

North Somerset Council

Report to the Placemaking, Economy and Planning Policy & Scrutiny Panel

Date of Meeting: 31 July 2023

Subject of Report: Place Finance Update

Town or Parish: All

Officer/Member Presenting: Jo Jones

Key Decision: No

Reason:

To update the Placemaking, Economy and Scrutiny Panel of the 2022/23 final out-turn position for the Place directorate

Recommendations:

That the Panel notes the final out-turn position for 2022/23 against budget for Place and notes the current budget and risks for 2023/24.

1. Summary of Report

- 1.1 This report summarises and discusses the final out-turn position for 2022/23 against budget for Place.
- 1.2 The final year end position for Place was £1.272m overspend against a net budget of £31.269m.
- 1.3 There were a number of material issues that contributed towards the overspend in 2022/23, these include inflation on contracts, pressures on home to school transport budgets and income shortfalls which continue as risks into 2023/24.
- 1.4 The 2022/23 net budget included savings of £1.275m of which the majority were achieved in the financial year.
- 1.5 The net budget for 2023/24 is £38.4m which includes an additional £2.69m of savings to be achieved 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 Final 2022/23 out-turn position for Place

The overall final position for the Place directorate was a net over spend of £1.272m.

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

PLACE DIRECTORATE	2022-23 Net Budget £	Final Out-turn £	Net Variance £
Environment and Safer Communities	11,991,528	11,881,201	(110,326)
Highway & Parking Operations	3,789,651	3,466,883	(322,768)
Highway Technical Services	(11,222)	(165,657)	(154,434)
Libraries & Community	2,197,554	2,343,175	145,621
Open Space, Natural Environment & Leisure	3,635,338	4,051,708	416,370
Regulatory Services	(554,440)	(633,345)	(78,905)
Transport Planning	7,900,764	9,020,774	1,120,011
Neighbourhoods & Transport	28,949,173	29,964,740	1,015,567
Property Asset & Projects	90,209	253,399	163,191
Economy	416,236	399,247	(16,989)
Major Infrastructure Projects	0	15	15
Major Projects	(165,348)	(173,794)	(8,445)
Placemaking & Development	811,175	835,252	24,077
Planning Service	523,049	469,733	(53,316)
Placemaking & Growth	1,675,321	1,783,853	108,533
Place Directorate Management	561,699	708,566	146,867
Place Central Recharges	13,675	14,925	1,250
Directorate Overheads	575,374	723,491	148,117
Special Expenses	69,410	69,410	0
PLACE DIRECTORATE TOTAL	31,269,277	32,541,494	1,272,217

A more detailed financial overview of the final 2022/23 for the Place directorate is included in Appendix 1.

Key variances within this final position:

- Home to Schools Transport demand and market costs £1.581m, it should be noted that this figure is net of -£463k S106 income and one-off use of reserves of -£286k.
- Waste Contracts inflationary and other cost pressures £989k
- Libraries & Community Buildings income shortfall £173k
- Planning & Building Control income shortfall £254k

Mitigations offsetting the overall position:

- Surplus recycling materials income -£685k
- Use of Waste contract reserve -£159k
- One-off reduction in composting scheme costs in 22/23 -£210k
- Concessionary fares underspend due to patronage -£260k
- Road closure income -£205k
- Street Works Permit scheme – eligible staff overhead -£214k

Areas of particular note are explained in more detail below.

3.1.1 Home to school transport costs

The Home to School Transport service was the most significant cost pressure for the Place Directorate in 2022/23. This was 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.

The 2023-24 budget includes £2.37m of net growth which is hoped to provide a more robust and realistic budget for the current year, however until the route contracts commissioning process is completed ahead of the new academic year in September, it is difficult to quantify the position at this early stage of the financial year.

Following recommendations on the recent internal audit report, two new posts (SEN Link Officer and Transport Planning Officer) have been approved and are being recruited to, part of the focus of these posts will be working closely with Children & Education services to enable the team to plan and identify service efficiencies ahead of the new academic year.

3.1.2 Waste Contracts 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. The NSEC waste contract is one of these contracts.

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

The base budget for the NSEC contract was £10.33m however the final value ended up at £10.8m, the largest variation being the pay award, the original assumption was 2% however was recalculated at 8% in December 2022 following the local government pay award. There was also a financial impact from the National Insurance Legislative change.

The other significant contract cost pressure were fuel inflation which was originally based at 7% however the actual contractual inflation for fuel for 2022/23 was 21% based on prices in February & March 2022.

The Waste service were able to off-set these additional costs with surplus recycling materials income of £685k, however the market prices and demand reduced

considerably from October 2022 in conjunction with the energy price rise meaning that this figure was much lower than anticipated at the start of the year.

3.2 2022/23 Place success stories & medium term financial plan – savings delivery

Despite the final 2022/23 out-turn position for Place, there were £1.275m of savings to deliver, which the directorate successfully achieved £1.138m.

A full list of the 2022/23 MTFP budget savings has been included in Appendix 2.

As well as delivering the majority of the MTFP savings, Place officers are currently delivering a range of projects across the directorate on top of the business as usual, one of which is the Bus Service Improvement Plan (BSIP). THE BSIP funding allocation was not confirmed until the end of November 2022, delivery on the first bus priority scheme was completed at Long Ashton in April 2023. This scheme was the first to be delivered nationally.

Working jointly with WECA the first fares package has been launched and a second fares package will be launched shortly, demand responsive transport costing £1.5m has been mobilised and enhanced services of £3.8m over two-years have been procured.

Another example of one of the major projects currently being delivered is the UK Shared Prosperity Fund (UKSPF), the UKSPF was introduced by the Department for Levelling Up Housing and Communities (DLUHC) to replace European Structural and investment funding which the UK continues to participate in until 2023. North Somerset's £2.5m funding allocation is focused on local regeneration, employment and skills and will deliver priorities and investment principles up to the end of March 2025.

3.3 2023/24 Net revenue budget

The current year net revenue budget for the Place Directorate is £38.4m, this includes £2.69m of MTFP savings to deliver.

The table below shows how this is split between service areas and across expenditure and income budgets.

PLACE DIRECTORATE	2023-24 Budget			
	Expenditure £	Income £	Reserves £	Net £
Environment and Safer Communities	21,914,952	(7,148,383)	0	14,766,569
Highway & Parking Operations	10,571,303	(5,799,804)	(80,359)	4,691,140
Highway Technical Services	2,177,203	(2,014,705)	(80,220)	82,278
Libraries & Community	4,054,702	(1,602,993)	0	2,451,709
Open Space, Natural Environment & Leisure	6,452,908	(1,670,553)	(454,620)	4,327,736
Regulatory Services	25,140	(626,700)	0	(601,560)
Transport Planning	20,316,679	(10,177,953)	(93,234)	10,045,492
Neighbourhoods & Transport	65,512,886	(29,041,090)	(708,432)	35,763,364
Property Asset & Projects	1,813,348	(1,333,364)	0	479,984
Economy	1,955,941	(1,309,670)	(255,089)	391,181
Major Projects	1,354,027	(1,553,032)	0	(199,005)
Placemaking & Development	1,337,906	(300,099)	(387,773)	650,034
Planning Service	2,871,770	(2,515,394)	32,218	388,594
Placemaking & Growth	9,332,992	(7,011,559)	(610,644)	1,710,788
Place Directorate Management	1,127,773	(288,018)	0	839,755
Place Central Recharges	10,000	0	0	10,000
Directorate Overheads	1,137,773	(288,018)	0	849,755
Special Expenses	177,370	(107,960)	0	69,410
Overall Total	76,161,021	(36,448,627)	(1,319,076)	38,393,317

Appendix 3 includes a pie chart which shows the gross expenditure budget by type of spend, for example, salary costs and payments to external contractors and a pie chart which shows the income budget by the different income streams, for example grants and sales, fees and charges.

3.4 2023/24 MTFP delivery plans and budget risks

The most significant risks for the Place Directorate are a continuation from last year's financial pressures being the sustained high level of inflation and the demand on the Home to School Transport service budget, which at this early stage in the financial year are not quantifiable yet.

Other significant risks present are within the Waste service, specifically as the net budget includes a £900k MTFP saving for the income from sale of recycling materials. As referenced above, the market in terms of demand for and price of the materials considerably dipped from October 2022 in conjunction with the energy price rise, so far to date this has not increased to pre-October levels.

Other Waste service risks identified are for the Waste disposal service, which is as a combination of contract inflationary pressures, demand (housing growth) and new legislation for disposal of some pollutants.

The Place directorate has £2.686m of additional MTFP savings to deliver in the current year. The Directorate Leadership Team are working closely within individual

service heads to ensure delivery plans are progressing, identifying where there are any delivery challenges and any mitigations to reduce or compensate these risks.

Appendix 4 includes the detailed list of the current year MTFP savings.

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 3.4.

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 – Detailed financial overview of 2022/23 final position for Place

FINANCIAL OVERVIEW OF THE PLACE DIRECTORATE AS AT 31 MARCH 2023					
Directorate Summary					
	Original Budget 2022/23 £000	Virements £000	Revised Budget 2022/23 £000	Provisional Out-turn 2022/23 £000	Provisional Out-turn Variance £000
- Gross Expenditure	56,727	8,901	65,628	68,495	2,866
- Income	(23,124)	(6,248)	(29,372)	(30,188)	(815)
- Transfers to / from Reserves	(3,614)	(1,373)	(4,987)	(5,765)	(779)
= Directorate Totals	29,989	1,280	31,269	32,541	1,272
Provisional Out-turn Variance					4.07%
- Neighbourhoods & Transport	27,909	1,040	28,949	29,965	1,016
- Placemaking & Growth	1,433	243	1,675	1,784	109
- Directorate Overheads	578	(3)	575	723	148
- Special Expenses	69	0	69	69	0
= Directorate Totals	29,989	1,280	31,269	32,541	1,272
Provisional Out-turn Variance					4.07%
Extract showing material variances compared to the revised budget					
Service area and Provisional budget variance			Revised Budget 2022/23 £000	Provisional Out-turn 2022/23 £000	Provisional Out-turn Variance £000
Environment and Safer Communities					
<u>Environmental Services & Enforcement:</u>					
NSEC - Surplus on recycling materials (income)			(1,599)	(2,283)	(684)
NSEC - Main contract (expenditure) - Inflationary increase			10,327	11,017	690
NSEC - Waste Receptacles			142	270	128
NSEC - Use of reserves to fund in-year contract change notices			0	(159)	(159)
NSEC - Waste material disposal costs			666	570	(96)
Waste Disposal Contract (net) - inflationary & tonnage increases			6,292	6,448	156
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 - increase in operational costs			197	301	104
Garden Waste Charging Scheme - reduction in composting scheme costs			235	25	(210)
Commercial Waste (net) increased income projections			(89)	(185)	(96)
Waste Contract Procurement and Mobilisation costs			0	110	110
Waste Contract Procurement and Mobilisation costs - use of Implementation Reserve			0	(33)	(33)
Litter enforcement - short-fall in contract income			(30)	2	32
<u>Safer Community Services: - CCTV</u>					
Use of Town Council receipt			266	326	60
			0	(40)	(40)
Highway & Parking Operations					
Highway Electrical & ITS - Inflationary increases on 'materials' costs and staffing			1,989	1,886	(103)
Highway Network & Traffic Management - Road closures income above target			(82)	(287)	(205)
Highways Operations - Highways maintenance and staffing			3,086	3,256	170
Highways Maintenance Contract - future service delivery mobilisation costs			0	80	80
Street Work Permit Scheme - released direct staff overhead as eligible scheme spend			0	(214)	(214)
Materials testing Lab - expected shortfall on fee income			(321)	(192)	129
Parking services - net position for Off and On Street and Civil Parking Enforcement			(1,335)	(1,472)	(137)
Local Transport Plan (stage 6 & 7)			0	88	88
Funded by Strategic Projects (Local Plan) reserve			0	(88)	(88)
Open Space, Natural Environment & Leisure					
<u>Leisure:</u>					
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
<u>Parks & Seafront:</u>					
Bay Cafe:					
Income losses (some operations moved during SEE Monster - incl underlying pressure)			(418)	(13)	405
Provisional turnover share from temporary operator			0	(61)	(61)
Saving on expenditure budgets relating to mainly catering provisions & equipment			280	127	(153)
Saving on staffing costs whilst outsourced			199	48	(151)

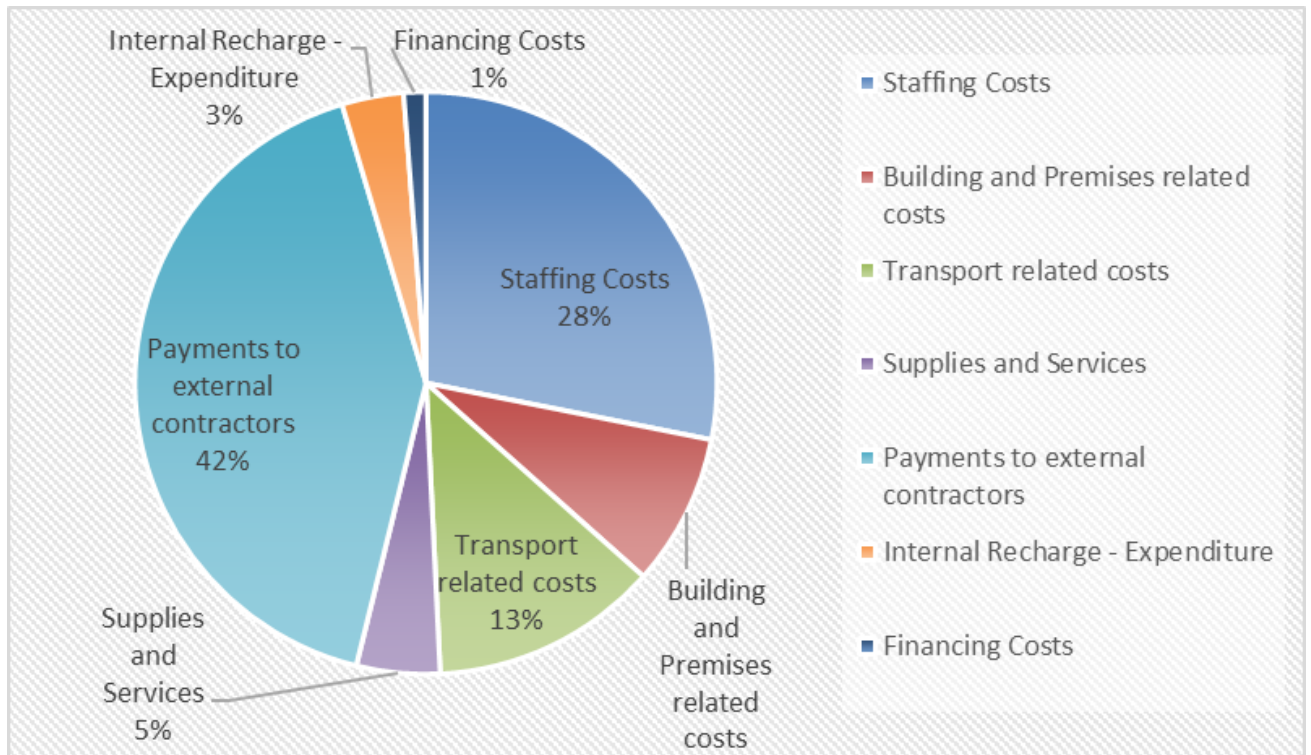
Extract showing material variances compared to the revised budget (contd)			
Service area and Provisional budget variance	Revised Budget 2022/23 £000	Provisional Out-turn 2022/23 £000	Provisional Out-turn Variance £000
The Bay & Seafront Events (limited events due to SEE Monster):			
Gross expenditure budget (excluding staffing)	139	149	10
Income budget	(312)	(176)	136
Saving on staffing costs whilst events not running	85	36	(49)
Mitigated by loss of income compensation from new Substance	0	(76)	(76)
Parks & Street Scene Contract:			
Glendale contract - Inflationary pressure on extended contract	2,246	2,369	123
S106 funding draw-down shortfall	(345)	(274)	71
Transport Planning			
Home to Schools Transport (HTST):			
Home to School Transport - Baseline position re increased demand and costs	4,763	7,035	2,272
Draw down of S106 funding	(150)	(463)	(313)
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)
Public Transport			
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)	(178)	130
Internal recharge of services to Home to Schools Transport for use of Public Transport	0	(46)	(46)
Bus Service Support Grant (extended to 31/03/2023)	(67)	(132)	(65)
Bus Lane Enforcement PCN income	(51)	(401)	(350)
Bus Lane Enforcement PCN income ring-fenced in reserves for Highways & Transport	0	170	170
Libraries & Community			
Campus expenditure budgets	523	540	17
Shortfall in Campus income	(359)	(277)	82
Somerset Hall expenditure budgets	107	119	12
Shortfall in Somerset Hall income	(121)	(74)	47
Placemaking & Development			
Economy Team staffing - Employer of Choice / Graduate posts	75	177	102
Funded by use of ear-marked reserves	(75)	(177)	(102)
Weston Business Quarter consultancy costs	0	221	221
New Weston Town Centre Development sites	70	83	13
Place making - Portishead	0	84	84
Weston General Stores	0	176	176
Funded by Driving Growth reserves	(70)	(564)	(494)
Birnbeck Pier - consultancy commissioned to date	0	150	150
Funding due from Historic England and RNLi Lifeboat Institute	0	(147)	(147)
Planning & Building Control salary costs - savings due to vacancies	2,311	2,034	(277)
Planning Income (Applications and advice, net of refunds)	(1,561)	(1,429)	132
Building Control Income - short-fall in fees	(470)	(349)	121
Planning - Planning Appeal consultancy and barrister costs to date	0	77	77
Funded by Major Planning Appeal Reserve	0	(77)	(77)
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)
Capital Delivery Team (excl Bus Service Improvement Plan)			
Capital projects delivery team salary costs - savings due to vacant posts	2,921	2,203	(718)
Shortfall on salary recharges to the capital programme (partially mitigated by vacancies v	(3,000)	(2,191)	809
Sub total - material budget variances			1,220
Other minor variations to the budget			52
= Directorate Total			1,272

Appendix 2 – 2022/23 MTFP savings delivery

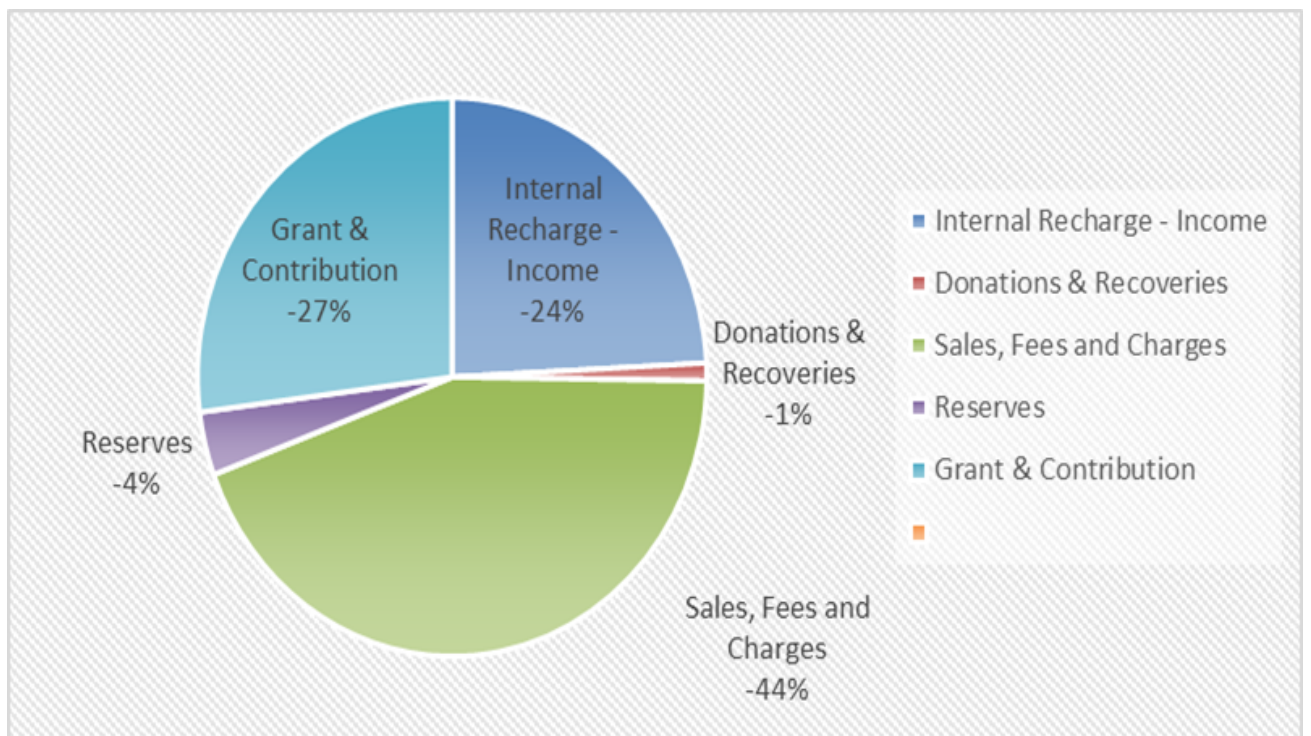
MTFP SAVINGS PROPOSALS REFLECTED WITHIN THE 2022/23 REVENUE BUDGET					
Dir Ref	Dir	Theme	MTFP Savings Proposals	Saving £000	RAG Rating
PD S1	Place	Income Generation	Increase of recycling materials income	-500	G
PD S2	Place	Income Generation	Re-base garden waste income budget to align to actual levels	-230	G
PD S4	Place	Income Generation	Use income from Permit Scheme to fund existing staff	-50	G
PD S7	Place	Efficiency / Change	Revisit safe Home To Schools Transport routes	-100	R
PD S8	Place	Efficiency / Change	Safer roads initiatives (additional sites meeting relevant criteria)	-30	G
PD S9	Place	Efficiency / Change	Events programme to become cost neutral or minimal support	-65	G
PD S10	Place	Income Generation	Introduce break-even policy for Building Control	-20	R
PD S13	Place	Income Generation	Parking income	-150	G
PD S14	Place	Review provision	Reduction in Concessionary Fares costs - aligned to lower levels of demand for the service	-50	G
PD S15	Place	Efficiency / Change	Reduction in staff travel costs - to reflect the new ways of working	-25	A
PD S16	Place	Efficiency / Change	Reduction in street lighting energy costs - aligned to roll-out of LED investment programme	-40	G
PD S17	Place	Income Generation	Increase in income levels, e.g. public conveniences	-15	R
DIRECTORATE TOTAL				-1,275	

Appendix 3

2023/24 Gross expenditure budget by type of spend



2023/24 Income budget by source



Appendix 4 – MTFP savings 2023/24 – 2025/26

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 4 continued

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