North Somerset Council

Report to the Executive

Date of Meeting: 21 June 2023

Subject of Report: Budget Monitoring Report for the 2022/23 financial year

Town or Parish: All

Officer/Member Presenting: Mike Bell, Leader of the Council

Key Decision: Yes

Reason:
The values contained throughout this report are over £500,000 and impact on all communities across North Somerset.

Recommendations
The Executive is asked to;

1. Note the revenue and capital budget out-turn positions for 2022/23 as detailed within the report and the associated transfer of the underspend of £0.418m into the council's general revenue reserve as at 31 March 2023,

2. Note the transfers to / from earmarked revenue and capital reserves as set out in Appendix 4,

3. Approve the amendments to the revenue budget that have been reflected within the budget as detailed in Appendix 1A,

4. Approve the amendments to the capital programme as detailed in Appendix 7.

1. Summary of Report

This report builds in a series of financial reports that have been considered by the previous Executive over the past year and provides a summary of the council's financial performance at the end of the 2022/23 financial year now that all the information has been received, in respect of both its revenue and capital budgets.

The report aims to inform Members of the key components within the out-turn position, together with an understanding of the associated impact that this will have upon the level of reserves that will be held in the council's balance sheet.

The report will therefore provide a link between council's internal monitoring framework which is presented to the Executive throughout the year, and the annual statement of accounts which are more complex and technical in nature and will be published on the council's website.

2. Policy

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

The 2022/23 revenue and capital budgets were set within the context of the council's medium-term financial planning processes, which supported the Corporate Plan. The council has clearly needed to respond to a range of economic outcomes that have impacted on the council's strategies and services over the past 12 months, which has meant that some changes were required during the year.

3. Details

There are many different parts to the council's financial reporting framework and so this report has been structured to consider each area in turn – a summary of areas to be considered within the report is listed below:

3.1. Introduction and context
3.2. Revenue budget out-turn – summary and headline messages
3.3. Revenue budget out-turn – other significant budget variances and key issues
3.4. Review of MTFP savings proposals within 2022/23
3.5. Spending on feasibility and other priorities in the year
3.6. Reserves – general revenue reserve
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3.8. Reserves – unusable reserves
3.9. Schools Budgets and the Dedicated Schools Grant
3.10. Collection Fund out-turn position
3.11. Capital budget out-turn position
3.12. Capital budget amendments
3.13. Statutory reporting of the revenue out-turn position
3.14. Section 256 agreements with the Integrated Care Board (ICB)

3.1. Introduction and context

Shortly after the council approved its revenue budget for 2022/23 the economic situation across the world appeared to shift and change with alarming speed which has made delivering services over the past 12 months more challenging than usual.

Many had expected the year to revert back to a pre-covid state where the focus could once again be on front line delivery without the added complexities of responding to the pandemic but instead services were faced with spiralling inflation, rising interest rates, material and labour shortages, economic downturns and a cost of living crisis, which thereby resulted in an increased demand for services in some areas.

The government provided additional resources to councils over the course of the year and asked that these be distributed to residents through local delivery mechanisms, which included the £150 energy rebate, largely to residents in Band A to D homes, the alternative fuel allowance payments and £2.6m distributed through the Household Support Fund. Support was again provided to some businesses through additional retail relief schemes.

The council has maintained control of its finances through an ongoing process of reviewing risks, challenging expenditure and identifying mitigations and opportunities which could be used to offset pressures, and this approach has driven the final position that is described throughout the report. This approach has enabled the council to deliver a small under spend of £418k, or 0.23% of the revenue budget.

3.2. Revenue budget out-turn – summary and headline messages

Shown below is a summary of the council's revenue budget as at the end of March 2023, which covers the financial year from April 2022 to March 2023. The table shows how much the council has spent to deliver services during the year – it includes income, expenditure as well as any transfers into or out of the council's reserves.

Revenue Budget Monitoring Summary 2022/23					
	Original Net Revenue Budget	Month 12 Provisional Out-turn			
		Revised Revenue Budget	Net Spend to 31 March 2023	Provisional Out-turn Variance	
	£000	£000	£000	£000	%
Service Expenditure Budgets					
Adult Social Services	75,158	75,649	74,372	(1,278)	-1.69%
Children's Services	26,989	28,551	30,806	2,256	7.90%
Corporate Services	27,553	26,759	26,621	(138)	-0.51%
Place	29,989	31,269	32,541	1,272	4.07%
Public Health & Reg Services	1,374	1,447	1,398	(49)	-3.38%
Capital Financing & Interest	11,207	11,207	9,268	(1,939)	-17.30%
Other Non Service Budgets	13,205	10,592	10,050	(543)	-5.12%
Total Net Revenue Budget	**185,475**	**185,475**	**185,057**	**(418)**	**-0.23%**
General Fund Financing Budgets	(185,475)	(185,475)	(185,475)	0	0.00%
NET REVENUE BUDGET TOTALS	**0**	**(0)**	**(418)**	**(418)**	**-0.23%**

Deficit on the Dedicated Schools Grant Reserve at the start of the year	13,447
Deficit on the Dedicated Schools Grant Reserve at the **end** of the year	**9,685**

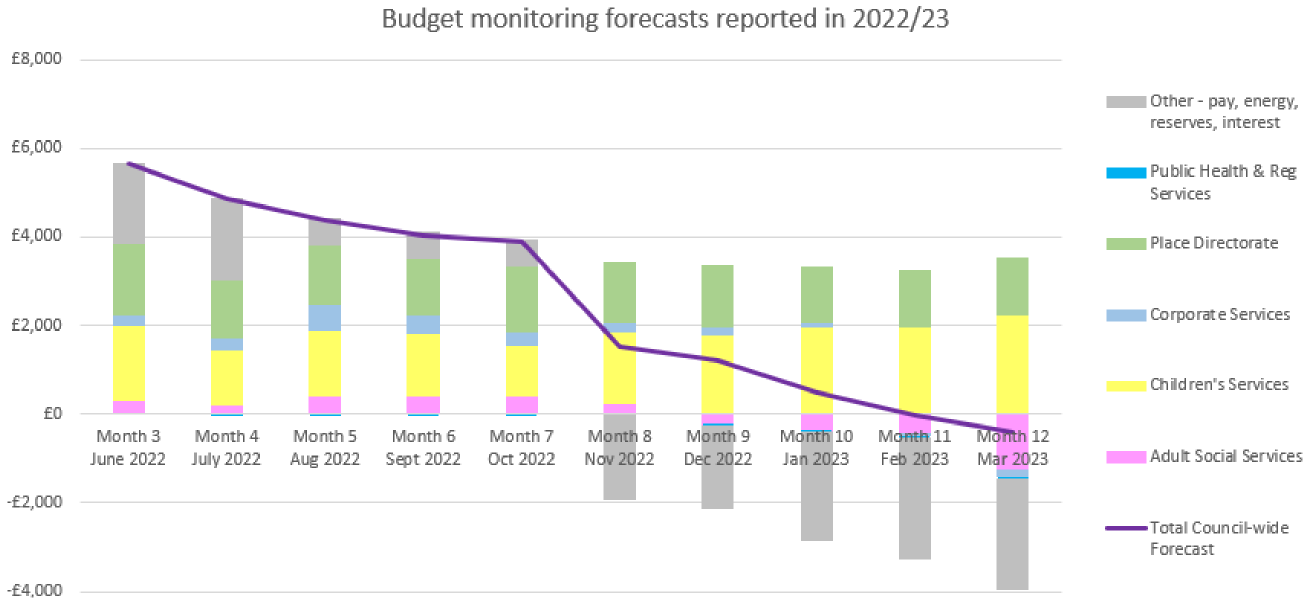
The table is displayed in the council's standard financial monitoring template and shows the reported position for each of the 'directorates' in turn, as well as showing an aggregated picture for all the council's services together.

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

- The council's total approved budget for the year was £185.475m (white and blue shaded columns),
- The council has spent £185.057m on delivering all its services during the year (yellow shaded column),
- The council received funding of £185.475m during the year to pay for its services

This means that the council has spent **£0.418m less** on delivering services than planned (green shaded column) – this under spend will be transferred into the council's General Revenue Reserve at the end of the financial year and be held to mitigate against unforeseen future risks and pressures as detailed within the council's reserves strategy.

The chart below provides an opportunity to review the previous budget forecasts that have been shared over the course of the year and the council has had to overcome some significant challenges during this period. The council has worked together and implemented a range of financial strategies to turn a significant deficit into small surplus by the end of the financial year.



Whilst the delivery of an under spend is a significant achievement for the council, the out-turn position does show that the under spend of £0.418m is a combined position and there are directorates that have spent more than their budgeted allocations during the year and others who have spent less. More information on each of these areas is provided in section 3.3 and appendix 2.

3.3. Revenue budget out-turn – other significant budget variances and key issues

Detailed reports have been shared with each Director and their leadership teams monthly so that they are able to review and assess the projections made by their budget managers. This process enabled senior officers to fully understand the key issues that were impacting on their services throughout the year and provided an opportunity to discuss and approve any actions or mitigations which may be required to change the forecasts in future months.

This is because the council manages its finances on a collective basis as it recognises that it is not always possible to find mitigations and underspends in larger, demand driven areas of the budget and so other services need to play their part and work towards ensuring that the council can deliver a balanced budget at an overall level by the end of the financial year.

An extract of the monthly reporting information from each Director is included within this report and can be found in **Appendix 2**. These summaries fulfil the requirements of the constitution as they provide Members with a detailed breakdown of the material financial variances when compared to the budget. The council makes time to analyse the reasons that these differences have arisen so that they can be used to inform future budget plans and risk assessment plans.

Whilst the detailed analysis for all directorates is helpful, there are several material items that that have arisen this year and these are extracted and noted in the table below. Many of these issues have been described in detail in previous reports or have been actively considered by the relevant policy and scrutiny panel as part of their annual work-plans and where relevant, they have also been included within the budget setting plans for the 2023/24 financial year. This was particularly relevant for children's placement costs and home to school transport service costs.

£m	Significant or notable budget variances
-£0.775m	Net under spend in adult care in the community budgets
-£0.139m	Net under spend in housing solutions inc. additional grant funding
-£0.364m	All other variances within adult social care – funding, staffing, contracts
+£1.328m	Increased cost and number of placements for children looked after
+£1.248m	Increases cost of supporting children with disabilities
-£0.916m	Underspend on staffing budgets
+£0.595m	All other variances within children's services
+£0.543m	Increased inflation on the support services contract
+£0.736m	Lower levels of housing benefit income received through recoveries
-£0.399m	Underspend in housing benefit costs and increased subsidy
-£0.650m	Net underspend on commercial investments and other property budgets
-£0.198m	Underspend on staffing budgets
-£0.170m	All other variances within corporate services
+£1.584m	Net overspend on home to school transport services (gross £2.2m)
-£0.421m	Net underspend on public transport, inc. bus lane enforcement income
+£0.157m	Net overspend in Campus and community hall budgets
-£0.280m	Net movements within the highways and transport service
-	Shortfall in planning and building control income, offset by savings
-	Many variances on the waste contract – net off to breakeven
-	Placemaking and development costs - funded by reserves
-	Variances within the seafront, events and bay café budgets – largely offset
+£0.232m	All other variances within place directorate
-£0.049m	Net variances in public health and regulatory service budgets
-£2.741m	Increase in interest generated on investment balances (cash deposits)
+£0.872m	Contribution into financial instruments impairment reserve
-£0.705m	Underspend on the council's contingency budget
+£0.092m	All other variances within capital financing and non-service budgets
-£0.418m	**Total net under spend achieved during 2022/23**

As noted above, the net under spend of £0.418m will be transferred into the General Fund Reserve.

3.4. Review of MTFP savings proposals within 2022/23

Included at **Appendix 3** is a schedule of the budget reductions and savings proposals that were incorporated within the 2022/23 base budget, together with an assessment showing the status and progress for each of the plans, as well as an indication of the final values achieved at the end of the year.

Despite the ongoing challenges faced over the past year these items remain a feature within the monthly budget monitoring processes and are regularly reviewed by directorate leadership teams.

The table below indicates that whilst not all the original savings plans were achieved in full, the overall quantum of savings was delivered as other savings achieved higher outcomes.

MTFP savings included within the 2022/23 Base Budget	2022/23 Budgeted £000	2022/23 Achieved in year £000	%	2023/24 Budgeted £000
Adults	-1,135	-1,429	126%	-4,227
Childrens	-614	-530	86%	-764
Corporate Services	-1,101	-971	88%	-2,363
Place Directorate	-1,275	-1,625	127%	-2,808
Public Health & Regulatory Services	-32	-32	100%	-258
Totals	**-4,157**	**-4,587**	**110%**	**-10,420**

These savings will remain within the base budget and managers will be required to ensure that delivery plans are put into place for future years, or alternative plans are brought in to replace any areas where that may no longer be possible. The table also provides the values that have been incorporated into the 2023/24 revenue budget and which will also be subject to the same level of scrutiny, particularly given that the values for next year are much higher.

3.5. Spending on feasibility and other priorities in the year

The council's budget for 2022/23 includes two elements that specifically relate to investing in our communities, both of which were funded from one-off resources within the local government finance settlement.

The first area relates to feasibility costs, which are the upfront investigative costs associated with future capital investment projects and the second relates to spending on community-based priorities, which although are not as large of some of the day-to-day spending on statutory services, do make a difference to residents on the ground.

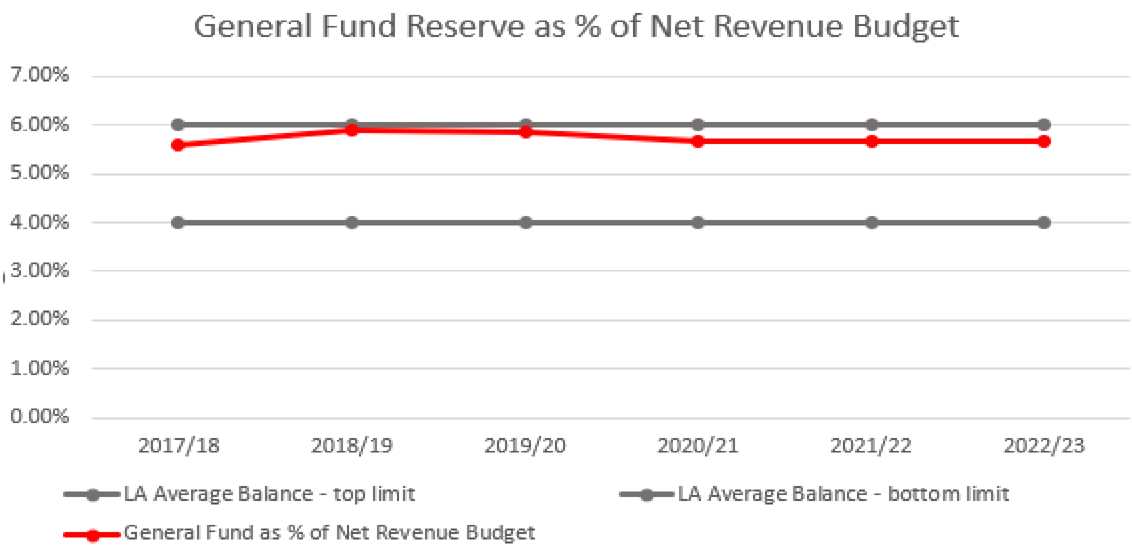
Appendix 4 provides a full list of spending plans and decisions that have taken place during the year in respect of these budgets. Additional investment was also included within the capital programme to support improvements in parks and play areas across the district, including through providing match funding to community groups and town councils who own and manage their own facilities.

3.6. Reserves – general revenue reserve

The council's general reserve balance at the start of the year was £9.053m, which equated to 5.25% of the original net budget of £185.475m. This reserve is not held to fund spending priorities, instead it seen as a working balance to cover unforeseen or unavoidable financial risks.

There was a potential requirement to use the general fund for any residual over spend remaining at the end of the financial year. However, as the council has managed to achieve an under spend of £0.418m on the revenue budget which means that the closing balance on the reserve will **increase to £10.162m**, or approximately **5.48%** of the net revenue budget.

Although the optimum level of general reserves to hold is a subjective decision for each council to consider dependent upon many risk factors, a general rule of thumb, often widely supported by external auditors, indicates that a minimum level should equate to between 4-6% of the authority's revenue budget. The transfer will support maintenance of adequate general fund levels.



The council is acutely aware of the current economic factors that have been experienced over the past year, specifically in respect of rising inflation rates which are driving up the costs for many of the council's services and will continue to create significant areas of risk and pressure within the 2023/24 budget. The council has started to implement a series of measures to understand those areas likely to be most affected by these issues and evaluate the potential impact so that it can establish a detailed financial strategy and action plan, not only for the 2023/24 financial year, but also one that will feed into the medium-term financial planning processes.

3.7. Reserves – usable reserves

In addition to the general reserve balance the council also has a series of reserves which it can use to support spending within the revenue or capital budget, smooth impacts across financial years or hold to cover future financial risks. These are known as '**usable**' reserves and are held on the council's balance sheet.

Ear-marked reserves are created to; - provide resources for a range of one-off programmes, invest in planned future expenditure or service improvements, deliver the outcomes required by unconditional service-related grants received from the government and / or external partners, or to provide the council with cover from potential financial risks.

Their planned use is delivered in line with the council's Reserves Strategy, and it should be noted that;

- some of these reserves are more 'general' in nature whereas other reserves are 'earmarked' and held for specific purposes

- some of these reserves are more regulated and need to follow prescribed guidance, whereas other reserves have a degree of flexibility or choice

Directors manage these resources alongside revenue budgets and routinely share details of the planned transfers between reserves and their revenue budgets within the monthly budget monitoring framework, and these have been included within each of the published reports over the past year.

An updated summary combining all the council's usable reserves is provided at **Appendix 5,** which reflects the closing balance for each of the last two financial years so that a comparison can be seen. A more detailed schedule which identifies movements into, or out of the council's revenue budget will be included within the statutory accounts which will be published over the next few weeks.

The schedule shows a positive or healthy position in that the overall level of usable reserves held by the council remains broadly stable at c.£120m. However, given the ongoing context of the current economic position including high levels of inflation it is extremely important to understand the significance of the balances held in some of these reserves at the year-end, any regulatory framework surrounding them, as well as their planned future use.

As in previous years the Finance Service have undertaken a detailed review of earmarked reserves as part of their closure of accounts work-plan to ensure that all reserve balances are appropriately held and are still aligned to key council priorities. Whilst noting that at an overall level, the value of reserves had been maintained, the review highlighted that the majority of reserves were in fact contractually committed, allocated to agreed projects and programmes or being held to cover risks and uncertainties associated with either the pandemic or inflationary risks.

3.8. Reserves – unusable reserves

In addition to 'usable' reserves, which can be used to support spending through the revenue budget or capital programme, the council's balance sheet also includes a small number of '**unusable**' reserves.

These are funds that cannot be used to provide services or used for day to day running costs as they are either largely linked to areas that have 'unrealised gains or losses' or support technical adjustments required within the statutory accounts. A summary of these reserves has been included at the top of **Appendix 5.**

However, there are several reserves which may impact on the council's revenue budget in the short-term and these include; the Collection Fund Adjustment Account, the Dedicated Schools Deficit Account and the Pooled Funds Adjustment Account. The collection fund movements have already been reflected within the council's medium term financial plan, whereas the other two reserves have statutory over-rides in place which means that the council is legally required to account for these balances in this way, until such time as regulations are updated. It is anticipated that there may be changes to the guidance for these areas.

The Revaluation Reserve, the Pensions Reserve and the Capital Adjustment Account are unlikely to have a significant impact on the revenue budget in the same way and will be held on the balance sheet for longer-periods of time and will change as a result of future valuations, capital spending and asset disposals.

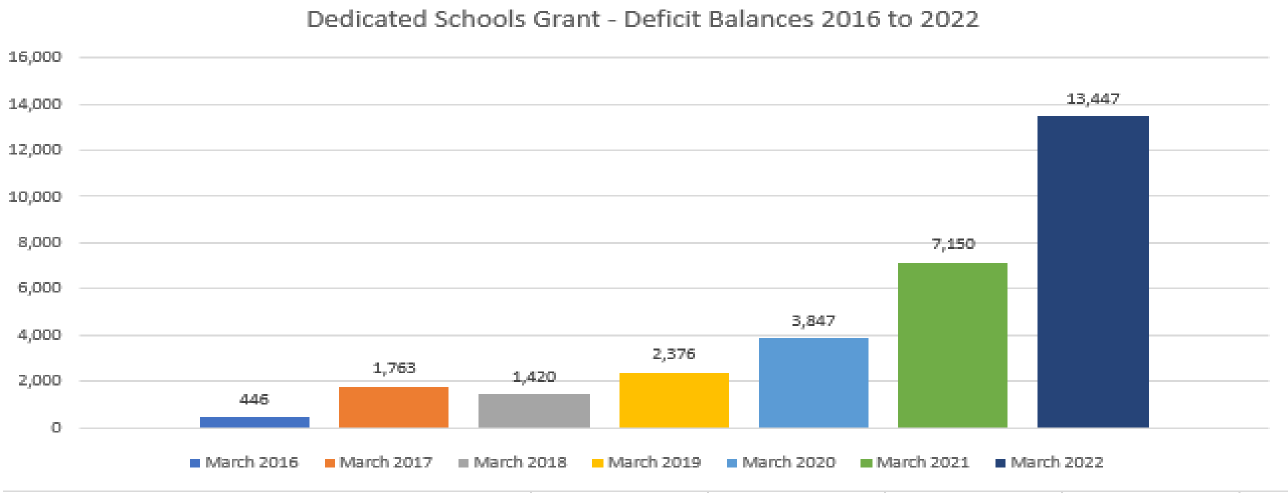
3.9. School Budgets and the Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is a ring-fenced grant included with the council's overall revenue budget, which must be used in support of the schools' element of the budget. Much of the funding is for academies and is paid direct to them by the Department for Education (DfE), using the formula agreed by the Strategic Schools Forum for funding all schools in North Somerset, whether they be maintained or not. The table below provides an overview to understand the scale of funding for 2022/23.

Block	Total DSG £m	Deductions £m	Payable to NSC £m	Notes
Schools	145.657	138.179	7.478	Formula driven funding for individual schools, including academies
Central Services	1.670	0.000	1.670	Funding, admissions, inclusion and historic borrowing costs
High Needs	32.251	3.454	28.797	Special schools, Top-Up funding, Alternative Provision
Early Years	11.641	0.000	11.641	Formula driven funding for individual providers
TOTAL	**191.219**	**141.633**	**49.586**	

Although spending on schools' budgets and the DSG grant are included within the councils' annual revenue budget, any surplus or deficit that may arise at the end of each financial year must be held separately to other council services and is transferred into a reserve on the balance sheet, these sums are not included within the general fund balance.

Over recent years the council, along with many other local authorities have experienced significant pressures within the High Needs block, which is the area of the budget which funds special schools and alternative provision, as well as top-up funding to cover the costs for children with special education needs and disabilities who require additional support in their school and learning environment. The graph below shows the level of DSG deficit held since 2016.



The council has been working closely with the Department for Education over the past year to prepare a DSG Management Plan which aims to address the deficit over the medium term by implementing a series of actions and investments that are likely to have a positive outcome on future levels of spending.

In January 2023 the council reported that it had been successful in securing an agreement with the DfE under its 'Safety Valve' programme which is a national scheme that requires local authorities to develop and maintain substantial plans to reform spending arrangements and put the DSG on a sustainable financial footing and in return, the DfE will provide funding which can be used to bring down the historic DSG deficit balances. The council will be required to share details of its plans with the DfE through a stringent monitoring process, which is being led by the Assistant Director for Childrens Services (Education Partnerships).

The council received the first tranche of funding through the safety valve programme at the end of March 2023, which has been reflected within the revenue budget and transferred into the DSG Deficit Reserve.

The table below summaries all the movements that have taken place within the reserve during the year:

	£m
Opening balance on the DSG Reserve at 1 April 2022 (deficit)	13.447m
Transfer of the in-year operational deficit on the DSG budgets in 2022/23	6.295
Re-statement of income received in 2021/22	-1.617
Receipt of safety valve funding 2022/23	-8.440
Closing balance on the DSG Reserve at 31 March 2023 (deficit)	**9.685**

3.10. Collection Fund out-turn position

Each year the council annually levies charges on both residents and businesses through council tax and business rate demands and this locally generated income is used to pay for the services we provide.

This income is reflected within the council's accounts as a 'precept' which is drawn against the **Collection Fund**, which is a ring-fenced arrangement used to administer all council tax and business rate income generated across the North Somerset area. It should be noted that whilst the Collection Fund is administered by the council, monies collected belong to a range of stakeholders, for example;

- Council tax – collected on behalf of North Somerset Council, Avon Fire Authority, the Police and Crime Commissioner for Avon and Somerset and each of the Town and Parish councils

- Business rates – collected on behalf of North Somerset Council (49%), Central Government (50%) and Avon Fire Authority (1%)

The accounting arrangements for the Collection Fund are more complex and are different to other parts of the council's budget and mean that the council will levy and receive the same fixed annual budgeted sum each year, irrespective of any in-year movements which have arisen.

All surplus or deficit positions generated at the end of each year are transferred into an 'unusable' reserve, shared proportionately across all the preceptors, and then reflected as an actual transaction within the accounts in subsequent years.

This means that although we have been closely monitoring the financial performance of the collection fund during the 2022/23 financial year, the financial impacts will be felt in future years. A summary of the financial performance for each area is noted below.

Council tax

The out-turn position for council tax was an in-year **surplus of £0.498m** which was made up from several positive outcomes including the delivery of new housing growth being slightly above budgeted levels, increased collection rates and lower levels of residents requiring council tax support although these were partly offset by an increase in residents who were entitled to a discount or exemption because of their circumstances. The main discount awarded in year was the single person discount which gives a reduction of 25% from the liability for those adult residents who live by themselves. This pattern follows a trend in recent years which has seen significant growth in this area, both at a local and national level.

Business rates

The out-turn position for business was an in-year **surplus of £1.504m** which is also made up from several smaller movements. The first relates to changes and appeals by business in respect of the national Rating List as the actual level of successful challenges was lower than anticipated when the budget was set.

Another area that resulted in a positive outcome was the annual review process to identify businesses that were not showing on the national rating list, this years' process identified several additions to the Rating List which went back several years which meant that the council achieved a one-off benefit in the current year as the liability is backdated.

3.11. Capital budget out-turn position

Appendix 6 presents a detailed schedule showing all the schemes included within the council's approved capital programme, which included the budget for the current years and the following three financial years. This shows that the council's overall programme totals £391.181m, **£109.853m** of which relates to the 2022/23 financial year.

The capital summary shows that the council has spent £66.464m during 2022/23, which equates to 61% of budget for the year, although has placed commitments for schemes totalling a further £15.651m which would increase the spending to 75% of the budget. This is a significant increase in the scale of capital delivery over previous years.

Officers are currently reviewing how much of the unspent balance will be required in future years and as a result this some budgets will be 'slipped' and included within next years' programme in line with delivery and completion of the schemes. It is important that this review takes places because the capital programme is financed using a finite amount of resources and so cannot simply absorb changes to costs that may be brought about by rising inflation. Project managers will provide assurance that any schemes that have experienced a delay of any kind can still be delivered within the approved budget envelope.

Capital expenditure incurred during the year will be transferred to the council's balance sheet as a long-term asset if it has been spent on increasing our asset base, for example, expenditure incurred on buying back sheltered leasehold properties, the building of the new secondary school (Winterstoke Hundred) or monies spent on increasing or enhancing our infrastructure network.

Expenditure incurred during the year which has not resulted in a council owned asset will be charged to the revenue budget as a technical accounting adjustment, for example, projects relating to the expansion of academy schools to deliver more school places, or capital grants given to housing association providers.

In addition to the capital expenditure costs, the schedule also provides details of how these schemes will be funded in the future and what types of resources will be used. The largest proportions of the programme will be funded following the award of external grants and contributions (£277.251m), capital receipts from the sale of assets (£10.851m), deposits and reserve balances brought forward from previous years (£1.618m) and by increasing the council's long-term borrowing (£101.458m).

Funding used during the 2022/23 financial year to finance actual levels of capital expenditure were as follows:

- £53.288m of grants and contributions,
- £5.917m of borrowing
- £3.157m of capital receipts from asset sales
- £4.101m of reserves and revenue contributions

Whilst this summary provides information in respect of the final out-turn position for the year, the underlying financial monitoring and governance processes continue and have highlighted areas of increasing financial risk in some areas. These are driven by the current economic position, specifically rising inflation and being able to secure staffing capacity to help deliver schemes. These issues will be assessed and updates included within later monitoring reports.

3.12. Capital budget amendments

Appendix 7 details changes to the approved capital programme reflecting re-phasing of capital works, new projects, and other decisions recommended for approval by the Capital Programme, Planning and Delivery (CPPD) Board or the Section 151 Officer. This in an ongoing process and forms part of the governance arrangement are subject to ratification through this report.

3.13. Statutory reporting of the revenue out-turn position

Each year the council is required to publish details of its financial activities within the annual Statement of Accounts, so that they are available for review by members of the public and other interested parties, and for inspection by external auditors.

The deadline for publication of the 'draft' Accounts is **31 May 2023**, which is two months earlier than last year, as the accountancy bodies provided a temporary relaxion to the rules at that time recognising that councils were still under pressure responding to the additional requirements of the Covid-19 pandemic.

The statutory date for local authorities to publish their 'audited' Statement of Accounts continues to be deferred noting the ongoing pressures with external auditors, with the revised date being 30 November 2023.

Local authorities in the United Kingdom are required to prepare their formal accounts in accordance with 'proper practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), which is issued by Chartered Institute of Public Finance and Accountancy (CIPFA).

The Code specifies the principles and practices of accounting specifically for local authorities, and does include differences to other organisations, although the statutory accounts are still required to provide a **true and fair view** of the financial position, and reflect a summary of the transactions of the council during the year.

As a result of the specific legislation the council's 'statutory accounts' **do** include transactions and adjustments which are not fully reflected within the monthly budget monitoring reports presented to Members, as they are technical in nature and do not directly impact on the council taxpayer. Examples of such adjustments include items such as depreciation of the council's asset base, the profit or loss on the disposal of fixed assets, and the impacts of the annual changes and revaluations within the council's pension fund liabilities.

Appendix 8 provides a summary of the council's revenue budget out-turn position for 2022/23 which is displayed in the standard monthly budget monitoring presentation, as well as the format required within the statutory accounts. This enables a comparison of the different reporting formats and provides a reconciliation between the two.

The financial summary shows that the council;

- has achieved an under spend (or surplus) of £0.418m on its revenue budget for the year which means that this sum will be transferred into the General Revenue Reserve (see column 1)
- has made other contributions into its reserves of £0.484m (see column 2)
- has achieved a net surplus of £16.026m when providing services within its Comprehensive Income and Expenditure Statement at the end of the year (see column 6).

The appendix also shows that the council has reflected £15.124m of technical adjustments within its accounts for the year, which have been reversed out within the council's unusable reserves using statutory mechanisms. This is standard practice as it avoids a financial impact on the council taxpayers of the area for these elements. A full breakdown of these adjustments has been included within Appendix 8.

Please note that small roundings may appear within these extracts and those within the accounts, which will be corrected within the final accounts.

3.14. Section 256 agreements with the Integrated Care Board (ICB)

In North Somerset, Bristol and South Gloucestershire, the NHS, local government and the voluntary sector have been working in partnership for many years to improve care, provide more joined-up services, and to agree and plan for local people's needs. From the 1 July 2022 in accordance with the Health and Care Act, the group have become a legal entity after having been awarded Integrated Care System (ICS) status in December 2020.

Known locally as the Healthier Together Partnership, the ICS and its Board includes councils, NHS hospitals, GP practices and community and mental health services provide a wide range of services for the one million people living in these areas. [Further information about Integrated Care](#).

The organisations have worked closely over recent years to ensure that there is deeper co-operation and better outcomes for residents through regular sharing of annual resources. The primary mechanism for this is through the annual Better Care Fund, which is supported by a legal agreement known as a Section 75 agreement. The document sets out the funding arrangements and responsibilities for each party.

Additional ad hoc arrangements also take place where the parties share and pool other resources for specific projects and programmes and these are documented within a Section 256 agreement. At the end of March 2023 two Section 256 agreements were signed which transferred monies to North Somerset Council;

- £0.6m S256 for Treating Tobacco Dependency – reflected within public health
- £4.0m S256 for Shared Data and Planning Platform–within corporate services

Given that funding was received at the end of the financial year these sums were not budgeted and so appear as additional income within the monitoring reports. The income has been transferred into the council's reserves so that it can be spent in future years.

4. Consultation

The report has been developed through consultation and discussion with the council's corporate leadership team, directorate leadership teams and with nominated budget managers.

5. Financial Implications

Financial implications are contained throughout the report and within the supporting Appendices.

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

The council faces a wide variety of climate change and environmental impacts whilst delivering its many services to residents, some of which have a direct or indirect financial impact or consequence. There are considered by service managers when creating and monitoring their budgets and may be referenced or noted, where appropriate, throughout the report or associated appendices.

8. Risk Management

The council maintains a financial risk register to enable it to understand a wide range of risks that may give rise to a financial consequence or impact. This is reviewed monthly alongside the detailed budget monitoring forecasts and results are shared with the Corporate Leadership Team as a supporting document within their financial discussions. The financial risk reserve is integrated with other risk registers held by the council including those which may support both operational service delivery as well as strategic issues. Given that it is a live register it is updated to reflect current year risks as well as those that may be considered over the medium term.

The high-level strategic risks which relate to the councils' finances are:

Risk	Risk ref	Q4 inherent score	Q4 mitigating actions	Q4 residual score
Risk that we are unable to deliver the priorities of the council by not planning to meet the medium-term financial challenge and delivering a balanced budget.	S-RISK 1	HIGH	The budget for 2023/24 was approved in February 2023 and was balanced for the year-ahead, however there remain significant short-falls in the following years. These will be addressed when the MTFP is refreshed in Q1 of 2023/24.	HIGH
Risk that we are unable to reduce or mitigate inflationary pressures (such as energy prices), resulting in impacts on our services.	S-RISK 2	HIGH	Mitigations and additional resources have been identified to offset the inflationary pressures experienced within the 2022/23 budget.	MED
Risk that we are unable to deliver capital projects within the approved resource envelope either due to lack of governance or unmanageable cost increases.	S-RISK 3	HIGH	Monthly oversight of detailed financial analysis and forecasting by CLT (Corporate Leadership Team), along with strategic planning measures and decision making. However, overspends have materialised on some projects in Q4 meaning that additional resources were required.	HIGH

9. Equality Implications

The 2022/23 revenue budget incorporates savings plans approved by Members in February 2022 all of which are supported by an equality impact assessment (EIA). These EIAs have been subject to consultation and discussion with a wide range of stakeholder groups to ensure all risks have been identified and understood.

10. Corporate Implications

The relationship between the budget process and its ongoing monitoring arrangements must be fully integrated if the council is to achieve the required financial outcomes it requires. Members will be aware that robust financial management and strong internal controls will play a key part in delivering successful service outcomes as well reducing financial risk both for now and for the medium-term.

11. Options Considered

None – the council is required to publish and report its financial position on an annual basis and this should include the management accounts (which will include the use of all resources, i.e., including reserves), as well as the statutory accounts (which are prepared in accordance with relevant internal financial reporting standards). This report covers both requirements and provides information to show how they are connected and aligned.

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Appendices:

Appendix 1 Revenue Budget Monitoring Summary for 2022/23 & Approved Virements
Appendix 2 Directorate Budget Monitoring Summaries – showing key variances
Appendix 3 Monitoring of the 2022/23 MTFP Savings
Appendix 4 Monitoring of investment priorities
Appendix 5 Summary of Reserves
Appendix 6 Monitoring of the Capital Programme 2022/23
Appendix 7 Summary of Changes to the Capital Budgets – to be approved
Appendix 8 Reconciliation of the Revenue Budget Out-turn Statement for 2022/23
Appendix 9 Glossary of terms

Background Papers:

- Executive, February 2022 – Medium Term Financial Plan and Capital Strategy reports, which incorporate the 2022/23 revenue and capital budgets
- Council, February 2022 – approved revenue budgets for 2022/23
- Executive, September 2022 to February 2023 – Budget monitoring reports

APPENDIX 9

GLOSSARY OF TERMS

This is not intended to be an exhausted list but may provide helpful information on phrases that are used frequently within the financial reports.

Accounting period / financial year – the council prepares its finances for a year at a time and operates within a financial year which starts on 1 April and continues through to 31 March.

Accounting basis – the council prepares its accounts on an accruals basis which means that it reflects all transactions that relate to the relevant accounting period, even though it may not have received all of the income that was due or paid all of the expenses that were due; accounting transactions are entered into the system to cover all of these outstanding elements and compensating entries held in the balance sheet.

Balance sheet – snapshot showing the assets and liabilities held by the council as at 31 March 2023, along with its reserves and balances.

Budget – an allocation of money / resources that can be used to deliver an agreed outcome – budgets can be linked to expenditure, income, or reserves.

Budget variance – this is the difference between a budget and the actual position achieved at the end of the year. It is important to escalate budget movements and understand why the council's financial performance is different to its approved plans because this could continue to impact in the future and so may need to be addressed.

Capital programme / budget – this includes the one-off project costs that will create, deliver, or enhance an asset that will last more than 12 months. Asset values are held on the council's balance sheet which means that capital expenditure incurred during the year will be transferred at the end of each year.

Capital strategy – similar approach to the revenue budget medium term financial planning whereby the council plans its future capital investment programme to ensure that services and communities continue to be supported with the assets being held or planned by the council. This will also consider the council's current asset base and management plans along with expected resources - it must demonstrate that plans are affordable, prudent and sustainable within the long-term through approval of indicators and ratios.

Collection Fund – this is a ring-fenced account managed by the council to administer the collection and distribution of council tax and business rates income on behalf of several stakeholders, known as preceptors. Each year preceptors will set and draw down a fixed precept against the income that is expected to be collected and then at the end of each year a surplus or deficit position is calculated for each element and carried forward for distribution in a future financial year.

General Fund revenue budget – this includes the income and expenditure relating to the delivery of day-to-day core services, projects and functions each year. The overall budget is allocated to directorates who deliver a range of services – the budget is also known as the 'net cost of services'. The annual revenue budget is approved by Council in the preceding February of each year.

Forecast – an estimate made during the year to reflect the potential / anticipated position that is likely to occur at the end of the financial year.

Funding resources – these are income streams that the council can use to fund the net cost of the services it provides and will usually include council tax precept, business rate precept, government grants and reserves.

Housing revenue account (HRA) – this contains the annual costs associated with the operation of council housing – North Somerset Council does not hold any council housing stock and so does not operate an HRA.

Integrated Care Board (ICB) – legal entity comprising of councils, NHS hospitals, GP practices and community and mental health services who work together within North Somerset, Bristol and South Gloucestershire to provide a wide range of services for the one million people living in these areas.

Medium-term financial plan (MTFP) – the council's process to forecast and plan for its future revenue budgets over a multi-year period. This will align to the Corporate Plan and therefore reflect new investment plans, the revenue impacts of the Capital Strategy although must demonstrate a way to deliver within the resource envelope as there is a legal requirement to set a balanced budget each year.