

North Somerset Council

Report to the Place Panel

Date of Meeting: 23 November 2022

Subject of Report: Place Finance Update

Town or Parish: All

Officer/Member Presenting: Finance Business Partner (Place)

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 19 October 2022.
- 1.2 The overall projected year end position for Place, as at the end of month 5, is a **£1.348m** overspend on a net budget of £30.080m.
- 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 The Place Directorate Leadership Team are discussing actions which could mitigate this position in order to try and reduce the overspend over the coming months.
- 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.

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 £1.348m.

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	11,888,240	11,526,919	(361,321)
Operations Management & Support Services	0	0	0
Highway & Parking Operations	3,351,880	3,383,891	32,011
Highway Technical Services	(46,455)	(55,893)	(9,438)
Libraries & Community	2,024,383	2,181,753	157,370
Open Space, Natural Environment & Leisure	3,495,430	3,701,163	205,733
Regulatory Services	(554,440)	(579,860)	(25,420)
Transport Planning	7,863,852	8,915,940	1,052,088
Neighbourhoods & Transport	28,022,890	29,073,912	1,051,023
Property Asset & Projects	60,321	257,057	196,736
Recharges - Property Assets & Projects	0	0	0
Economy	401,755	362,163	(39,593)
Major Infrastructure Projects	0	(0)	(0)
Major Projects	(164,251)	(133,928)	30,323
Placemaking & Development	779,448	825,948	46,500
Planning Service	355,321	407,448	52,127
Placemaking & Growth	1,432,594	1,718,688	286,093
Place Directorate Management	545,073	555,545	10,472
Place Central Recharges	10,000	10,351	351
Directorate Overheads	555,073	565,896	10,823
Special Expenses	69,410	69,410	0
PLACE DIRECTORATE TOTAL	30,079,967	31,427,906	1,347,939

The main areas of pressures are:

- Home to Schools Transport demand and market costs £946k
- Contract inflation pressures £924k
- Shortfall of Libraries & Community Buildings income £169k
- Other income shortfalls £222k
- Shortfall on salary recharges to the capital programme £211k

These are offset by:

- Surplus recycling materials income £1,287k

It should be noted that there will be further financial pressures included within the Place directorate position later in the year to reflect the pay award and the new energy contract prices. These pressures are currently being reported corporately and are therefore not reflected in the figures above.

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 especially now the new school year has started and all the transport arrangements are in place, the forecasts will be updated to ensure we are reflecting the true financial position of the service and this is an area which is being reviewed as part of the Medium Term Financial Planning for 2023/24.

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.

3.1.3 Mitigations

The Place leadership team and service managers are meeting regularly to discuss potential financial mitigations within the current year which will help reduce the forecast overspend by the end of the year.

3.2 Risks

There are a number of risks that may materialise at some point during the financial year, or situations that may require the council to consider providing support or incurring additional expenditure at some point.

These items are being collated and assessed however given that the Directorate budget for the current year is not yet balanced, then any decision to increase spending beyond approved or current levels would be deemed inappropriate and could contravene requirements within the Constitution.

The following areas are currently being monitored as potential areas of risk, although no additional spending for these items has been included within the forecast position.

Support to contractors/providers – the current economic situation is causing significant financial impacts for contractors and providers who deliver services on behalf of North Somerset Council. Whilst contractually the council is not obliged to fund anything in addition to contractual inflation, the council may have to consider the consequences of not providing additional support in these areas, such as market failures, which would impact on residents. It is hoped that the government support measures will reduce some of these pressures, although it is recognised that they will not completely disappear and hardship to some degree will remain.

Bus services – whilst recognising the significant benefits that the bus network brings to many residents and communities, the council only has a limited amount of resources allocated within the existing budget to fund and support specific bus routes, which it can do by using discretionary service powers. However, given the increasing pressures being experienced elsewhere within the statutory services that the council must continue to provide, it does mean that there is currently little scope to intervene within the public transport market should bus providers stop providing routes.

3.3 Medium Term Financial Plan Savings 2022/23

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.

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 AUGUST 2022

Directorate Summary					
	Original Budget 2022/23 £000	Virements £000	Revised Budget 2022/23 £000	Forecast Out-turn 2022/23 £000	Projected Out turn Variance £000
- Gross Expenditure	56,727	3,652	60,379	65,166	4,787
- Income	(23,124)	(2,338)	(25,462)	(27,027)	(1,566)
- Transfers to / from Reserves	(3,614)	(1,224)	(4,837)	(6,711)	(1,874)
= Directorate Totals	29,989	91	30,080	31,428	1,348
Forecast Out-turn Variance					4.48%
- Neighbourhoods & Transport	27,909	114	28,023	29,074	1,051
- Placemaking & Growth	1,433	0	1,433	1,719	286
- Directorate Overheads	578	(23)	555	566	11
- Special Expenses	69	0	69	69	0
= Directorate Totals	29,989	91	30,080	31,428	1,348
Forecast Out-turn Variance					4.48%

Extract showing material variances compared to the revised budget			
Service area and projected budget variance	Revised Budget 2022/23 £000	Forecast Out-turn 2022/23 £000	Projected Out turn Variance £000
Environment and Safer Communities			
<u>Environmental Services & Enforcement:</u>			
NSEC - Surplus on recycling materials (income)	(1,599)	(2,886)	(1,287)
NSEC - Main contract (expenditure) - Inflationary increase	10,314	10,773	459
NSEC - Waste Receptacles	142	249	107
Waste Disposal Contract (net) - inflationary & tonnage increases	6,292	6,611	319
Garden Waste Charging Scheme (income) - shortfall on income target	(2,195)	(1,776)	419
Garden Waste Charging Scheme - use of compensation reserve	0	(350)	(350)
Garden Waste Charging Scheme - reduction in scheme costs	235	135	(100)
Litter enforcement - short-fall in contract income	(30)	(5)	25
<u>Safer Community Services:</u> - CCTV (includes historical £95k budget saving)	238	331	93
Use of Town Council receipt	0	(40)	(40)
Highway & Parking Operations			
Highway Electrical & ITS - Inflationary increases on new contracts 'materials' costs	1,449	1,513	64
Highway Network & Traffic Management - Road closures income above target	(82)	(240)	(158)
Materials testing Lab - expected shortfall on fee income	(321)	(212)	109
Local Transport Plan (stage 6 & 7)	0	104	104
Funded by Strategic Projects (Local Plan) reserve	0	(104)	(104)
Open Space, Natural Environment & Leisure			
<u>Leisure:</u>			
Loss of income - Profit share on Leisure Contracts	(439)	(349)	89
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)	(82)	336
Forecast turnover share from temporary operator	0	(17)	(17)
Saving on expenditure budgets relating to mainly catering provisions & equipment	261	123	(138)
Saving on staffing costs whilst outsourced	183	77	(106)
The Bay & Seafront Events (limited events due to SEE Monster):			
Net expenditure budget (excluding staffing)	(175)	(16)	159
Saving on staffing costs whilst events not running	79	29	(50)
Mitigated by loss of income compensation from new Substance	0	(70)	(70)
Parks & Street Scene Contract:			
Glendale contract - Inflationary pressure on extended contract	2,246	2,328	82
S106 funding draw-down shortfall	(345)	(282)	63

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
Transport Planning			
<u>Home to Schools Transport (HTST):</u>			
Home to School Transport - Baseline position re increased demand and costs	4,725	5,660	935
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
Home to School Transport - New inflationary pressures for 2022/23	0	286	286
Use of Corporate risk reserve to fund new inflationary pressures	0	(286)	(286)
Home to School Transport - Anticipated new academic year demand	0	300	300
<u>Bus Services</u>			
Bus Services Improvement Plan - Staffing revenue pressure	139	181	42
Funded by reserves (residual 2021/22 grant funding)	0	(25)	(25)
Libraries & Community			
Shortfall in Campus income	(359)	(247)	112
Shortfall in Somerset Hall income	(121)	(63)	58
Placemaking & Development			
Community Renewal Fund - Remaining project spend (ending December 2022)	0	1,504	1,504
Funded by 'Receipt in Advance', grant payment received in 2021/22	0	(701)	(701)
Funded by Final grant claim due in year	0	(802)	(802)
Economy Team staffing - Employer of Choice / Graduate posts	71	211	140
Funded by use of ear-marked reserves	(71)	(211)	(140)
Weston Business Quarter consultancy costs	0	182	182
Weston Quarry consultancy costs	0	84	84
Funded by Driving Growth reserves	0	(267)	(267)
Birnbeck Pier - consultancy commissioned to date	0	101	101
Funding due from Historic England	0	(101)	(101)
Planning - Planning Appeal consultancy and barrister costs to date	0	70	70
Funded by Major Planning Appeal Reserve	0	(70)	(70)
Directorate salary position			
Shortfall on salary recharges to the capital programme (partially mitigated by vacancies v	(2,966)	(2,355)	611
Capital projects delivery team (underspend relating to vacant posts)	2,832	2,432	(400)
Sub total - material budget variances			1,259
Other minor variations to the budget			89
= Directorate Total			1,348

Appendix 2 – MTFP Savings 2022/23 – Progress update

MTFP SAVINGS PROPOSALS REFLECTED WITHIN THE 2022/23 REVENUE BUDGET						
Dir Ref	Dir	Theme	MTFP Savings Proposals	2022/23 £0	RAG Rating	Notes / Comments
PD S1	Place	Income Generation	Increase of recycling materials income	-500	G	Sale of recycling materials forecast to exceed income budget
PD S2	Place	Income Generation	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	Income Generation	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	Efficiency / Change	Revisit safe Home To Schools Transport routes	-100	A	Recruitment challenges in Design team slowing implementation
PD S8	Place	Efficiency / Change	Safer roads initiatives (additional sites meeting relevant criteria)	-30	G	Bus Lane enforcement - income target already exceeded
PD S9	Place	Efficiency / Change	Events programme to become cost neutral or minimal support	-65	G	Air festival - current year event funded by reserves
PD S10	Place	Income Generation	Introduce break-even policy for Building Control	-20	G	Balanced budget on target to be achieved
PD S13	Place	Income Generation	Parking income	-150	A	Income levels to end of July on target, currently forecast will achieve budget
PD S14	Place	Review provision	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	Efficiency / Change	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 overspend
PD S16	Place	Efficiency / Change	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	Income Generation	Increase in income levels, e.g. public conveniences	-15	G	On track to achieve income target
DIRECTORATE TOTAL				-1,275		