

North Somerset Council

Report to the Place Panel

Date of Meeting: 8 March 2023

Subject of Report: Place Finance Update

Town or Parish: All

Officer/Member Presenting: N/A Report for Information only

Key Decision: No

Recommendations

That the Panel notes the current forecast against budget for Place.

1. Summary of Report

- 1.1 This report summarises and discusses the current forecast against budget for Place, highlighting key variances. It builds on the information received by the Executive at its meeting on 8 February 2023.
- 1.2 The overall projected year end position for Place, as at the end of month 9, is a **£1.358m** overspend on a net budget of £31.230m.
- 1.3 There are a number of material issues that are contributing towards the large overspend this year, these include inflation on contracts, pressures on home to school transport budgets and income shortfalls.
- 1.4 These material issues have been factored into the Revenue Budget for 2023/24 which was also presented at the Executive meeting on 8 February 2023.
- 1.5 The 2022/23 net budget includes savings of £1.275m to be achieved in the financial year, good progress is being made against these savings, with the majority on track to be achieved by the end of the financial year.
- 1.6 An additional £2.808m of savings have been proposed in the 2023/24 revenue budget for the Place Directorate.

2. Policy

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

3. Details

3.1 Budget Monitor

The overall forecast for the Place directorate is a net over spend of £1.358m.

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

PLACE DIRECTORATE	NET	NET	NET
	BUDGET	PROJECTED	PROJECTED
	£	OUT-TURN	VARIANCE
	£	£	£
Environment and Safer Communities	11,967,192	11,770,604	(196,587)
Highway & Parking Operations	3,777,431	3,657,262	(120,169)
Highway Technical Services	(23,851)	(72,815)	(48,963)
Libraries & Community	2,196,774	2,345,485	148,711
Open Space, Natural Environment & Leisure	3,613,955	3,790,208	176,252
Regulatory Services	(554,440)	(616,624)	(62,184)
Transport Planning	7,895,326	9,247,818	1,352,493
Neighbourhoods & Transport	28,872,387	30,121,939	1,249,552
Property Asset & Projects	75,973	248,489	172,516
Economy	414,163	382,701	(31,462)
Major Projects	(165,348)	(160,031)	5,317
Placemaking & Development	791,802	779,349	(12,453)
Planning Service	430,523	392,048	(38,475)
Placemaking & Growth	1,547,113	1,642,555	95,442
Place Directorate Management	558,748	570,458	11,711
Place Central Recharges	182,000	183,125	1,125
Directorate Overheads	740,748	753,583	12,836
Special Expenses	69,410	69,410	0
PLACE DIRECTORATE TOTAL	31,229,657	32,587,487	1,357,830

The main areas of pressures are:

- Home to Schools Transport demand and market costs £1,579k
- Contract inflation pressures £867k
- Shortfall of Libraries & Community Buildings income £195k
- Other income shortfalls £264k

These are offset by:

- Surplus recycling materials income £701k
- One-off reduction in composting scheme costs in 22/23 £200k
- Concessionary fares underspend due to patronage £260k
- Road closure income £158k

Areas of particular note are explained in more detail below.

3.1.1 Home to school transport costs

There continues to be significant pressure within the Home to School Transport service as a result of a growth in demand specifically for SEND transport and market factors driving increases in contract prices.

Whilst the service continues to do everything possible to contain the costs, ultimately providing the transport is a statutory service.

This area will continue to be monitored and work is underway to determine whether any transformation will improve the financial situation. The proposed revenue budget for 2023/24 includes £2.3m of growth to ensure a robust budget is in place next financial year to prevent this level of pressure going forward.

3.1.2 Contract inflation pressures

There are a number of large contracts within Place which the council is contractually obliged to pay inflation based on a range of indices that are relevant to the specific area.

Contract inflation is funded through the medium term financial plan however due to the current economic situation the actual inflation being incurred significantly outweighs the amount provided for within the 2022/23 budget.

One example of this is fuel inflation on the waste contract, the budget was based on fuel inflation at 7%, the actual contractual inflation for fuel for 2022/23 is 21% due to the fuel prices in February & March 2022.

These pressures have been factored into the 2023/24 revenue budget to ensure a robust budget is in place for these contracts from 1st April 2023. It should however be noted that inflation is still high and could present further financial pressures in future years if it does not reduce over the coming months.

3.2 Risks

The directorate continues to face financial risks which are being monitored as part of a MTFP risk register.

The most significant risks for the Place Directorate are a continuation from this years financial pressures being the sustained high level of inflation and the demand on the Home to School Transport service budget.

Where possible these have been mitigated in the proposed budget for 2023/24 but these risks will need to be continually monitored moving into the new financial year.

3.3 Medium Term Financial Plan Savings 2022/23 & 2023/24

The 2022/23 budget approved by Full Council on 15 February 2022 included £1.275m of savings to be achieved in the current financial year.

Positive progress is being made and a number of the savings have now been delivered or are on track to be delivered by the end of the financial year.

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

A further £2.808m of savings have been proposed within the medium term financial plan for 2023/24. The primary focus 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 transformation change within services which can reduce costs, and to ensure best value is achieved through contracts.

A full list of the budget savings proposed to Executive on the 8 February has been included in appendix three.

4. Consultation

Not applicable.

5. Financial Implications

Financial implications are contained throughout the report.

6. Legal Powers and Implications

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

7. Climate Change and Environmental Implications

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

8. Risk Management

See paragraph 3.2.

9. Equality Implications

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

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

10. Corporate Implications

With continuing financial pressures and demands for services, it is essential that the councils' limited resources continue to be prioritised and allocated in line with the identified priorities.

11. Options Considered

Not applicable

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Appendices:

Appendix 1 – Financial Overview Place Directorate

FINANCIAL OVERVIEW OF THE PLACE DIRECTORATE AS AT 31 DECEMBER 2022					
Directorate Summary					
	Original Budget 2022/23	Virements	Revised Budget 2022/23	Forecast Out-turn 2022/23	Projected Out-turn Variance
	£000	£000	£000	£000	£000
- Gross Expenditure	56,727	8,019	64,746	67,925	3,180
- Income	(23,124)	(5,030)	(28,154)	(28,118)	36
- Transfers to / from Reserves	(3,614)	(1,749)	(5,363)	(7,220)	(1,858)
= Directorate Totals	29,989	1,240	31,230	32,587	1,358
				Forecast Out-turn Variance	4.35%
- Neighbourhoods & Transport	27,909	964	28,872	30,122	1,250
- Placemaking & Growth	1,433	115	1,547	1,643	95
- Directorate Overheads	578	162	741	754	13
- Special Expenses	69	0	69	69	0
= Directorate Totals	29,989	1,240	31,230	32,587	1,358
				Forecast Out-turn Variance	4.35%
Extract showing material variances compared to the revised budget					
Service area and projected budget variance			Revised Budget 2022/23	Forecast Out-turn 2022/23	Projected Out-turn Variance
			£000	£000	£000
Environment and Safer Communities					
Environmental Services & Enforcement:					
NSEC - Surplus on recycling materials (income)			(1,599)	(2,300)	(701)
NSEC - Main contract (expenditure) - Inflationary increase			10,327	10,798	471
NSEC - Waste Receptacles			142	249	107
Waste Disposal Contract (net) - inflationary & tonnage increases			6,292	6,498	206
Garden Waste Charging Scheme (income) - shortfall on income target			(2,195)	(1,809)	386
Garden Waste Charging Scheme - use of compensation reserve			0	(350)	(350)
Garden Waste Charging Scheme - reduction in scheme costs			197	286	89
Use of Waste Strategy Implementation Reserve to fund Garden Waste ICT costs			0	(85)	(85)
Commercial Waste (net) increased income projections			(89)	(174)	(85)
Waste Contract Procurement and Mobilisation costs			0	69	69
Waste Contract Procurement and Mobilisation costs - use of Implementation Reserve			0	(69)	(69)
Litter enforcement - short-fall in contract income			(30)	(5)	25
Safer Community Services: - CCTV					
Use of Town Council receipt			266	319	53
			0	(40)	(40)
Highway & Parking Operations					
Highway Electrical & ITS - Inflationary increases on new contracts 'materials' costs			1,690	1,679	(11)
Highway Network & Traffic Management - Road closures income above target			(82)	(240)	(158)
Materials testing Lab - expected shortfall on fee income			(321)	(186)	135
Local Transport Plan (stage 6 & 7)			0	107	107
Funded by Strategic Projects (Local Plan) reserve			0	(107)	(107)
Open Space, Natural Environment & Leisure					
Leisure:					
Loss of income - Profit share on Leisure Contracts			(439)	(349)	90
Agreed mitigation: planned use of reserves			0	(90)	(90)
Financial support for Leisure Providers (DP189)			175	175	0
Funded by Covid Reserve			(175)	(175)	0
Parks & Seafront:					
Bay Cafe:					
Income losses (some operations moved during SEE Monster - incl underlying pressure)			(418)	(12)	406
Forecast turnover share from temporary operator			0	(22)	(22)
Saving on expenditure budgets relating to mainly catering provisions & equipment			280	62	(218)
Saving on staffing costs whilst outsourced			199	34	(165)

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

Service area and projected budget variance	Revised Budget 2022/23 £000	Forecast Out-turn 2022/23 £000	Projected Out-turn Variance £000
The Bay & Seafront Events (limited events due to SEE Monster):			
Gross expenditure budget (excluding staffing)	139	144	5
Income budget	(312)	(164)	148
Saving on staffing costs whilst events not running	85	44	(41)
Mitigated by loss of income compensation from new Substance	0	(71)	(71)
Parks & Street Scene Contract:			
Glendale contract - Inflationary pressure on extended contract	2,246	2,328	82
S106 funding draw-down shortfall	(345)	(236)	109
Transport Planning			
<u>Home to Schools Transport (HTST):</u>			
Home to School Transport - Baseline position re increased demand and costs	4,763	6,755	1,992
Draw down of S106 funding	(150)	(350)	(200)
Extended Rights to Free Travel Grant 2022/23	(97)	(210)	(113)
Home to School Transport - Q Routes software	0	24	24
Use of Corporate risk reserve to fund new inflationary pressures	0	(286)	(286)
<u>Public Transport</u>			
Concessionary fares scheme - reduced cost due to lower patronage	1,560	1,300	(260)
Ticketing income under-achieved as a result of lower patronage levels	(308)	(173)	135
Bus Service Support Grant (extended to 31/03/2023)	(67)	(132)	(65)
Bus Lane Enforcement PCN income	(51)	(138)	(87)
<u>Bus Services</u>			
Bus Services Improvement Plan - Staffing revenue pressure	143	172	29
Funded by reserves (residual 2021/22 grant funding)	0	(25)	(25)
Libraries & Community			
Campus expenditure budgets	532	554	22
Shortfall in Campus income	(359)	(263)	96
Somerset Hall expenditure budgets	97	123	26
Shortfall in Somerset Hall income	(121)	(69)	52
Placemaking & Development			
Economy Team staffing - Employer of Choice / Graduate posts	75	211	136
Funded by use of ear-marked reserves	(75)	(211)	(136)
Weston Business Quarter consultancy costs	0	223	223
Weston Quarry consultancy costs	0	12	12
New Weston Town Centre Development sites	70	196	126
Place making - Portishead	0	73	73
Funded by Driving Growth reserves	(70)	(504)	(434)
Birnbeck Pier - consultancy commissioned to date	0	140	140
Funding due from Historic England	0	(140)	(140)
Planning & Building Control salary costs - savings due to vacancies	2,311	2,083	(228)
Planning Income (Applications and advice, net of refunds)	(1,561)	(1,441)	120
Building Control Income - short-fall in fees	(470)	(378)	92
Planning - Planning Appeal consultancy and barrister costs to date	0	82	82
Funded by Major Planning Appeal Reserve	0	(82)	(82)
Planned mitigations to improve directorate position			
Budgeted contribution to Strategic Projects reserve - agreed hold in 2022/23	103	0	(103)
Maximise use of Enabling fee income against Housing development team cost	0	(40)	(40)
Garden Waste Charging Scheme - reduction in composting scheme costs	235	35	(200)
Capital Delivery Team (excl BSIP)			
Capital projects delivery team salary costs - savings due to vacant posts	2,921	2,253	(668)
Shortfall on salary recharges to the capital programme (partially mitigated by vacancies v	(3,000)	(2,191)	809
Sub total - material budget variances			1,396
Other minor variations to the budget			(38)
= Directorate Total			1,358

Appendix 2 – MTFP Savings 2022/23 – Progress update

MTFP SAVINGS PROPOSALS REFLECTED WITHIN THE 2022/23 REVENUE BUDGET					
Dir Ref	Dir	MTFP Savings Proposals	2022/23 Budgeted £000	RAG Rating	Notes / Comments
PD S1	Place	Increase of recycling materials income	-500	G	Sale of recycling materials forecast to exceed income budget
PD S2	Place	Re-base garden waste income budget to align to actual levels	-230	G	Shortfall on income after using Waste compensation reserve - mitigated by the reduction in scheme costs
PD S4	Place	Use income from Permit Scheme to fund existing staff	-50	A	Work underway to identify staff time that can be legitimately charged to the scheme
PD S7	Place	Revisit safe Home To Schools Transport routes	-100	R	Recruitment challenges in Design team slowing implementation
PD S8	Place	Safer roads initiatives (additional sites meeting relevant criteria)	-30	G	Bus Lane enforcement - income target already exceeded
PD S9	Place	Events programme to become cost neutral or minimal support	-65	G	Air festival - current year event funded by reserves
PD S10	Place	Introduce break-even policy for Building Control	-20	G	Balanced budget on target to be achieved
PD S13	Place	Parking income	-150	A	Income levels to end of September on target, currently forecast will achieve budget
PD S14	Place	Reduction in Concessionary Fares costs - aligned to lower levels of demand for the service	-50	G	Reflected in the WECA transport Levy
PD S15	Place	Reduction in staff travel costs - to reflect the new ways of working	-25	A	Mostly achieved based on car allowances paid to date, possibly small overpend
PD S16	Place	Reduction in street lighting energy costs - aligned to roll-out of LED investment programme	-40	G	Prior year programme roll-out have given significant energy usage however the savings will be not realised due to inflation
PD S17	Place	Increase in income levels, e.g. public conveniences	-15	G	On track to achieve income target
DIRECTORATE TOTAL			-1,275		

Appendix 3 – Proposed MTFP Savings 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

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