

# North Somerset Council

## Report to the Executive

**Date of Meeting: 6 December 2023**

**Subject of Report: Budget Monitor 2023/24 - Month 6 Update**

**Town or Parish: All**

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

**Key Decision: Yes**

**Reason:** Financial values in respect of budget changes are greater than £500,000

## Recommendations

The Executive is asked to;

- i. Note the revenue budget forecasts within the report, the issues and assumptions that underpin the forecasts and the steps being taken to balance the budget by the end of the financial year,
- ii. Note the financial risks being assessed by the council, which may have an impact on future monitoring reports.
- iii. Approve the changes to the revenue and capital budgets as detailed in Appendix 1A and Appendix 4.

## 1. Summary of Report

This is the latest report on the council's budget for the current financial year and provides an update on both revenue and capital spending after the first six months, focusing on those areas which will have a significant impact on the council's overall financial position.

The council has updated its forecast spend on operational activities for the year and the report details an overspend of **£0.672m**, which equates to 0.32% of the net revenue budget. Whilst this is lower than the previous report the council continues to face significant financial pressures within several service areas and so efforts remain focused on understanding and managing these challenges and looking to provide a sustainable long-term solution to address them.

Recognising that the council has a statutory duty to balance its budget at the end of the year the report also provides an overview of the measures that have been taken to date, along with potential solutions, options or decisions that could be considered in future months.

## 2. Policy

The council's budget monitoring is an integral feature of its overall financial and assurance framework, ensuring that resources are planned, aligned and managed effectively to achieve successful delivery of its aims and objectives, notably the provision of quality services to those within our communities.

The ongoing impacts and risks associated with both the increasing demand for our services as well as the broader economic position mean that the council is exposed to a rapidly changing environment. Understanding the financial consequences and reporting issues through our monitoring framework is increasingly crucial.

## 3. Details

### 3.1. Revenue budget summary – key headlines

Shown below is a summary of the council's financial forecast after the first six months of the year, using information provided by budget managers across the council. This indicates how much the council believes that it will spend on delivering its services by the end of the year, based on the best information available now.

Revenue Budget Monitoring Summary 2023/24					
	Original Net Revenue Budget £000	Month 6 Forecast - September 2023			
		Revised Revenue Budget £000	Forecast Spend to 31 March 2024 £000	Projected Out-turn Variance	
				£000	%
<b>Service Expenditure Budgets</b>					
Adult Social Services	84,334	85,736	85,416	(320)	-0.37%
Children's Services	30,011	30,152	34,002	3,850	12.77%
Corporate Services	31,241	31,348	31,666	318	1.01%
Place	38,393	38,451	40,901	2,451	6.37%
Public Health & Reg Services	1,374	1,386	1,430	44	3.17%
Sub total - Service Budgets	185,354	187,072	193,415	6,343	3.39%
<b>Other Council-wide Budgets</b>					
Capital Financing & Interest	10,320	10,296	7,156	(3,140)	-30.50%
Precepts & Levies	7,237	7,237	7,237	0	0.00%
Other Non Service Budgets	3,530	3,500	2,923	(577)	-16.48%
Contingency Budget	1,432	1,428	100	(1,328)	-93.00%
Provision for MTFP Risks	375	375	0	(375)	-100.00%
Provision for Additional Pay Costs & Offer above 4%	1,450	1,195	945	(250)	-20.93%
Sub total - Non Service Budgets	24,345	24,032	18,361	(5,671)	-23.60%
<b>Total Net Revenue Budget</b>	<b>209,699</b>	<b>211,104</b>	<b>211,776</b>	<b>672</b>	<b>0.32%</b>
General Fund Financing Budgets	(209,699)	(211,104)	(211,104)	0	0.00%
<b>NET REVENUE BUDGET TOTALS</b>	<b>0</b>	<b>0</b>	<b>672</b>	<b>672</b>	<b>0.32%</b>

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

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

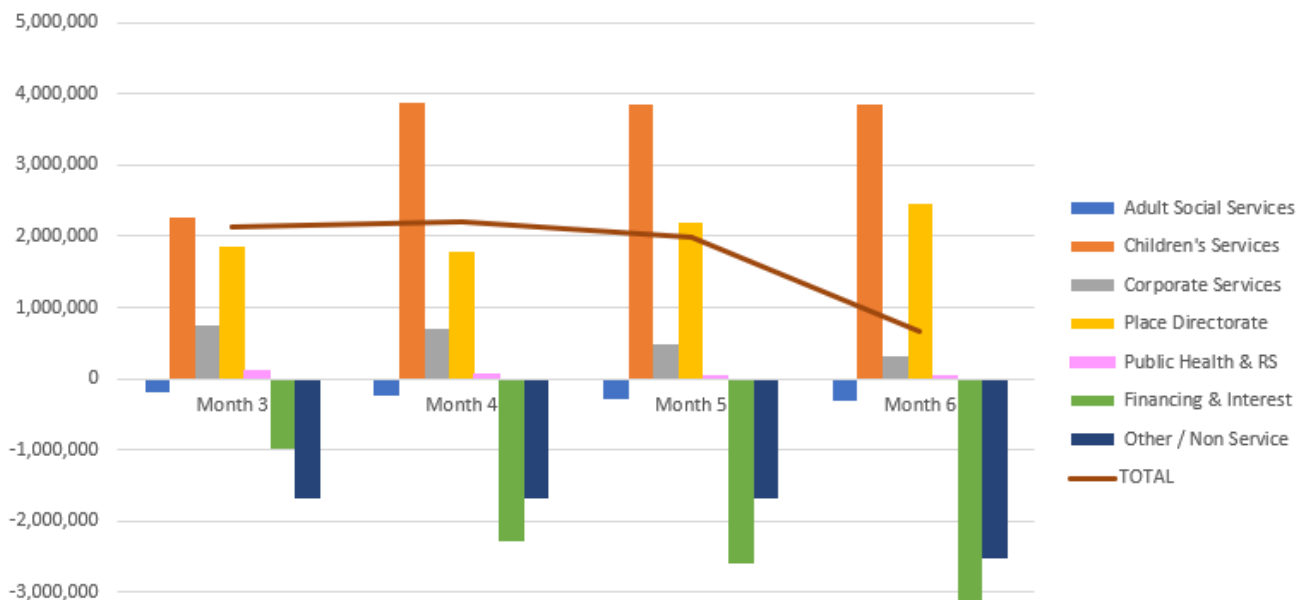
- The council's original net revenue budget for the year totals £209.699m (white shaded column)
- The council's revised net revenue budget for the year totals £211.104m (blue shaded column)
- It is forecast that the council will spend £211.776m by the end of the year (green shaded column), which is £0.672m more than the council has available to spend.

The latest **overspend of £0.672m** is lower than the previous reports and demonstrates that the council is making progress towards delivering a balanced budget this year.

However, the table above and also the chart below, both show that we continue to face significant pressures in delivering core services to the public, with the overspend for these areas remaining at over £6m. If these pressures are not resolved by the end of the financial year or other sustainable funding streams identified, then the council will have to account for them in the longer term.

Further information on the material challenges and movements within the budget this year is included in **Section 3.2**. The impact for future years has been included within the Medium Term Financial Plan (MTFP) report, which is also on the agenda for this meeting.

Revenue budget forecasts 2023/24



Given that the council has a legal requirement to balance its budget at the end of each year it must give consideration of how this overspend would be funded if the position remained unchanged. **Section 3.5** of the report describes some of the options and choices available that could be used to mitigate this position over the coming months.

### 3.2. Significant budget pressures included within the forecast

Detailed reports are considered by each Director and their leadership teams to review the latest projections being made by budget managers and identify mitigations.

An extract of the latest financial information from each Director is included within this report and can be found in **Appendix 2**. These financial summaries fulfil the requirements of the constitution as they provide a detailed breakdown of material financial variances when compared to the budget, that are forecast to occur within each service area.

These summaries do show that the council has many differences compared to the budget that was agreed in February 2023. However, this report provides focus on the **main factors** that are driving the overspend so that the core issues can be understood before any future council-wide actions can be considered.

<b>Issue</b>	<b>£000</b>	
Budget pressures within services		
Children's services – placement costs, including disabled children's packages and community support	4,261	Increased
Home to School Transport costs	1,295	Increased
Adults – care in the community support costs	527	Increased
Waste disposal costs	1,301	No change
Material mitigations		
Release of the council's contingency budget	(1,328)	No change
Release of corporate provisions for pay and budget savings	(620)	Increased
Net increase in interest received on investments	(3,114)	Increased
Hold / defer potential future spending within Adults	(500)	No change
Reduction in the council's past service pension contribution	(605)	New
All other variations within the budget (net)	(545)	Increased
<b>Forecast overspend at Month 6</b>	<b>672</b>	

### 3.2.1. Specific service-related pressures

#### Children's services – placement costs

Information recently released by the Local Government Association (LGA) shows that pressures within children's social care are not specific to North Somerset and are affecting many councils across the country. The total number of children in care is now at its highest since current records began in 1994 – at over 82,000 – and has been rising annually since 2009. The number of children needing support had begun to fall from a peak in 2018 when the Covid-19 pandemic hit, with numbers and rates of children in need and child protection plans now rising again. The complexity of needs of children post-Covid has also increased although unfortunately the provision for placements and support packages has not kept pace which does magnify pressures.

Previous reports have recognised that in-year spending for North Somerset is much higher than the approved budget. Given that this is providing a statutory service to those children and young people most in need, spending controls are difficult to implement. Spend is linked to the numbers of children requiring support, the complexity of their need and also the provision available at that time, all of which can change on a daily basis. However, senior officers are acutely aware of the council's financial position and have implemented a range of measures to ensure that all options to support children that meet their needs are actively considered before decisions are taken although recognise that despite all best efforts, there is an underlying risk that spending in this area could increase further before the year end.

External support has been secured to help the council to assess and develop service strategies which will provide ways to deliver valued care services that meet the needs of each child, but which will cost less in the future. Whilst every effort will be made to ensure that plans are successful, the council does recognise that it will take some time to embed and deliver change and so will need to ensure that future budgets are set at sustainable levels. These will be supported by evidence based data assumptions so that progress can be monitored in the future.

The LGA also recognise that this will be an ongoing issue and are asking the government to take action to meet the cost pressures that are currently being experienced across the country within children’s social care, including fully funding placements for unaccompanied asylum-seeking children and care leavers as well as the roll-out of well-evidenced interventions to reduce demand for children’s social care placements and retain and expand placement capacity. All of which are fully supported by the council.

### Home to school transport costs

Home to school transport (HTST) is forecast to spend £8m in 2023/24 in providing transport to c2,700 young people to travel to and from school and college. This is a significant increase in spend when compared to last financial year and will cause an overspend of £1.295m against the budget. It should be noted that expenditure on transporting young people with special education needs represents 72% of the total spend.

The full extent of the budget pressure has been unknown until the new academic year’s transport had been procured, this is the reason for the increase from the position reported in month 4. Whilst this position is much more accurate it should be noted that there are still a number of routes which are being tendered and could have a financial impact in the current financial year.

The increase in costs for providing home to school transport is affecting many councils across the country. The main drivers are as follows:

- Inflation
- Driver shortages
- More young people are being supported by Education and Health Care Plans which influences the decisions made about which school will meet a young person’s needs and the type of HTST a young person is eligible for

The main issues in the current year are outlined in the table below:

<b>Issue</b>	<b>£000</b>
Inflation	200
New demand	602
Retendered routes – increase in costs	71
Baseline funding gap	422
<b>Forecast overspend at Month 6</b>	<b>1,295</b>

External support has been secured to help the council look at how the delivery of home to school transport provides the best outcomes for children and young people and manages demand and cost pressures sustainably. This programme of work will feed into the medium-term financial plan to ensure a robust and sustainable budget is set in future financial years.

### 3.2.2. Mitigations and opportunities

#### Investment interest

The council has reviewed and updated the amount of interest that it will earn on cash balances during the year as the higher interest rates are continuing to have a positive impact on the investment strategy. The month 6 update now assumes that the council will generate at least £3.1m more than the approved budget for the year, which will be used to offset some of the pressures described above.

#### Other corporate items – pay and pensions

The National Joint Council (NJC) for local government services has reached an agreement to settle the pay award for the year at the value of the original offer made to employees. This means that the council can fund the cost of the increase and release a small risk provision of £245k.

Each year the council includes provision within the budget to pay for pension costs which is based on a range of assumptions. A mid-year review has taken place which shows that these will be £0.6m, or 1.3%, lower than expected.

#### Other council-wide mitigations

Directors have implemented a series of measures within each of their areas to identify ways to reduce the overspend whilst still delivering essential services to communities. This has included reducing and deferring discretionary or non-essential spending, reviewing opportunities for greater integration with external partners to share costs and maximise income streams, and reviewing staffing. Given that a large amount of the council's spending relates to staff, managers have also looked to defer taking on new staff after someone has left to reduce the impact in the current year.

All of these individual measures have collectively resulted in budgets being released and underspends reported, which has helped to improve the council's position.

### 3.3. Delivery of in-year savings plans

Included in the table below is a summary of the savings proposals that were incorporated within the 2023/24 revenue budget. Each month managers assess the status and progress for each of the plans and provide an indication of the likely values that could be achieved by the end of the financial year.

<b>SUMMARY - savings plans included within the revenue budget</b>	<b>Budget</b>	<b>Monitoring Assessment - September 2023</b>			
	<b>Change in 2023/24 £000</b>	<b>Forecast of Deliverable £000</b>	<b>Mitigation measures £000</b>	<b>Revised Deliverable £000</b>	<b>Under/(Over) Achieved £000</b>
Adult Social Services	-4,227	-4,162	0	-4,162	65
Children's Services	-764	-577	0	-577	188
Corporate Services	-2,363	-2,216	-83	-2,299	64
Place Directorate	-2,808	-1,936	-562	-2,498	310
Public Health & Regulatory Services	-258	-258	0	-258	0
<b>Totals</b>	<b>-10,420</b>	<b>-9,149</b>	<b>-645</b>	<b>-9,794</b>	<b>627</b>
		88%		94%	

The summary indicates that there is a current short-fall of £627k against the £10.420m of savings included within the budget, although the revenue budget does include a risk provision to cover or fund £375k of this sum. Where there are specific challenges which may mean that it is difficult to deliver against the original proposal, leadership teams will actively look for mitigations or alternatives to cover any short-falls. Further updates will be included within future reports to the Executive and scrutiny panels.

### **3.4. Balancing the budget**

When setting the budget before the start of each year the council considers the robustness of the estimates and assumptions, as well as plans and strategies that could be used to deliver a balanced budget should unexpected pressures or events materialise.

The base budget for the current financial year includes several central provisions as part of its risk management and mitigation measures which can be used to fund some of the financial pressures including the general contingency budget and also provision for pay costs and possible delays to the delivery of MTFP savings plans.

As noted above all of these provisions have now been released and are included as mitigations to reduce the level of the overspend down to **£0.672m**, which means that further actions will be needed to reduce the overspend over the coming months.

Whilst the corporate leadership team have previously implemented individual measures within each area, consideration is now being given to how a council-wide approach to spending could help to close the gap during the remainder of the year.

### **3.5. Impact on reserves and balances**

The council's general revenue reserve balance at the start of the year was £10.162m which equates to 5% of the net revenue budget for the current financial year (excluding town and parish precepts), and are within the parameters of the council's reserves strategy approved as part of the budget setting.

Should the financial position remain unchanged then the reserve balance would reduce to £9.4m, which would not align with the reserves strategy or provide a sustainable level to support financial risks in future years.

The council does hold several other reserves which have previously been earmarked for a specific purpose and these are actively being reviewed to assess whether they can be released and used as a way to close the budget gap for this year, or in future years.

### **3.6. Collection Fund**

Approximately £184m, or 87% of the council's funding is linked to council tax or business rates that are generated locally and this money helps to pay for the council's services.

In the same way that budgets are calculated for services, the council estimates how much income could be generated from these areas by using a range of assumptions such as, how many houses or businesses there are, the size and scale of these and also the value of any discounts and exemptions that people are entitled to.

The latest monitoring shows that the council will receive £534k less council tax income this year compared to the budget, which is linked to higher number of people claiming discounts and fewer new homes being built than planned.

The position for business rates is more complex because after the budget was set in February, changes to the amount of business rates payable by companies were made by the Valuation Office as part of the national revaluation programme. Although our monitoring shows that the council will receive £1.154m less in income this year, the council will be compensated by way of a grant from the government in future years.

### **3.7. Monitoring of the capital programme**

The capital programme covers the period up to 2028/29, with particular focus and attention given for the 3-year period 2023-2026. The programme covers all aspects of the councils' services and has been built up in several phases following different stages of approval.

#### **3.7.1. Overview of the current capital programme**

**Appendix 3** provides details of all schemes currently included within the latest programme – the summary shows that the overall programme totals **£442.589m**, with **£154.324m** of investments across north somerset expected to be delivered during the current financial year.

The monitor shows the budgets currently allocated to each project, how much has been spent in-year and how the project will be financed when it has been delivered. The table also includes an assessment for each project which is aligned to the council's risk management framework and further information on those items which have been allocated a Red status are noted below. Projects without an assessment at this stage are either yet to be started or are awaiting their assessment to be validated by the Capital Programme, Planning and Delivery Board (CPPDB) and will be included within future reports.

The capital programme is fully funded which means that the council has identified resources to cover all of the planned spend that will be incurred over the next few years. At this time the council expects to receive £314.625m of grants and contributions from external stakeholders to fund specific schemes, which is the largest component of the programme, although the council will need to borrow £111.132m in order to be able to deliver all aspects of the programme.

The annual costs associated with this borrowing need to be fully reflected within the council's revenue budget and medium term financial plans to ensure that it is affordable within the scope of resources that the council has available to spend. Previous reports show that this sum has been reduced over recent months following a review to reduce the scope and scale of future investment because of the pressures within the revenue budget, both in this and future years.

#### **3.7.2. Changes to the capital programme**

**Appendix 4** lists out all of the changes which have been reflected within the programme during the current financial year, which require retrospective approval from the Executive.

Some of these changes have been through separate governance processes due to their scale, for example the Banwell By-Pass, or as a result of procurement and commissioning plans, whilst others of a smaller scale have been through the director or Section 151



governance decision making process in accordance with financial regulations. This summary provides a comprehensive list of all changes.

### 3.7.3. Commentary on specific projects

Notes are provided below to indicate the reasons that a capital project may have been given a Red status at this time;

- SEND Interventions linked to the safety valve (SV) programme – the council initially received a block of grant funding for SEND intervention activities. Work has taken place to allocate the single block of funding across a range of individual projects so that plans for each area are transparently shared, governed and monitored. An adjustment to one of the individual budgets is outstanding so it has been set to Red as a reminder to complete this action in the coming months.
- Hutton Moor Sports Centre – £1.7m has been set aside to fund a range of repairs to the sports facility, including the roof, the air handling unit by the pools and also to the lift. A procurement plan has been approved although initial findings indicate that the works will cost more than planned and so an options review is currently being carried out to determine the next steps.
- Investment in Household Waste Recycling Centres - £340k has been set aside to fund several known repairs at the councils recycling centres however a review to determine the initial scoping works has found other issues which may need to be addressed. The project is currently paused until a more detailed review is carried out to assess and prioritise the works that will be commissioned.
- A38 Major Road Network (MRN) – the status of this project has been unknown for many months as the council waited to receive news from the Department of Transport about whether the funding bid had been successful and whilst this has recently been received the council must now take steps to reassess the scope and financial impact of the project to ensure that it remains affordable. This is essential because there have been several changes in the core assumptions since the original funding bid was submitted to the government including; significant increase in the potential cost of the project due to inflation, the value of local funding contributions still be available and also the transfer of £2m of funding into the Banwell bypass project.

Many other schemes have been allocated an Amber status, which could indicate that there are issues that are under review and being resolved, or an escalation within the project that needs to be monitored more closely until a solution is identified. Some notable examples are listed below;

- Banwell bypass – this project has been de-escalated from its previous Red status after a sustainable funding solution was identified to cover the £24m increased costs. The project remains at amber until a detailed assessment has been carried out to realign and define specific budgets to each element of the project. The outcome of this review will be considered by the Project Board but will also feed into the council's CPPD Board who oversee all capital projects.
- Winterstoke Hundred Academy Expansion – this project is part of the £100m Homes England investment in North Somerset and will deliver new secondary school places in Weston. The project, which is nearing completion, has recently been escalated as there are some concerns about the final costs being higher than the budget. An

exception report is due to be considered by the CPPD Board and more information will be shared in future reports.

- Locking Parklands GP Surgery – this project, which will deliver new health facilities within the Locking Parklands area is also nearing completion and cost forecasts are being reviewed. The funding for this project is complex as the council has received funding from NHS England, the Integrated Care Board as well as several council generated developer contributions.
- Metrowest – This is the council's largest infrastructure project which has been progressed over several years with the support of several key stakeholders and given the scale and the complexities of the project, it is under continual review until such time as it reaches the full delivery stage.

#### **4. Consultation**

The report has been developed through consultation with the council's corporate leadership team, and also with each of the departmental leadership teams. Discussions and briefings on financial matters are an established part of the relationships with directors and Executive Members.

#### **5. Financial Implications**

Financial implications have been included throughout the report.

The detailed values included throughout the report include all of the council's forecast expenditure, income receipts as well and any proposed transfers to or from reserves as this enables a more transparent representation of the council's finances to be shared should any funding decisions or further action required; the values therefore, exclude any technical accounting adjustments such as impairment or depreciation.

#### **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 (which is being considered elsewhere on the agenda for this meeting), 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.

#### **7. Climate Change and Environmental Implications**

Both of the reports presented to the Executive at this meeting, in terms of **monitoring of the budget for the current year** and also setting budgets for future years, will be impacted

by the ongoing uncertainty surrounding the costs of energy as well as the delivery of the council's investment programme, which does provide an opportunity to highlight these issues.

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 investment plans and determining options to make reductions in our energy usage and associated costs to ensure a more sustainable future.

## 8. Risk Management

The council's Strategic Risk Register includes two risks associated with the financial planning:

Risk	Inherent risk score	Residual Likelihood	Residual Impact	Residual Risk Score	Comments
Risk that we do not manage budgets effectively in-year, including by not implementing and delivering the savings or transformational projects required to meet the financial challenge	HIGH	4	4	HIGH	This reflects the council-wide position which incorporates many risks with a potential financial impact at the highest level within the matrix
Risk that we are unable to deliver the priorities of the council by not planning to meet the Medium-Term Financial challenge	HIGH	4	4	HIGH	This reflects the current position at this time, as the council continues to reflect a budget gap across the 4-year period as well as for the 2024/24 financial year, although it is expected to change as we progress nearer to setting the budget for next year
The council is unable to deliver capital projects within the approved resource envelope either due to unmanageable cost increases and/or lack of governance	HIGH	3	4	HIGH	This reflects the current position regarding inflation on schemes and potential changes to scope since budgets were set. This report contains several mitigations which are in place in order to manage and control spending on capital

The council's corporate leadership team routinely review the budget monitoring forecasts as well as significant risks which may emerge from within directorate risk registers or operational activities, which may also have a financial consequence.

In addition, the corporate leadership team also have regular planned sessions to ensure that they can support the process to share options which will deliver a balanced budget for future years through the development of the Medium Term Financial Plan. A separate

report on this is being considered on the same agenda for this meeting, as the issues are intrinsically linked.

## **9. Equality Implications**

There are no specific equality implications with regard to the recommendations contained within this report although it should be noted that the council has utilised additional Government funding to support vulnerable residents whether appropriate, financial support to those providing essential services, and working in partnership with community groups.

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

## **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 are 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 Corporate Plan continues to be reviewed in the light of emerging risks and pressures and steps are being taken to assess timeframes and monitor key outcomes.

## **11. Options Considered**

None – 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 above.

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### **Appendices:**

Appendix 1 Revenue budget details for 2023/24 and summary of virements

Appendix 2 Financial commentaries from each director

Appendix 3 Monitoring of the capital programme

Appendix 4 Changes to the capital programme

### **Background Papers:**

Exec reports:

- February 2023, Medium Term Financial Plan and Revenue Budget for 2023/24
- September and October 2023, MTFP and Revenue Budget updates and also Budget Monitoring Report 2023/24, Month 3 and Month 4
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Council report: February 2023, Council Tax Setting 2023/24