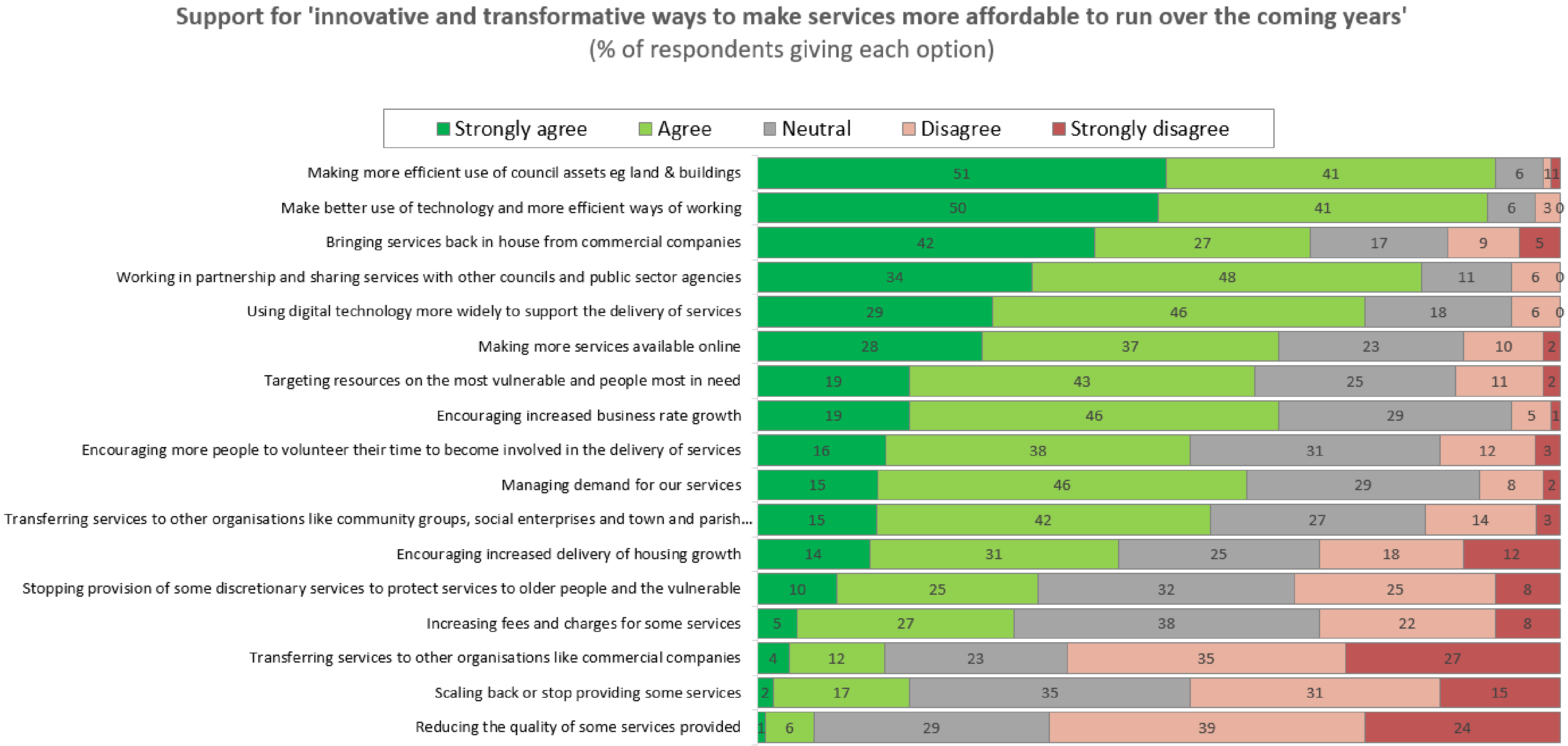
This would include investment to;

- Improve health and well-being
- Support businesses and the economy
- Provide support to vulnerable adults and children

APPENDIX 4 – Response from the Citizens Panel on the budget

Ways to make services more affordable

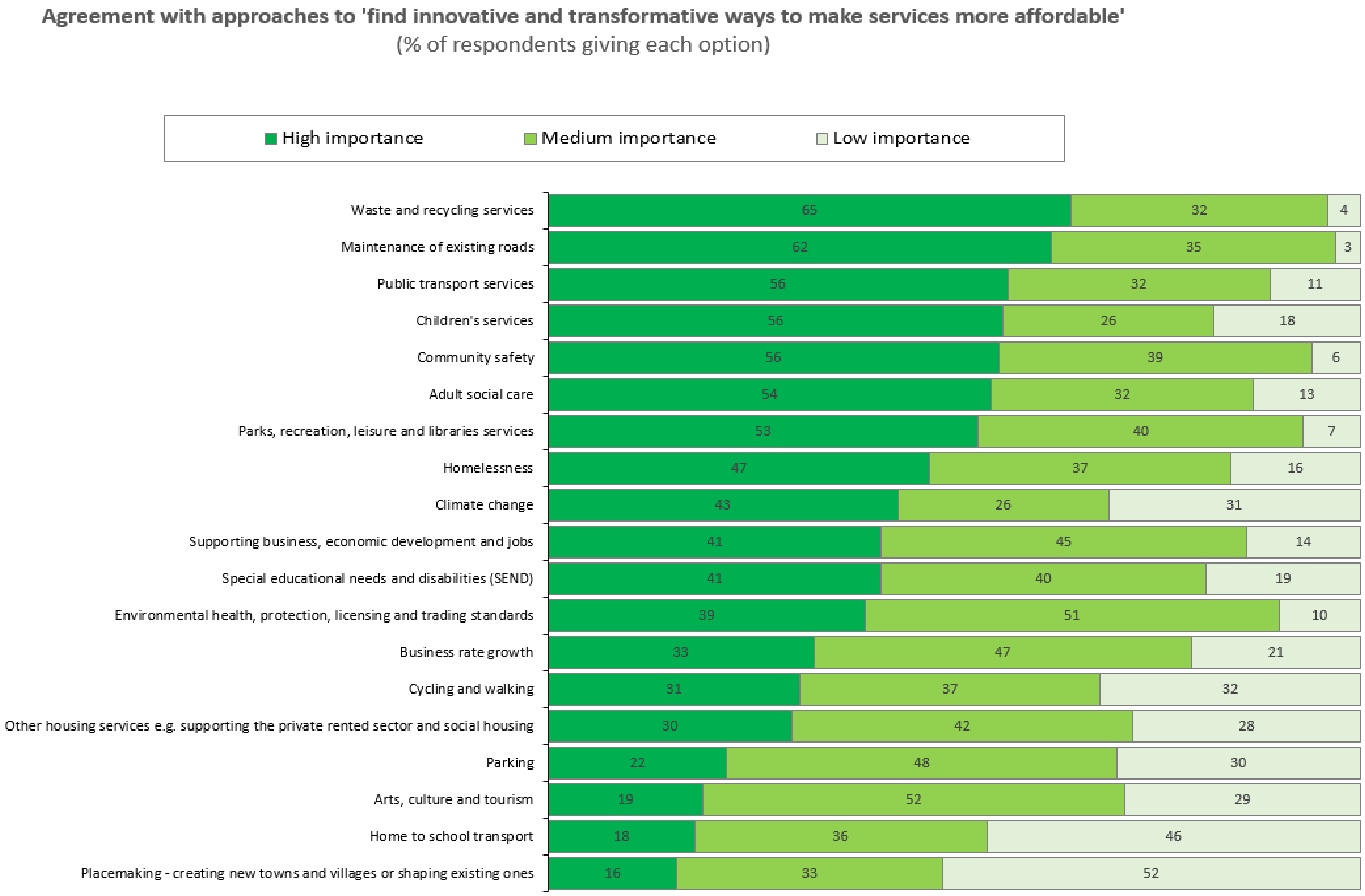
Members of the citizens panel were asked to share their thoughts by prioritising the approaches which the council has identified as ways that it could make services more affordable to run. The chart below shows the responses given, with those at the top more acceptable than those at the bottom.



The free text responses supporting this question are interesting because although the option to 'make more services available online' scored a relatively positive response in the chart above, the free text provided many comments to indicate that the panel felt that some parts of the community would find this a barrier as they could not access or use technology as easily as others, and so could become disadvantaged.

APPENDIX 4 – Response from the Citizens Panel on the budget

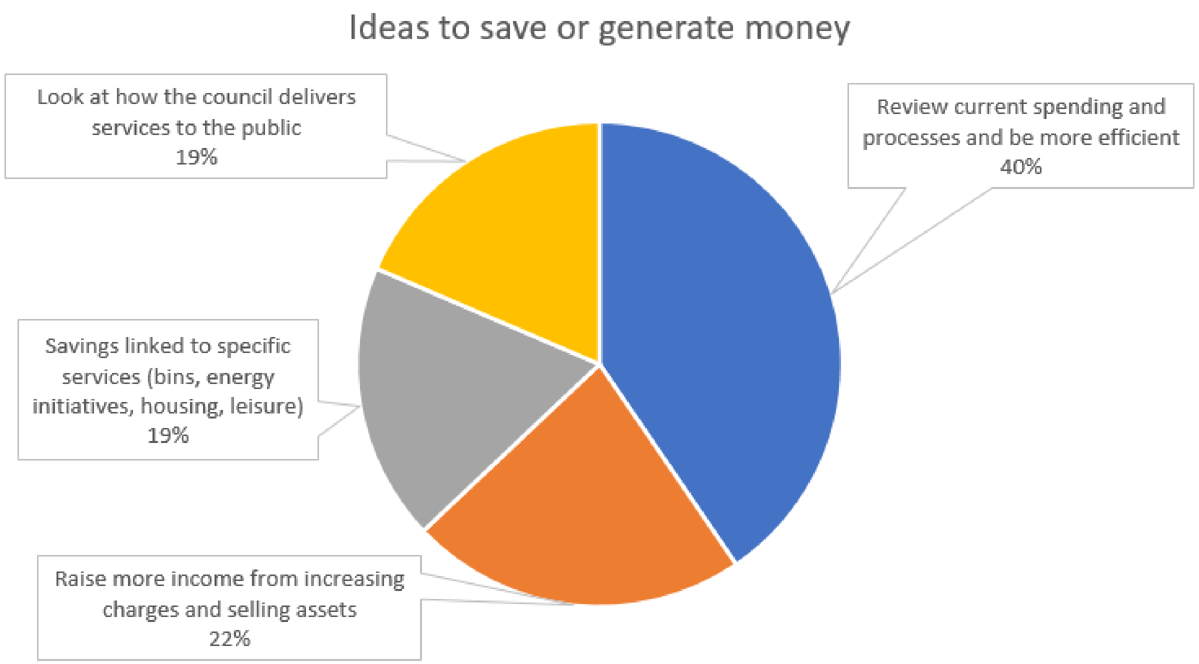
Areas where innovative and transformative approaches could make services more affordable



APPENDIX 4 – Response from the Citizens Panel on the budget

Ideas and ways the council can save money and improve services

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



- **Review current spending and internal processes and be more efficient**

  Reduce costs by better use of technology, be less bureaucratic and reduce some processes, work together with other councils and partners, do jobs once ‘correctly’ at the outset and ensure that they are of a high standard, review and evaluate high-cost projects, use quality contractors, award smaller contracts to local people who can contribute and grow the local economy, review decisions about ‘what’ to spend money and make sure that it is wanted and needed by the community – be wise before spending tax-payers money and scale back on what might be a vanity project, ensure that the online website for council tax is ft for purpose

APPENDIX 4 – Response from the Citizens Panel on the budget

- **Raise more income from increasing charges and / or selling assets**

  Be more commercial and fine offending lorries or companies who break weight limits and damage roads, improve enforcement of speed limits and charge more drivers who are caught on speed cameras, congestion charges, fine visitors when they park on council land, introduce charges for discretionary services that are not used by all residents, increase charges for those most able to pay, introduce charges for major users of recycling centres (i.e. over an excessive level), make sure that discretionary charges for specific things cover all of the service costs, sell recycled goods at centres, build council houses to provide rental income, raise a levy on all new house building and use that money to improve local roads, collect all outstanding debts being held, introduce a higher council tax for second homes, bring in residents parking on some streets, look at car parking charges in all the North Somerset towns, invest in council owned industrial units and rent them out to generate business rates, let out empty flats and properties, hold parties in the park or more events on council land, lobby government for a tourist tax

- **Look at how the council delivers services**
  - Sharing services - establish services which can be provided on a regional basis or working with other councils e.g. working with Bristol or Somerset, undertake more joined up working with the NHS, share premises with civil service or other government bodies, sharing top management jobs

  - Engaging with local councils – devolve some service delivery and asset management to local councils (parks, car parks, environmental health, asset management), encourage communities to set up local renewable energy projects, create community champions the tools to sort out minor issues, allow local councils to contribute to services that could be closed or reduced in their areas, avoid duplication with local councils

  - Making use of the community and voluntary sector and volunteers – encourage and help more volunteer organisations, use more volunteers to improve health and well-being, get communities involved in litter picking hedge trimming and park maintenance, use PCSO's to monitor anti-social behaviour groups, use community service punishments to clearing the town, make use of the residents who have retired and they represent a skilled resource, partnership working with third sector organisations who have skills and knowledge

- **Savings ideas linked to specific services**
  - Transport - Run a small bus into town on weekend evenings, introduce a park and ride scheme from Worle station to the town centre particularly for events, look at investment in an area and then do the works at the same time to avoid several trips, change some traffic signals to peak time only, change the buses for transporting children to smaller ones in village locations,

APPENDIX 4 – Response from the Citizens Panel on the budget

- Health and social care - Invest in the health of the people in the area which in turn will reduce the need for social care, increase social care capacity to improve healthcare, employment and housing,
- Leisure - Build or convert new sports centres, less management of open spaces and more re-wilding / eliminate re-wilding, invest in leisure if fewer holidays abroad, extension to Strawberry Line and invest in cafes and businesses along the route

- Climate - Invest in renewable energy generation on council property, invest in solar panels and electric vehicles for the council, reduce street lighting, turn off all council buildings at night

- Waste - Incentivise people to recycle more, try to generate better markets from recycling, e.g. biomass, energy, aggregates from plastics, provide water butts at reduced cost to protect water resources, change the arrangements for bulky waste as too expensive, only collect black bins every 4 weeks instead of 2 to encourage more recycling / bin collection could be extended by another week

APPENDIX 5 – Risk register summary and sensitivity analysis examples

	Risk area	Initial Risk Score			Potential mitigation	Risk Score After Mitigation		
		Likelihood	Impact	Score		Likelihood	Impact	Score
1	Legacy overspending through not delivering a balanced budget in 2022/23	3	4	12	Month 8 budget monitor shows a projected net over spend of £1.5m, although still has a contingency budget of £1.4m to call upon. The 2023/24 recommended budget has allocated growth to these 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	Sustained increase in inflationary factors which have the potential to drive the council's future costs above the assumptions reflected within the MTFP for Pay, Energy and Contracts	5	4	20	Efforts have been made to review and assess assumptions for cost increases across the period of the MTFP and align these to benchmarking or national rates. Uncertainties around pay will largely be driven by the governments National Living Wage policy, although it is likely that there will be an associated impact on the council's contract costs. All indices will continue to be closely monitored and compared to MTFP assumptions. The annual revenue budget does include an unallocated contingency budget of £1.4m and holds sums in its reserves.	4	4	16
3	The ongoing impacts associated with higher interest rates, which could increase borrowing costs or provide an opportunity to increase returns on external investments	3	5	15	The council's capital strategy will aim to manage capital spending within an overall affordability envelope which means that it could scale back on spending in other areas if borrowing rates increase beyond budget levels. An increase in investment interest rates will provide an opportunity to generate more returns for the council.	3	3	9
4	Unable to mitigate budgeted demand pressures within children's social care and home to schools transport as well as other services such as adult social care, waste collection, coroners service.	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 an estimate of further demand growth.	3	4	12
5	Unable to achieve financial savings in all areas of the council's budget, given that savings of over £10m have been included for delivery in 2023/24	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. Provision has also been included as a contingency within the revenue budget to offset some minor delays.	3	4	12
6	Unable to deliver and sustain the locally generated housing and business rate growth required to align to budgeted income streams	4	5	20	Increased focus on delivery of outcomes through regular reviews with planning and place-making teams who are monitoring effective delivery of housing growth. Implement a robust monitoring system to assess and report on collection rates for business income following the rollout of the national Revaluation process.	3	4	12
7	Uncertainties in future funding levels following potential changes to local government finance arrangements	3	5	15	The council has been provided with details to support a one-year funding settlement for 2023/24 as well as a policy paper to indicate a commitment to providing stability in 2024/25. There remains a great deal of uncertainty beyond this period which may be driven by national political and economic change. The council will continue to lobby for further certainty to enable it to prepare robust medium term financial plans, through individual work as well as through liaison with other councils and stakeholders.	5	4	20

APPENDIX 5 – Risk register summary and sensitivity analysis examples

	Risk area	Initial Risk Score			Potential mitigation	Risk Score After Mitigation		
		Likelihood	Impact	Score		Likelihood	Impact	Score
8	Uncertainties relating to new funding streams for Adult Social Care and also the potential future implications arising from delaying some elements of 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 reflected within the MTFP to support core areas of spending and also a range of new initiatives and outcomes, although these will only be assess and potentially mitigated when grant conditions and responsibilities are shared. There remains ongoing uncertainty in relation to Social Care Reforms, i.e. the funding as well as the impact on the council, residents and the wider sector which will only be mitigated when further information is released.	3	3	9
9	Financial stability of providers, including those providing adult social care services and also leisure services	3	5	15	The council will continue to apply annual uplift fees to social care providers taking into account inflationary increases in costs, whilst maintaining affordability for the council. Additional funding in respect of the Fair Cost of Care will also be passported onto providers within the market to ease pressures in accordance with govt guidance and a Market Sustainability Plan will be published. Sharp rises in energy costs over the past year have impacted on leisure providers who were still trying to recover from Covid. Support has been provided and further measures are planned to ensure that council owned assets are maintained to ensure a full range of facilities can be provided to residents and mitigate losses.	2	5	10
10	Inability to reduce the annual Dedicated Schools Grant deficit in the short term	5	5	25	The council has been working closely with the government on its Safety Valve Programme which is an initiative that helps councils to deliver a sustainable financial operating position within the DSG budget, particularly in the High Needs Block. As a result a range of options are currently being considered, which if implemented, will impact on future levels of annual spending in this areas. It is anticipated that the Safety Valve discussions will also have a positive impact on the council's Deficit balance through a release in additional funding, although the Deficit is currently not chargeable to the General Fund following a temporary change in the accounting regulations.	5	4	20
11	Prioritising, funding and implementing major infrastructure 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 has been 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 spending plans for new projects, as well as risks associated with existing projects, will need to be prioritised within an overall affordability envelope because all such plans must be sustainable within the context of the MTFP.	4	5	20
12	Availability of one-off revenue resources to mitigate risk, and fund investment in key priorities such as transformation. This also incudes ensuring that the council has sufficient capacity to support and deliver new projects, particularly those which have external funding.	3	5	15	Retain a contingency budget of £1.4m as well as 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
13	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
14	Impacts arising from the Cost of Living Crisis which could present across many areas of the council's budget, e.g. increased demand for services, lower levels of income collected (including council tax)	4	3	12	Forecast levels of demand have been considered on a service by service basis to assess if adjustments are needed. Work has been undertaken to understand the impacts of support packages implemented through the CoL working group. The draft budget will also reflect the £100m of govt support to increase council tax support.	3	3	9

APPENDIX 5 – Risk register summary and sensitivity analysis examples

Scoring matrix

Council-wdie Risk Management Matrix - applied to the MTFP Strategic Risks				Likelihood				
				Rare - less than a 5% chance **1**	Unlikely - 6% to 20% chance **2**	Possible - 21% to 50% chance **3**	Likely - 51% to 80% chance **4**	Almost certain - 80% plus **5**
Impact	Critical	affecting 25% of a budget or impact of up to £1m	**5**	LOW / MED	MEDIUM	HIGH	HIGH	HIGH
	High	affecting 16% to 25% of a budget, litigation/claims/fines of up to £500k	**4**	LOW	MEDIUM	MEDIUM / HIGH	HIGH	HIGH
	Medium	affecting 6% to 15% of a budget, litigation/claims/fines of up to £250k	**3**	LOW	LOW / MED	MEDIUM	MEDIUM / HIGH	HIGH
	Low	affecting 1% to 5% of a budget, litigation/claims/fines of up to £100k	**2**	LOW	LOW	LOW / MED	MEDIUM	MEDIUM
	Negligable	affecting up to 1% of a budget, litigation/claims/fines of up to £50k	**1**	LOW	LOW	LOW	LOW	LOW / MED

5	10	15	20	25
4	8	12	16	20
3	6	9	12	15
2	4	6	8	10
1	2	3	4	5

APPENDIX 5 – Risk register summary and sensitivity analysis examples

Examples of sensitivity analysis / scenarios relating to items included within the council's financial modelling			
Area	**Example Change in Demand**	**Potential Impact £000**	**Notes and supporting information**
Costs associated with the demand for places for Looked After Children	5%	500	The average unit cost of a placement for a looked after child is c. £30,000 per annum. However this varies substantially depending on the type of placement, with an in-house foster placement costing c. £16,000 per annum and an average residential placement costing c. £250,000 per annum. There are currently c. 310 placements included within our cost and activity monitoring.
Costs associated with the demand for adult social care	5%	4,250	The average gross cost of a long term adult social care package is c. £545 per week or £28,500 per annum. However, this varies depending on the type of placement, with the average home care package costing £255 per week and the average residential care package costing £855 per week, although the highest cost packages can be in excess of £5,000 per week. There are currently c. 3,075 live placement packages including within our cost and activity monitoring.
Costs associated with the demand for SEND home to school transport	5%	153	The average cost per head of a Special Educational Need and Disability (SEND) pupil transport is c£5,000 per annum. This value does however vary depending on the type of transport required and the location of the placement, for example the average out of county placement cost per head is £9,800 per annum and the average parental milage allowance is £2,300 per annum. There are currently 613 SEND pupils receiving home to school transport.
Cost associated with the disposal of residual waste (from black bins)	5%	37	It costs the council £122.51 to dispose of a tonne of residual waste. The forecast tonnage for 2022/23 is 6,085 tonnes
Costs associated with employing staff	5%	4,000	The council budgets for 1,354 full time equivalent staff within the revenue budget with costs starting from £28,000 per person per annum, which means that the total pay-bill will be over £65 million in 2023/24 (including overheads).
Cost of borrowing to support the capital programme	1%	1,610	The council has a borrowing need of £161 million over a 5-year period to support investments within its capital programme - if interest rates were to increase by 1% then this would cost the council £1.6m more in borrowing costs than current forecasts.
Income generated from selling recycling materials	5%	120	The budgeted level of waste recycling material income for 23/24 is £2.4m
Income generated from council tax	1%	1,256	There are 81,014 Band D equivalent properties showing within the taxbase forecast for 2023/24, which means that a 1% increase on the level of council tax would generate additional income of £1.256m per annum
Income generated from sales, fees and charges	1%	352	The council, like many others across the country, charge for a range of services within permitted guidance and currently expects to receive over £35 million of income through its sales, fees and charges policy. Examples are varied and include; residents paying a contribution towards their social care costs, charging fees for planning applications and providing building control services or food inspection certificates, providing licences to taxi drivers and landlords, as well recovering the cost of providing car parking and garden waste services. Modelling shows that if a 1% increase was applied to these income budgets then £352,000 more income would be generated. However, it is important to note that some charges are set nationally and increases may not be allowable which means that more detailed modelling would be required to understand the impact for individual areas.

This table provides a range of examples to show how the council's costs or income assumptions 'could' change in the future depending on different scenarios. It is not anticipated that these will become likely scenarios, but do provide context as part of understanding the budget forecasting.

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 2023/24 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 sharp rises in inflation in areas such as pay, energy and contracts.

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 demand led pressures for some of our core services.

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 a detailed settlement package in respect of the 2023/24 financial year, and only a series of policy headlines to inform funding levels for 2024/25. Nothing has been provided to indicate how much money the council might expect to receive, or be allowed to generate locally, beyond that point.

My recommendations are also conditional upon:

- The council approving the updated projections within the Medium Term Financial Plan for 2023/24 to 2026/27,

- Directors and managers not exceeding their ongoing operational allocated base budgets,

- 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,

- A recognition that the level of reserves and corporate risk assessment need to be regularly reviewed in the light of changing circumstances and that the council needs to show a commitment to maintain reserves at a level which provides adequate cover for most identified risks during the planning period, and

- 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.

B1 Introduction and background

Section 31a of the Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Local Government Act 2003, Section 25 requires the council's Section 151 officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations.

Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances'. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties.

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 and other earmarked reserves. Throughout 2022/23 the council has experienced additional pressures on its revenue budgets due to ongoing demand for services alongside economic conditions, significant inflationary and costs.

The council recognises that there is an increasingly high degree of risk in terms of making specific decisions around its Medium-Term Financial Plan (MTFP) and that reserves will play a part in the overall strategy and the level of working balances needed to provide assurance as to the robustness of the budget estimates.

An MTFP risk register is regularly updated which reflects the most significant areas of the council's financial planning, these are reported to members through reports to the Executive and Council.

In addition, there are specific concerns across the sector relating to the possible end of the statutory override period in relation to the Dedicated Schools Grant deficit, which has been extended for a further two years until the end of March 2025. Alongside this, the council has started its “Safety Valve” negotiation with the Government as to how, in the medium term, the high needs block of the DSG (Dedicated Schools Grant) can be brought into in-year balance and how, consequently, the Government may contribute to reducing the historic deficit which will then inform the level of resources that the council may need to identify from its own reserves to close the gap.

Strategic Context

There are a number of reasons why a Local Government Authority might hold reserves, these include to:-

- Mitigate potential future risks such as increased demand and costs;
- Help absorb the costs of future liabilities;
- Temporarily plug a funding gap should resources be reduced suddenly;
- Enable the council to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax;
- Spread the cost of large-scale projects which span a number of years.

Reserves only provide one-off funding so the council aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan, as part of its obligations under Section 114 of the Local Government Act 1972.

Long-Term Sustainability - Reserves are an essential tool to ensure long term budget stability particularly at a time when the council is facing significant year on year reductions in real terms funding and spiralling costs. Following the COVID pandemic, where a large amount of government funding was made available to support local authorities and activity levels on schemes were hampered, most councils have experienced an increase in their overall level of reserves although a lot of these have reduced to support approved programmes of work and initiatives.

Reserve balances have been identified as a key indicator of financial health and the council continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.

There are two different types of reserve, and these are;

- ***Earmarked Reserves*** – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the council would be sought to decide how any remaining balance is to be utilised.

- ***General Fund Balance*** – usage from this Reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget e.g. unplanned operational demand resulting in significant costs.

B2: Risk Assessment to Determine the Adequacy of the General Fund Balance

A well-managed multi-purpose council will strive to maintain as low a level of General Fund Balance as possible to free up resources to deliver services, whilst still covering its financial risks.

The council has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties, such as suppliers, the Local Government Employers and Government departments have on its income and expenditure, there is always a risk that the Council will unexpectedly become liable for expenditure that it has not budgeted for.

The Council has set its Prudential Indictor for the General Fund Balance as between 4-6% of annual budget which is a commonly used benchmark across the Sector. At the end of 2022/23 it is projected that the General Fund Balance is forecast to be £9.744m, or 5.25% of the council's net revenue budget which is within the acceptable range.

Due to varying revenue budgets, maintaining a consistent level of General Fund Balance will result in the percentage varying over time. Transfers in or out of the General Fund Balance to conform to the range indicated would only normally be considered if there was significant variance or if resources were earmarked to another project.

The prudential indicator is a useful control measure but is a rudimentary way of assessing the adequacy of the General Fund Balance and a more meaningful approach is to develop a risk assessment. The council will consider both measures as part of its annual reserve strategy.

A risk assessment of the adequacy of the Council's General Fund Balance will be carried out regularly to determine the extent to which the Council is exposed to uninsured and unbudgeted losses. The risk assessment for the current financial year, 2022/23 has been prepared and then rolled over as part of the budget setting process with the most significant risks are summarised and shown in Appendix 5. The assessment in respect of the current financial year shows that the impact and scale of potential losses has been estimated to calculate a potential net financial impact of approximately £9.8m, therefore it will not be necessary to amend the amount based on the current risk assessment as the difference of £56k is immaterial.

B3 – Review of earmarked reserves

The council has a number of earmarked reserves which have been established for specific purposes where there have been timing differences at budget setting or year end, or emerging risks or cost pressures. The relevance of, and balance in, each of these is reviewed annually and the council is informed of the latest plans for the balances held in such reserves over the medium term via the Reserves Strategy.

A series of tables have been included below to provide an overview of the council's reserves position following the latest review, which took place in November 2022.

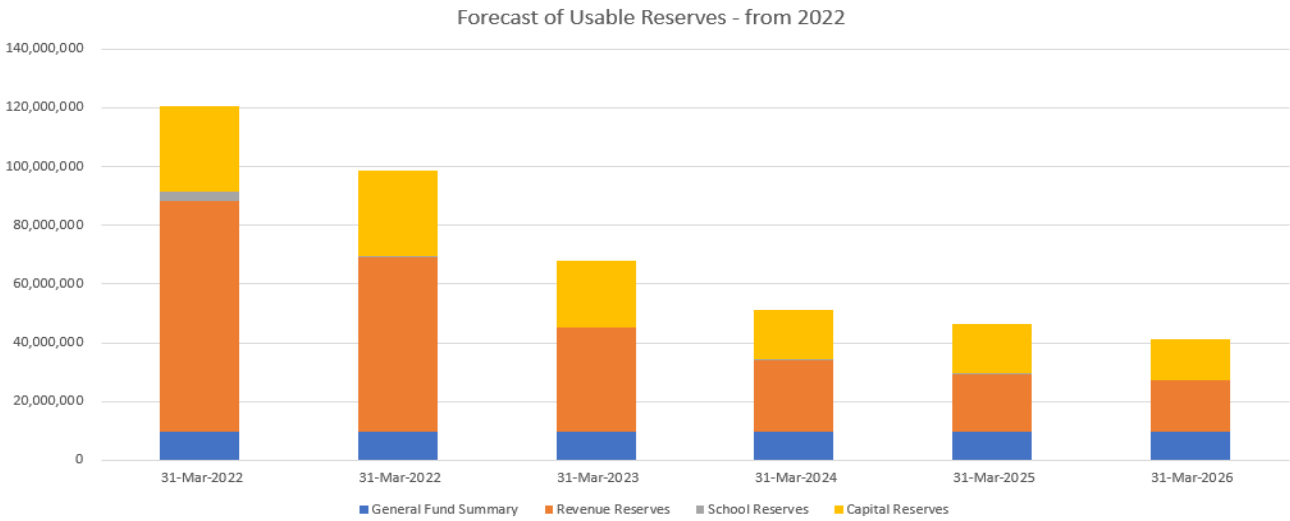
The table below provides a summary of the overall reserves position – high level observations show;

- £9.744m relates to the general fund balance - which has been risk assessed as adequate in paragraph B2 above,
- £59.401m relates to the council's earmarked reserves – further details is provided in the following tables below,
- £28.971m is held for capital and is committed to current projects included within the overall capital programme

- £0.340m relates to schools and is ringfenced accordingly
- There is a forecast reduction of £22.2m, or 18.5% by the end of 2022/23

Usable Reserves Summary		Actual Balance Held 31-Mar-2022 £	Indicative Balance 31-Mar-2023 £	Notes / Comments
Revenue related reserves;				
R1	General Fund Reserve	-9,743,946	-9,743,946	Also called the Working Balance - equates to c5.25% of the annual revenue budget
R2	Earmarked Reserves - Revenue	-78,438,745	-59,401,250	Further breakdown provided below - see Table R2
R3	School Balances & Reserves	-3,388,160	-339,684	Ring-fenced balanced linked to individual schools and projects
	sub total - revenue reserves	-91,570,851	-69,484,880	
Capital related reserves;				
C1	Earmarked Reserves - Capital	-7,316,147	-7,316,147	Ring-fenced council resources to fund projects within the approved capital programme
C2	Capital Receipts	-13,470,528	-13,470,528	Monies from sale of council assets, funding is linked to projects within the approved capital programme
C3	Capital Grants Unapplied	-8,184,013	-8,184,013	Govt grants awarded to specific schemes within the approved programme
	sub total - capital resources	-28,970,689	-28,970,689	
Total usable reserves		**-120,541,540**	**-98,455,569**	

The graph below shows that over the medium term, usable reserves are forecast to reduce by 68% by the end of 2025/26.



The Council has greatest flexibility over the use of its Earmarked Revenue Reserves and so these are explored in more detail in the following two tables.

R2 - Summary of Earmarked Revenue Reserves		Actual Balance Held 31-Mar-2022 £	Indicative Balance 31-Mar-2023 £	Notes / Comments
R2.1	Adults	-8,709,973	-5,819,313	
R2.2	Childrens	-2,884,773	-2,266,988	
R2.3	Public Health & Regulatory Services	-5,913,667	-4,126,537	
R2.4	Place	-13,178,616	-7,410,532	
R2.5	Corporate Services	-5,331,466	-4,021,832	
R2.6	Non-Service - Corporate Reserves	-33,677,086	-27,012,885	Further breakdown provided below - see Table R2.6
R2.7	Non-Service - Property sinking funds	-1,059,016	-1,059,016	
R2.8	Non-Service - Capital, incl S106	-7,684,147	-7,684,147	
		-78,438,745	**-59,401,250**	

The table above provides a breakdown of the council's **earmarked revenue reserves** and it can be seen that;

- Each of the **directorates** manages its own earmarked reserves;

- these are actively used to support specific programmes and initiatives delivered by managers in these areas, e.g public health programmes, social care projects, supporting place-making objectives etc,
- whilst these reserves are subject to annual review and re-prioritisation, the funds are not available to release in support of the council's overall financial position,
- further detail on each of the individual directorate held earmarked reserves will be provided at the end of the current financial year when the accounts are finalised

- In addition, the council is currently holding £7.684m of reserves relating to S106 agreements, following delivery of new developments across the district – these monies will be used to fund investment in schools, open spaces, libraries, housing and infrastructure

- The largest section of earmarked reserves relates to the '**corporate**' area of the council – a further breakdown is given in the table below.

	R2.6 - Extract of Revenue Reserves - Corporate / Council-wide	Actual Balance Held 31-Mar-2022 £	Indicative Balance 31-Mar-2023 £	Notes / Comments
CP1	Collection Fund Smoothing & City-Deal Reserves	-15,921,012	-13,125,392	Technical reserves to smooth financial impacts across years, e.g. Covid Business Rate Relief awarded through several Govt policies
CP2	Insurance Reserve	-2,163,657	-2,163,657	To fund uninsured risks, changes in the value of current claims, claims occurred but not yet reported claims, stop-loss levels
CP3	Severance Reserve	-1,289,989	-1,289,989	To fund severance costs which release MTFP savings
CP4	Financial Risk Reserve	-2,796,178	-1,927,178	To fund unplanned financial risks and also Energy costs in 2023/24
CP6	Covid Grant Reserve	-4,503,548	-4,503,548	Govt grants to be used to fund ongoing impacts associated with Covid (costs and income short-falls)
CP5	Healthier Together Matched Funding Grant Reserve	-2,472,000	-1,372,000	Created at the end of March 2022, linked to Agreement with the CCG March 22
CP7	Driving Growth Reserve	-1,699,704	-110,154	To fund costs associated with Development Programme, linked to Place-making Strategy
CP8	Corporate Transformation Reserve	-1,445,000	-1,298,500	To fund one-off costs associated with transformation activity, which will deliver ongoing MTFP savings
CP9	Corporate ICT & Software Replacement Reserve	-893,380	-853,375	To fund ongoing programme of approved projects, linked to Capital Strategy
CP10	Balance - all other Corporate Reserves	-492,617	-369,091	
		-33,677,086	**-27,012,885**	

Several of these reserves are technical in nature and support specific accounting treatment, for example the Collection Fund Smoothing Reserve and the City-Deal Smoothing Reserve.

The council has other reserves which are held for the following purposes and are its primary way of flexible resourcing;

- CP4 Financial risk reserve, to fund unplanned risks. This reserve has been used during 2022/23 because of higher than budgeted pay awards and energy prices. It is expected that at least £1.522m of this reserve will need to be utilised in 2023/24 to smooth energy price impacts in the MTFP, alongside Ash die back remediation,

- CP6 Covid Grant Reserve – this is residual non-ringfenced funding which was made available to councils via Section 31 grant. Whilst there are no specific plans to spend against this budget in the current financial year, there are knock on impacts to the councils' supply chain which are still being experienced as a result of the pandemic will remain allocated until the end of the financial year which is when adjustments to reserves will be implemented. This reserve does have the ability to be re-purposed and following approval from Council in January 2023, is currently being considered as a flexible funding source to support other council priorities, the largest of which would be the Safety Valve discussions with the Department for Education,

- CP8 Corporate Transformation Reserve – this funding is held with strict criteria for invest to save projects within the council, and is expected to support digital transformation alongside other programmes of change to support future MTFP savings delivery

Given the challenging MTFP gap being forecast over the remaining period of the MTFP, alongside the forecast overspend in the current financial year, ***it is not recommended that any of these reserves are transferred or re-prioritised for other uses than those described.***

C Capital Planning

In relation to the Capital Programme covering the period 2022/23 to 2027/28 (including commitments from previous years and new approvals):

- The capital budgets are based on the best information available in terms of project costs and are supported by effective procurement processed which demonstrate value for money,
- The council previously 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 who are supported by a programme management office who ensure a consistent approach is applied to all capital projects,
- The council has embedded the Capital Programme Planning and Delivery board to oversee and manage all aspects of capital spending, approvals and performance,
- 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 remains a critical priority to enable the matching of resources to needs and priorities. Work is ongoing to develop and finalise medium-term service based and asset requirements,

- Funding to support these plans is less developed at this stage although it is accepted that spending plans will have to remain affordable within the context of the Medium Term Financial Plan, which means that some form of prioritisation may be required.

D Assurance

Given all these factors, I, as the council's Section 151 Officer, consider the estimates for 2023/24 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 2023/24.