

North Somerset Council

Report to the Audit Committee

Date of Meeting: 25 January 2024

Subject of Report: Revenue Budget update for 2023/24

Town or Parish: All

Officer/Member Presenting: Amy Webb, Director of Corporate Services

Key Decision: N/A

Reason: Not an Executive decision

Recommendations

To note the increasing pressures on the council's revenue budget and support the emergency measures that are being put into place by the Corporate Leadership Team to control spending.

1. Summary of Report

The purpose of this report is to share an update on the council's financial position and to advise of the emergency measures that are being implemented to enable the council to control spending as part of its plans to end the financial year without an overspend.

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.

The increasing demand for some of our key statutory 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

The latest budget monitoring report was considered by the Executive at their meeting on 6 December 2023 and at that time the council was forecasting an overspend of £672,000. It should be noted that this is a net position and combines several areas where services are under extreme pressure and projecting to overspend their budgets, as well as other areas which have identified savings or increased income to help mitigate some of the pressures.

The forecasts within the report were based on information collected at the end of September and have since been updated. The latest assessment shows that the cost

pressures are continuing to increase and that the projected overspend for all council services has **increased to £2.3m** for the year.

Like many other councils, North Somerset is facing increasing demand for our services, notably in areas such as social care and transporting children so that they can attend school, as well as inflation, which has increased the cost of our external contracts. The income we receive to fund these costs is fixed and does not increase which means that the council is left with knowing that it has a budget gap and also a legal requirement to balance the budget at the end of each financial year.

Whilst the council has a good track record of delivering budget savings and balancing its budget over recent years, our monitoring shows that our unfunded pressures are now restricting our ability to balance the budget for the year without taking some action which looks to focus resources on delivering essential council services.

We have already implemented a number of measures to help us to reduce the overspend and colleagues across the organisation have worked collectively and collaboratively to do all they can, but due to the increasing costs of care, especially for vulnerable children, further changes are needed to close the budget gap and given that we only have three months to do this, we plan to implement measures immediately.

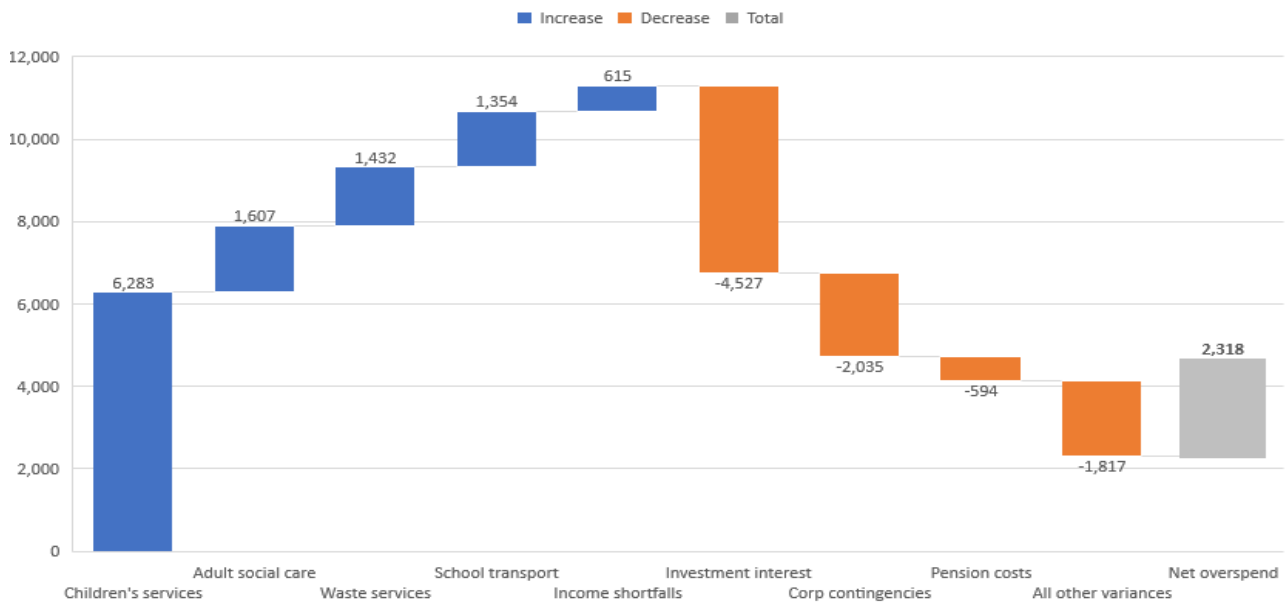
We do recognise that some of the planned measures will impact on the delivery of services to residents and the wider community although efforts will be made to protect and prioritise statutory services that benefit those most in need. We will also look to ensure that we let communities know of any impacts that will affect them.

These measures are necessary and will not only help us to close the budget gap for the current financial year but given that we still face a challenging financial situation for next year and beyond, the measures will also provide a focus to be able to balance the draft budget for 2024/25 and hopefully enable the council to avoid some of the longer-term financial difficulties that other councils have experienced.

Material budget pressures and mitigations included within the latest forecast are shown in the table and graphic below.

Issue	£000
Material budget pressures within services	
Children's services – placement costs, including disabled children's packages and community support	6,283
Home to School Transport costs	1,354
Adults – care in the community support costs	1,432
Waste services	1,432
Corporate contract costs and income short-falls	615
Sub total	11,291
All other budget variances and mitigations	
Release of the council's corporate contingencies and provisions	(2,035)
Net increase in interest received on investments	(4,527)
Reduction in the council's past service pension contribution	(594)
Other budget variances within directorates	(1,817)
Sub total	(8,973)
Forecast overspend at Month 8	2,318

Material variances within the revenue budget - December 2023



A summary of the emergency budget actions that will be implemented are;

- Revised vacancy management process which will require the corporate leadership team to approve all recruitment decisions for new and existing vacant posts and changes to contracts; this will mean that only posts that deliver essential or statutory services will be filled. A new process and template have been created and will be cascaded to all managers to understand the specific impact of each request.
- Spending controls which will require directors, assistant directors and heads of service to approve spending before a financial commitment is made; this will ensure that only essential spending that supports the delivery of statutory services will be incurred and non-essential spending is deferred. A retrospective review of all transactions will be carried out to ensure compliance with the new arrangements.
- Review and reprioritisation of ear-marked reserves by directors; this will mean that non-essential spending is stopped so that the resources can be released and used to support current budget pressures.

The council's financial arrangements are complex and there are many contractual and legal obligations to consider which means that there are likely to be some exceptions to the principles listed above however, the council is confident that should these measures be implemented and followed, then we should be able to achieve a balanced budget by the end of the year and provide a stable platform for the beginning of next year. It is anticipated that these measures will remain in place for at least six months and until we can determine that our financial position has stabilised with spending forecasts once again within approved limits.

4. Consultation

Internal consultation has been undertaken as part of the ongoing financial monitoring processes and includes senior officers and executive members.

5. Financial Implications

Financial implications have been included within the body of 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 including balancing their budgets each year from within their own resource allocations.

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

There are no specific climate change or environmental implications to note within this report.

8. Risk Management

The council's Strategic Risk Register includes a specific risk associated with managing the council's in-year spending.

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	5	4	HIGH	This reflects the council-wide position which incorporates many risks with a potential financial impact at the highest level within the matrix

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 and take appropriate action as needed. This report is an escalation of that process.

The latest budget forecasts do assume a cost projection to the end of the financial year based on assumed levels of cost and demand, there remains an inherent risk that both costs and demand for services continue to grow, which would further increase the overspend and the need for further mitigation.

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's spending controls will maintain the delivery of statutory services, which often support vulnerable residents or those most in need.

10. Corporate Implications

The council's performance framework and financial monitoring processes are vital tools in ensuring that services are focused on delivery of statutory services and agreed priorities and that with continuing financial pressures and demands for services, resources are re-prioritised and allocated to those areas in the first instance.

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:

None

Background Papers:

Exec reports:

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