

North Somerset Council

Report to the Executive

Date of Meeting: 18 October 2023

Subject of Report: MTFP & Revenue Budget Update

Town or Parish: All

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

Key Decision: No

Reason:

This is an update report and no decisions are being taken at this point to incur expenditure or make financial savings

Recommendations

The Executive is asked to note the report which provides a further update on the council's medium term financial planning activities for the period 2024-2028, including the development of savings strategies that may be used to close the budget gap.

1. Summary of Report

This report provides an update with regards to the next stage within the council's medium term financial planning process, covering a new 4-year period to 2027/28, which was last considered by the Executive in September 2023.

At that time the council had a budget gap of **£50m** for the 4-year period to 2028, with **£17m** of this relating to the 2024/25 financial year. This report provides details of the savings strategies that are currently being considered and developed and which may be used to close the budget gap.

2. Policy

There is a legal requirement to prepare and approve a robust revenue budget for the 2024/25 financial year, along with relevant council tax bandings and rates. The financial planning process will work towards delivering these outcomes which will culminate in a report being presented to Council in February 2024.

However, the council does not look at its financial plans in isolation or on an annual basis, but instead looks at decisions that need to be considered alongside other work plans and strategies and taken across a 4-year horizon.

The council's MTFP supports the on-going provision of services for the people of North Somerset, within the context of the priorities and ambitions for the area, as set out within the Corporate Plan which is refreshed every four years. The MTFP identifies the likely costs

and pressures that the council will face and matches these against the anticipated income and resource allocations over the period. To ensure that it is robust the Plan must integrate a range of financial strategies and highlight the key risks inherent within our budget planning processes.

The council has an annual net revenue budget of £210m for the 2023/24 financial year and also a capital investment programme for the period 2023-2029 based around the needs and ambitions described within the Capital Strategy, which totals over £440m.

3. Details

3.1. Reminder of the MTFP process, timeline and September 2023 position

The Executive considered a report in September 2023 which updated the core assumptions within the MTFP. This included a forecast of how much we will need to spend to continue to deliver services over the next 4 years and also how much money we think that we will receive to pay for them.

The table below provides an updated summary of the financial position at that time, which builds on the current revenue base budget (excluding town and council parish precepts).

MEDIUM TERM FINANCIAL PLAN SUMMARY 2020-2028	APPROVED BUDGET		FUTURE MTFP PROJECTIONS			
	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
- Resources - Grants, C. Tax & Business Rates	179,090	202,766	212,358	217,480	223,866	230,472
- Current Budget - base spending position	171,317	179,090	202,766	212,358	217,480	223,866
- Budget pressures, increased spending	16,172	35,873	26,823	19,139	15,832	16,503
- Remove covid & other one-off impacts	-4,242	-1,777	0	0	0	0
- Savings proposals and increased income	-4,157	-10,420	0	0	0	0
- Revised / Forecast Spending Level	179,090	202,766	229,589	231,497	233,312	240,369
- Budget Gap / (Surplus)	0	0	17,231	14,017	9,446	9,897
Actual 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, based on Govt Capping Limits:			4.99%	2.99%	2.99%	2.99%
- North Somerset Council Services			2.99%	1.99%	1.99%	1.99%
- Adult Social Care Precept			2.00%	1.00%	1.00%	1.00%

The table shows that the council will need to identify savings of £50m over this period, with £17m being required next year.

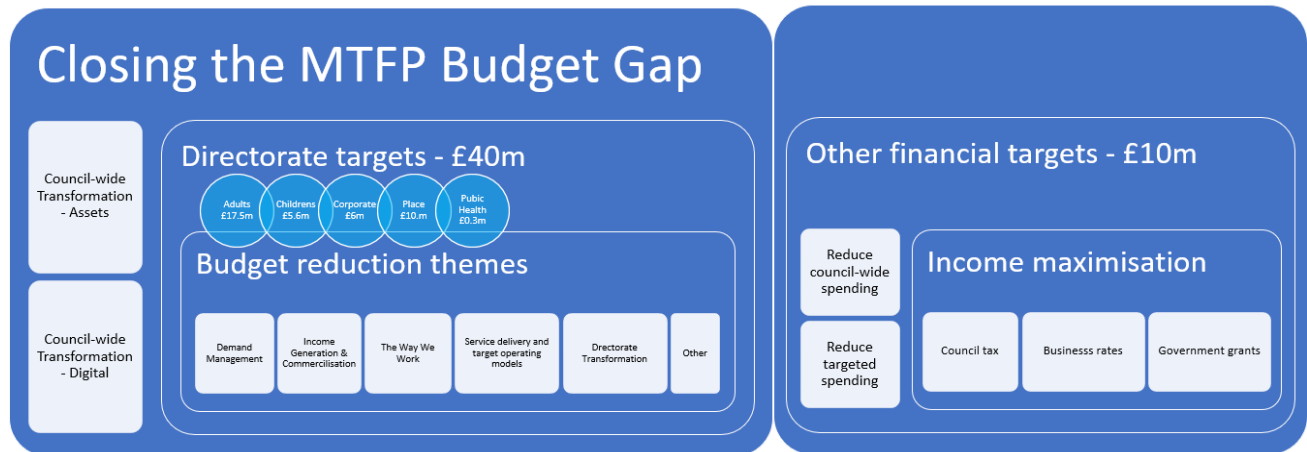
The MTFP timetable currently assumes that high level savings strategies and principles will be developed and shared in October with more detailed proposals being published in December alongside the equality impact assessment summaries. Further consultation and discussion on these proposals will take place during the year before the draft budget is considered by the Executive at the meeting in February 2024.

3.2. Approach to closing budget gap and development of savings strategies

Since the last report was considered officers and members have been working together to develop a range of savings strategies and principles that could be included within the next stage of the MTFP process however, all are acutely aware of how challenging this will be because we know that the financial plans are being developed against a backdrop of

sustained inflationary pressures and also after budget reductions have been needed in each of the past 10 years.

The graphic below shows how the council has developed an overarching strategy to close the **£50m budget gap** across the four-year period by allocating financial targets to specific areas of the budget, with an emphasis on maximising its resource base (£10m) as well as focusing on the net costs to deliver services (£40m).



The council recognises that transformation of services and how they are delivered will be an essential part of being able to close the budget gap in the next few years and so has identified two corporate themes that are likely to be present in future proposals for many of the directorates. It is intended that officers will join up thinking to ensure that all transformational ideas are channelled together to ensure that there are consistent, collaborative and cohesive plans for these areas.

The two main transformation themes are linked to;

- The council's **asset** base – i.e. what physical assets are being used in the delivery of services, how suitable are they to meet the service need, what is their condition, are they in the right place, are there any alternative options that could be considered?
- **Digital** – i.e. how is technology being used to deliver services and could this be changed to make financial savings. This is relevant in all areas of the council and is just as appropriate to support elderly residents to live independently in their homes for longer; as it is to implement Chatbot type robotics within a support service environment.

There will also be a series of key themes that will be used by directorates to categorise and group some of their savings proposals, each with supporting principles so that they are applied consistently across the council and can be shared with residents to help them understand our budget plans. The savings themes are described in more detail below;

- **Demand management** - trying to reduce the rising costs and demand for services where possible and where appropriate.

This may include enhancing prevention services in the first instance to avoid or delay the requirement for further complex services to be provided, or perhaps by introducing measures to filter demand requests through a portal or gateway to ensure that services are prioritised to those most in need. Alternative service

provision could also be offered alongside reductions in service level if conditions improve over time.

Some demand management ideas could be linked to changes in outcomes, for example if the council was able to increase the amount of waste that is recycled then it might be possible to make financial savings on disposing of the residual waste that is not recycled.

It is important to note that all statutory services will retain budgets that are affordable and robust as they will be linked to business modelling forecasts and can potentially be benchmarked with others. We have introduced 'cost and volume' models in areas such as social care, waste services and home to schools' transport, as these can clearly link projected numbers and volumes of activity or service provision, with the costs that are paid to providers and suppliers;

- **Income generation and commercialisation** – the council recognises that it needs to take a commercial approach to decision-making in respect of the services that we deliver to the public. This means that we will actively encourage and support changes that make sure that our services are delivered efficiently and economically as possible; and also ensure that customers contribute a realistic price through any fees and charges that they may be required to pay each year.

In this area decisions could be taken on a service-by-service basis to ensure that 'full cost recovery' principles are put into place although this may be broadened in other parts of the council to ensure that the best and most appropriate decisions are made to maximise income levels for those services. For example, there are instances where the council could lose income by inflating the annual charge each year and so may choose to defer a price increase in that service, instead choosing to increase fees by more in other areas that can accommodate an increase.

We do recognise that in some cases changes for our customers in these areas may be difficult to understand, but we can no longer afford to subsidise discretionary services when there are people who really do need to receive statutory services such as care in their homes or children who need to be protected and looked after;

- **The way we work** – this is a broad theme which looks to introduce principles relating to how we work to deliver services to our residents and making sure that they are as efficient as possible. This may mean that we maximise the use of digital technology, change working practices, look at staffing levels, the use of agency staff and also whether it is possible to use of volunteers in other areas. Commissioning and procurement related activities have the potential to reduce costs significantly.
- **Service delivery and target operating models** – work that the council does in some areas is fairly specialised and cannot be easily replicated or bought in from other providers whereas there are some services where it may be possible to consider an alternative approach to delivery, whether this be through a strategic partnership, a transfer of services or working in collaboration with others (internally or externally) to reduce overhead costs. The council has seen several successful examples of this, e.g. procurement, internal audit and information governance which means that it could be possible to look at other options across the council;
- **Directorate transformation** – each directorate has a range of bespoke services that could be transformed as a result of making a conscious change of some sort. It is anticipated that the majority of transformation initiatives will deliver cashable savings

that can be used to close the budget gap, but in some cases other benefits could be achieved and reinvested.

4. Consultation

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

There are many aspects of service delivery which impact on our residents, customers and other stakeholders and members of the public, and so we recognise that it is the council's 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.

The council has launched an extensive process in respect of refreshing the Corporate Plan and consulting on the budget which will drive how we deliver and fund services over the next four years. The initial period of consultation is due to finish shortly and an update will be provided within future update reports.

Internal consultation on the council's budget plans will also take place through the scrutiny process, and this will ensure that all members are sighted on the plans and have an opportunity to feed in their own thoughts and ideas.

5. Financial Implications

Financial implications are contained throughout the report – no specific decisions are being considered within 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 including balancing their budgets each year from within their own resource allocations, although further details and requirements are contained within related legislation.

The **setting of the council's budget** for the forthcoming year, and the ongoing arrangements for monitoring all aspects of this to ensure that the councils spending is within the approved limits, is an integral part of the financial administration process.

Further requirements are contained within the Local Government Act 1988, Section 114 (3) which provide for instances whereby the chief finance officer of an authority makes a judgement that the expenditure of the authority in a financial year is likely to exceed the resources available. The transparency of the MTFP process ensures that all relevant decision makers have access to information required to support financial decisions that need to be taken to enable them to balance the budget each year.

7. Climate Change and Environmental Implications

Whilst there are no specific climate related impacts to note at this stage, it is clear that climate and environmental related implications will be at the forefront of our thinking when

considering underlying service policies, priorities and strategies associated with the revenue budget, as well as through formulating capital investment plans and determining options to make reductions in our energy usage and associated costs to ensure a more sustainable future. It will be important to ensure that future business cases clearly articulate the carbon impacts that will materialise so that the council can understand how these will contribute to net carbon goals.

8. Risk Management

In setting the revenue and capital budgets, the council must take into account 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.

The council recognises that known risks, together with the unconfirmed, but anticipated timeframes surrounding funding settlements, does attract a high degree of risk in terms of making specific decisions around its financial planning. However, it is important to recognise that the Corporate Plan and MTFP are vital tools to help align effort across the organisation to ensure that services are all pulling in the same direction so that it can be prepared for whatever the outcomes of national policy turn out to be.

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

Future MTFP reports will provide a list of the key risks that have been identified as part of the process and set within the council's risk management matrix.

9. Equality Implications

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

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

As per previous years, we will undertake thorough Equality Impact Assessments, (EIA), for all significant budget savings proposals that are incorporated within the MTFP and budget plans. The timeline currently anticipates that initial savings proposals will be published in December 2023 along with a high-level EIA to understand whether they are likely to pose a High, Medium or Low risk if they were to be delivered. Further analysis will then be undertaken on those areas where the impacts are deemed to be Medium or High to see if mitigations can be incorporated to improve the outcomes and impacts for service users.

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

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. The refresh of the Corporate Plan will inform the future ambitions of the council.

11. Options Considered

None at this stage – the council is legally required to set a balanced budget and to implement a robust financial framework to ensure that spending is aligned to available resources and all available options to achieve this are considered within the details shared above. Whilst the MTFP process works towards that outcome, this report does not include any specific recommendations or decisions as they will come later in the process.

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Appendices:

None

Background Papers:

Exec Report – February 2023, Medium Term Financial Plan and Revenue Budget 2023/24

Exec Report – September 2023, Medium Term Financial Plan Update report 2024-2028

Council Report – February 2023, Council Tax Setting 2023/24

Transport, Climate and Communities Policy and Scrutiny Panel Report – July 2023, MTFP planning