

# North Somerset Council

## Report to the Executive

**Date of Meeting: 7 February 2024**

**Subject of Report: Corporate Plan & Medium Term Financial Plan (MTFP) 2024-2028 and recommended Revenue Budget for 2024/25**

**Town or Parish: All**

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

**Key Decision: Yes**

**Reason:** Financial implications within the report are in excess of £500,000 and impact on all wards and communities within North Somerset.

## Recommendations

The Executive is asked to:

- i. Recommend to Council the Corporate Plan for the period 2024 to 2028 as detailed within section 3.2 of this report and supported by Appendices 1, 2 and 3;
- ii. Note the updated revenue budget forecasts in respect of the current 2023/24 financial year as detailed within section 3.3 of the report;
- iii. Note the updated core assumptions that have been included within the medium term financial plan (MTFP) as detailed within sections 3.4 to 3.7 of the report and summarised in Appendices 5 and 6, and the impact this has on the council's four year MTFP forecast;
- iv. Note the statement of the Chief Financial Officer on the adequacy of reserves and the robustness of the recommended budget as detailed in section 3.10 of the report and attached at Appendix 8;
- v. Note the Equality Impact Assessment (EIA) report attached at Appendix 9, and familiarise themselves with the published EIA's that underpin the 2024/25 budget savings plans;
- vi. Recommend to Council a revenue budget for 2024/25 for approval as shown at Appendix 4;
- vii. Recommend that Council approve a council tax increase of 2.99% for 2024/25 to support the recommended budget;

- viii. Recommend that Council approve an adult social care precept of 2% on the council tax for 2024/25 to specifically support spending on adult social care services within the recommended budget;
- ix. Note the draft school budgets and funding allocations as detailed within section 3.12 that have been incorporated within the council's recommended budget for 2024/25 following the consultation and engagement process that has been led by the Strategic Schools Forum (SSF) over recent months;
- x. Approve uplifts to the adult social care provider fee rates for 2023/24 and 2024/25 as detailed within section 3.14 of the report;

## **1. Summary of Report**

A refreshed Corporate Plan has been developed for 2024-28 which reaffirms the council's vision to be open, fair and green, and includes four ambitions to contribute towards achieving this vision (Appendix 1). Alongside these ambitions a number of commitments and actions have been identified as part of the action plan (Appendix 2), with specific outcome measures to monitor ongoing progress. The refreshed Corporate Plan and action plan, which has been informed by residents and stakeholders via a programme of engagement, is being presented to the Executive for approval onto Council.

The Medium Term Financial Plan (MTFP) has been prepared alongside the Corporate Plan and also covers the four-year period 2024-28. Reports have been presented to the Executive over recent months, which have provided updates on the council's financial planning assumptions and in December the Executive released a draft budget for each of the four years, with a total budget gap of £13m.

This report provides a further update to feed in the latest known information in respect of funding, spending and savings proposals across the Plan and finalises the detailed budget for the 2024/25 financial year so that it can be recommended onto Council.

## **2. Policy**

The Corporate Plan sets out the Council's vision, ambitions, and commitments, developed through engagement with residents and stakeholders. Its accompanying action plan outlines how we will achieve those commitments and ambitions and ultimately contribute to the vision to be open, fair and green. We track our success against the Corporate Plan through an Integrated Performance and Risk Management Framework which is updated quarterly.

The MTFP supports the on-going provision of core services for the people of North Somerset, within the context of the ambitions and commitments for the area, as set out within the Corporate Plan, which has been refreshed for the period 2024-2028. The financial Plan 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 support robust the Plan highlights the key risks inherent within the budget planning process and incorporates a range of financial strategies to address these.

Both the Corporate Plan and the MTFP cover the four-year period 2024 to 2028 although the budget will have a specific focus on the 2024/25 year as there is a legal requirement to produce a robust revenue budget for the 2024/25 financial year along with relevant council tax

banding and rates, and these will be recommended for approval by Council at the meeting in February.

### **3. Details**

#### **3.1. Executive summary**

Although we have made good progress to reduce the budget gap for the next four years the council's in-year budget pressures are still growing which means that budget preparations for both the short and the medium term continue to be very challenging.

Emergency measures have been implemented to manage our spending in the current financial year and we have also revisited our budget planning for the future to make sure it remains robust and allows us to deliver our statutory responsibilities.

This report will show that we have made changes to increase the amount of spending required to support services to our children and young people over the next few years which gives us more confidence that we are recommending a budget to Council that is sustainable across the medium term however, does highlight that the council's finances continue to be volatile and so we need to continue to be prepared to take difficult decisions and re-prioritise our resources so that they are targeted at those areas most in need.

The updated budget plans will show that we have made changes made to our funding following the release of the provisional Settlement from the government just before Christmas, as well as reflecting the latest additional funding announcements that have been made more recently.

Whilst the government made announcements in the provisional Settlement that funding for councils would increase by an average of 6.5% for next year, the increase for our council at that time was lower than this at just 5.93% with much of this increase coming from local council tax, rather than from changes to government funding. The provisional Settlement was poor in other ways as the government unexpectedly reduced our Services Grant by over £4m, compared to our initial forecasts.

North Somerset is known as a low spending and taxing council because our council tax base is much lower than many other councils and this means that we cannot generate as much income into our budget as others, which is challenging when our pressures are rising by more than 13%.

Over recent weeks there have been calls and representations from across the sector, including North Somerset, highlighting the existing pressures and sharp rises in demand for social care services, home to school transport and homelessness services, and requesting additional funding to cover these costs.

On 24 January the government responded by recognising the important role that councils play in delivering essential services to the public and shared details of a support package to help support some of these pressures. As a result, councils across England will receive further funding of £600 million, in addition to the funding outlined in the provisional Settlement, to help them to continue to deliver key services, with £500 million of this being added to the social care grant. Whilst the additional funding for 2024/25 is welcome, the council's share will not be sufficient to cover the significant cost increases in these areas.

We have striven to provide robust budget plans for the next four years aligned to our Corporate Plan priorities but recognise that we continue to face significant uncertainty around

some areas of our work, notably around how much funding we can expect to receive in the future which is essential to understanding how sustainable our financial plans are. We are therefore waiting for the government to provide further information and certainty around issues such as; future grant levels, council tax capping limits, the national re-set of business rates as well as potential new funding for adults, children in care, schools and those with special educational needs.

Councils across the country are facing similar challenges with their finances and North Somerset is no different; we are trying to respond to rising levels of demand and costs rising faster than income and are having to take difficult decisions to balance the budget for next year, but despite these efforts we still face a funding short-fall of £13m across the medium term, which means that we have more to do.

Urgent action needs to be taken so that we can start to prepare sustainable solutions for the future, which is likely to involve looking at all of our services much more closely so that we can understand how each one helps the council to deliver against its statutory responsibilities.

### **3.2. Corporate Plan 2024 to 2028**

Following local elections in May 2023, a refresh of the Corporate Plan was initiated. The current [Corporate Plan](#) sets out a vision to be open, fair and green with the aims to be open and enabling, empowered and caring, and thriving and sustainable with a number of priorities alongside these aims.

A refreshed Corporate Plan for 2028-2028 has now been developed through engagement with our staff, with residents and with stakeholders and reaffirms the vision to be open, fair and green. The Plan, which can be seen at **Appendix 1**, includes the following four co-produced ambitions to contribute towards achieving this vision:

- Our children and young people are cared for, safe, supported, and are given equality of opportunity to thrive.
- Our communities are caring, healthy and safe, where people help each other to live well.
- Our towns and villages are thriving and sustainable places to live, work and visit.
- Our council delivers consistently good services and value for money to support our communities.

Alongside these ambitions, commitments and actions have been identified as part of the action plan (**Appendix 2**), with specific outcome measures so that we can monitor progress.

As part of the Corporate Plan development an engagement programme with residents and stakeholders, including Town and Parish Councils has been held, the details of which are included in section 4 with an outcome report included in **Appendix 3**.

North Somerset Council has recently taken part in a Corporate Peer Challenge led by the Local Government Association. We will be reviewing the feedback and any recommendations from this report. This may include further updates to the Corporate Plan, which will be reported through the normal governance cycle.

### **3.3. Update on the 2023/24 revenue budget monitoring position**

When preparing budgets for future years it is important to firstly review the baseline position for the current financial year and to understand and quantify the extent to which any existing

risks and pressures will impact on the council's budget in the future. Should ongoing pressures be identified as part of this review, it is essential that they are addressed as part of the council's work to prepare a sustainable budget going forwards.

Shown below is an update on the council's revenue budget position for the current financial year using forecasts made at the end of November 2023.

**Table 1: Budget monitoring summary for 2023/24**

Revenue Budget Monitoring Summary 2023/24					
	Original Net Revenue Budget £000	Month 8 Forecast - November 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	86,064	85,723	(341)	-0.40%
Children's Services	30,011	31,348	38,323	6,975	22.25%
Corporate Services	31,241	30,103	30,282	179	0.59%
Place	38,393	39,001	41,635	2,635	6.76%
Public Health & Reg Services	1,374	1,470	1,496	26	1.76%
Sub total - Service Budgets	185,354	187,986	197,460	9,474	5.04%
<b>Other Council-wide Budgets</b>					
Capital Financing & Interest	10,320	10,296	5,769	(4,527)	-43.96%
Precepts & Levies	7,237	7,237	7,237	0	0.00%
Other Non Service Budgets	3,530	3,500	2,906	(594)	-16.97%
Contingency Budget	1,432	1,428	50	(1,378)	-96.50%
Provision for MTFP Risks	375	375	0	(375)	-100.00%
Provision for Additional Pay Costs & Offer above 4%	1,450	282	0	(282)	-100.00%
Sub total - Non Service Budgets	24,345	23,118	15,963	(7,156)	-30.95%
<b>Total Net Revenue Budget</b>	<b>209,699</b>	<b>211,104</b>	<b>213,422</b>	<b>2,318</b>	<b>1.10%</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>2,319</b>	<b>2,318</b>	<b>1.10%</b>

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

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

- The council's approved net revenue budget for the year totals **£211.104m** (blue shaded column),
- Managers estimate that the council will spend **£213.422m** on delivering services by the end of the year (green shaded column),
- This is **£2.319m** more than the council has available to spend or had planned to spend when the budget was approved back in February 2023.

Like many councils, North Somerset continues to face challenges when it comes to the increased demand for services that support both children and adults and this has resulted in additional and unbudgeted costs.

Whilst the council has often experienced challenges within its revenue budget and previously reported a potential overspend in the monitoring position at this point in the year before, the latest assessment of our finances shows that pressures are not only continuing to grow even further, but that all contingencies and mitigation measures have already been released into the budget forecasts. This means that further action needs to be taken to ensure that the council can deliver a balanced budget by the end of the current financial year.

An urgent report was considered by Council at the meeting in January to share details of the latest areas of pressure being forecast and also the emergency budget actions that will be implemented to balance the budget before the year-end.

### Integration of the 2023/24 and 2024/25 financial years

The information presented in the table above is a high-level financial summary based on the council's more detailed budget analysis and forecasts. The detail which supports these values enable us to better understand the financial pressures so that we can assess which of these issues are likely to be one-off in nature or are likely to continue into the future.

A review of the detailed spending of all of directorates shows that there are several material budget pressures being experienced in the current year, which are likely to continue into future year and so an assessment has been made to see what measures can be put into place to address the increased spending and understand whether or not additional provision needs to be added into the budget for next year. The council recognises that services need to have realistic and sustainable baseline budgets that are linked to planned levels of activity to enable them to be accountable and responsible going forwards.

Additional resources have been added into the following services where demand and cost is expected to be at much higher levels than the current budget provision;

- Demand pressures in children's placements
- Demand and inflationary pressures in home to school transport
- Increased cost of waste disposal and collection contracts

### 3.4. Updated MTFP financial summary for 2024 to 2028

The council has been developing and updating its financial modelling for the next four years over many months and updates have been regularly shared through a series of formal reports so that members, residents and other stakeholders can understand the challenges being faced and are aware of the potential plans being considered to balance the budget for the year ahead.

The latest update was provided in December 2023, when a budget gap of £12.962m was identified over the four-year period of the Plan, with **£3.879m** of this relating to the 2024/25 financial year. Since that time work has been carried out to update the MTFP modelling assumptions and close the budget gaps where possible and the council's revised financial position is shown in the table below.

**Table 2:** Financial position for 2024 to 2028 as at February 2024

MEDIUM TERM FINANCIAL PLAN SUMMARY 2023-2028	BUDGET	FUTURE MTFP PROJECTIONS			
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
<b>- Resources - Grants, C. Tax &amp; Business Rates</b>	<b>202,766</b>	<b>217,373</b>	<b>218,622</b>	<b>224,515</b>	<b>230,584</b>
- Current Budget - base spending position	179,090	202,766	217,373	218,622	224,515
- Budget pressures, increased spending	35,873	30,777	21,233	16,832	15,428
- Remove covid & other one-off impacts	-1,777	0	0	0	0
- Savings proposals and increased income	-10,420	-16,170	-10,767	-8,437	-7,233
<b>- Revised / Forecast Spending Level</b>	<b>202,766</b>	<b>217,373</b>	<b>227,840</b>	<b>227,017</b>	<b>232,710</b>
<b>- Budget Gap / (Surplus)</b>	<b>0</b>	<b>-0</b>	<b>9,218</b>	<b>2,502</b>	<b>2,126</b>
			<b>13,846</b>		

The table shows that the council has a revised budget gap of £13.846m over the four-years of the MTFP although none of this relates the 2024/25 financial year as the **budget for next year has been balanced**.

The council has reviewed and updated all financial assumptions within the MTFP including those which relate to income, spending commitments and savings proposals and as a result a series of changes have been included within the recommended budget **for next year**, which are shown in the table below.

**Table 3:** Changes reflected within the recommended budget for 2024/25

		£000
<b>Budget gap reflected within the December 2023 report</b>		<b>3,879</b>
	£000	
Updated resource assumptions (section 3.5)	-2,516	
Updated spending plans (section 3.6)	3,162	
Updated savings proposals (section 3.7)	-625	
Increased investment interest (section 3.7)	-3,900	
<b>Sub-total re changes</b>		<b>-3,879</b>
<b>Budget gap, February 2024, after proposed changes</b>		<b>0</b>

These changes do mean that the council is able to present a balanced budget for the 2024/25 financial year although we can see that they do not fully address the budget gaps in the later years of the MTFP, which means that further solutions and savings plans will need to be identified so that the Plan can be fully balanced across the period. This work will need to be undertaken very quickly as the budget gap for 2025/26 has increased to over £9m which does not leave a lot of time to plan and consult about further difficult decisions.

The following sections of the report provide further information on each of the changes that have been made to the council's MTFP since December, and highlight whether the changes are one-off in nature, or ongoing into future years.

### 3.5. Updated resource assumptions

The table below shows the changes that have been made to the MTFP resource assumptions across the four-year period; which will **increase the amount of income** received in 2024/25 by £2.5m, although this will be reduced in later years.

**Table 4:** Changes made resource assumptions since December 2023

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	TOTAL £000
<b>Government funding</b>					
- Services grant	1,083	998	998	998	<b>4,077</b>
- New homes bonus grant	-151	800	0	0	<b>649</b>
- Social care grant – provisional	638	638	638	638	<b>2,552</b>
- Social care grant – additional	-1,718	0	0	0	<b>-1,718</b>
- Business rate grants	-94	-101	-109	-117	<b>-421</b>
<b>Council funding;</b>					
- Council taxbase	-263	-374	-386	-397	<b>-1,420</b>
- Business rate adjustment	-1,898	0	0	0	<b>-1,898</b>
- Collection fund surplus	-113	0	0	0	<b>-331</b>
<b>Sub-total re changes to resource assumptions</b>	<b>-2,516</b>	<b>1,961</b>	<b>1,141</b>	<b>1,122</b>	<b>1,708</b>

Further information on the significant items is provided in the sections below and an updated summary of all resources included within the MTFP is provided at **Appendix 5**.

### 3.5.1. Local government finance settlement and announcement of further funding

The government released details of the provisional local government finance settlement on 18 December 2023 which provided an opportunity for all councils to confirm how much funding they can expect to receive in the future. Confirmation was only provided for the 2024/25 financial year and no information was given for later years which means that there remains much uncertainty in the councils' forecasts for this period.

Despite many calls from the across the sector asking the government to address the very real challenges currently being experienced in adults and children's social care, home to school transport and homelessness services, no new funding was given within the provisional Settlement, which was extremely disappointing at that time.

Whilst headline messages indicated that the local government sector as a whole will receive a 6.5% increase in core spending power next year, the increase for North Somerset was **much lower** at 5.93%, with the majority of this generated from council tax flexibilities rather than increased assistance from the government through grant allocations.

Further analysis of the Settlement shows that the council will receive £729 in government funding per household next year (excluding council tax), compared to the English average of £1,101. North Somerset does have a low taxbase and low levels of council tax compared to other councils, which means that our ability to generate additional funding is more limited than others.

As can be seen from the table above, the largest area of change to the councils' modelling assumptions relates to the **Services Grant**, which is a grant that does not have any conditions and so can be used to support any areas of council spending. The government retained the same apportionment method to share this grant across councils. However, the total value of the grant available for distribution reduced significantly from previous years without any prior warning of how much would be taken, which resulted in an unexpected surprise to many councils. The reduction in the Services Grant for North Somerset compared to previous assumptions is £4m, over the four-year period.

#### Further government funding

On 25 January 2024 the government made an announcement to provide a £600 million support package to councils to help fund the costs of delivering essential services **for next year**, with £500 million of this being allocated through the social care grant and the £100 million balance being used to support rurally based authorities and also provide authorities with a minimum funding increase of 4% compared to their prior year funding level.

Whilst the government has not yet confirmed how much funding will be allocated to individual councils they have shared details of how this will be distributed and so it is possible to estimate the potential impact for North Somerset. The analysis shows that the increased social care grant income could be between £1.7m and £1.9m and so the MTFP has been updated to show additional grant of **£1.718m in 2024/25**, which should be confirmed as part of the finalisation of the local government finance settlement process expected in early February 2024.



The government is clear this funding must be used to address the pressures facing councils and also improve performance and steps will be taken to review budgeted spend in adults and children’s services, including areas such as home to school transport through the annual reporting framework. In addition, it is expected that councils will be asked to produce and submit productivity plans by the Summer, which will set out how they will improve service performance and reduce spend.

The funding forecasts in later years of the MTFP have not been changed as there are currently no indications to say whether this additional funding will be one-off or ongoing. The social care grant, along with all other assumptions within the MTFP relating to future years, will continue to be updated as part of the council’s financial planning activities.

### 3.5.2. Council tax

In December the council finalised the calculation of its taxbase for next year, which is the total number of Band D equivalent properties within the North Somerset area. The taxbase is used to estimate how much income can be collected from residents through the council tax system.

The taxbase can increase over time as a result of changes to existing dwellings or building new dwellings, although is also impacted by other changes such as the number of discounts and exemptions that are awarded to residents; examples include the council tax support scheme and the single persons’ discount.

The final taxbase for 2024/25 is 81,449.0 properties which is a **net increase of 434.3 properties** compared to the taxbase used to set the 2023/24 revenue budget. The majority of these changes were reflected within the councils previous MTFP assumptions, although the finalisation of these values will result in a £1.4m of increased income across the MTFP period.

The local government finance settlement also confirmed the council tax referendum thresholds **for 2024/25**, which is the maximum amount that the council can increase its council tax before undertaking a referendum with residents. The levels, often known as capping limits, remain unchanged from the councils’ previous assumptions.

Assumptions for council tax in the remaining three years of the Plan assume that the capping limits will revert back to the previous levels approved by the government given that there is an expectation that inflation is likely to reduce down to lower levels over this period however, despite this being a significant factor in the council’s financial planning assumptions, there has not been any indication or confirmation from the government on the issue. The assumptions for proposed council tax increases within the MTFP are shown in the table below:

**Table 5:** Assumed council tax capping limits for 2024 to 2028

	2024/25	2025/26	2026/27	2027/28
- council tax	3%	2%	2%	2%
- adult social care precept	2%	1%	1%	1%

The recommended budget for next year is unchanged and assumes an increase in council tax of **2.99%** to support the council’s general services and a **2%** increase in respect of the adult social care precept, which together will enable the council to generate additional income of **£6.614m**.

If the council tax capping limits were to remain at 2024/25 levels across all four years of the MTFP then the council would be able to generate further income of £8.4m, which would reduce the current budget gap to £5.4m.

### 3.5.3. Business rates

The council currently receives approximately 23% of its total funding from business rates generated within the local area, although the source of this income can vary. In the current financial year the budget reflects the following funding;

- £12m of income given through government grants
- £34m of income paid by businesses

#### Business rate grant income

The government gives business rate grants to councils for many different reasons although the two main reasons are;

- to compensate councils for the national policy related decisions that they wish to make to businesses across the country; examples of this would include awarding reliefs to **small businesses** or those in the retail, hospitality and leisure sectors, and
- to ensure that all councils receive a baseline level of funding following the introduction of the business rate retention scheme back in 2013.

When the government calculated the council's business rate top-up and tariff grant for the current financial year it was based on the rateable values included within the national Rating List. Changes have since been made to the List by the Valuation Office after the council budgets were approved, which means that the council will be entitled to receive a one-off grant adjustment of **£1.898m for 2023/24**. The MTFP has been updated to show that this income will be held in reserves and used to support the MTFP next year.

#### Business rate income from businesses

Each year the council is required to calculate a taxbase showing the rateable value of properties within the North Somerset area and this information not only supports the councils' own budget plans, but must be shared with the government by 31 January each year as the income collected from businesses within the local area is shared across the following three stakeholders;

- 49% of business rate income is retained by the council
- 50% of business rate income is given to the government
- 1% is given to the Fire Authority

The calculation of the business rate taxbase, income forecasts and the associated impact on the government grants is currently being finalised as it is dependent on information that is shared by the Valuation Office and so will be reflected within the final budget that is presented to Council at the meeting in February. Some early information has been reviewed and indications show that the total business rate income from all sources is unlikely to be materially different from sums currently included within the MTFP modelling.

### 3.6. Updated spending plans, cost forecasts and budget pressures

The table below shows the changes that have been made to the MTFP spending plans across the four-year period; which will **increase the amount of spending** in 2024/25 by £3.1m, although this will be reduced in later years.

**Table 6: Changes made spending plans since December 2023**

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	TOTAL £000
<b>Actions to close the budget gap;</b>					
- Reduce inflation / spending	-238	0	0	0	<b>-238</b>
- Re-profile planning investment	-100	100	0	0	<b>0</b>
<b>S151 robustness assessment;</b>					
- Children's placements	1,400	-400	-500	-500	<b>0</b>
- Home to school transport	2,100	0	0	0	<b>2,100</b>
<b>Sub-total re changes to spending plans</b>	<b>3,162</b>	<b>-300</b>	<b>-500</b>	<b>-500</b>	<b>1,862</b>

Previous reports have given a detailed account of all of the factors that have been assessed and included within the council's spending plans for the year ahead, along with the core assumptions that underpin these values, and whilst it is not necessary to repeat this information, it is important to understand that the recommended budget does mean that council has had to **further increase** provision in Children's social care and home to school transport services beyond previous levels, so that it can continue to deliver these vital services.

Work is actively being undertaken within both service areas to stabilise and contain spending and early forecasts show that some of the additional provision for children's services will only be needed in the short-term and can be released in later years.

Further work is required to assess the specific financial requirements of the home to school transport service based on the current contracts, policies and practices and also how these could be updated in the future. As can be seen from section 3.7 below, the MTFP does recognise that some financial savings could be achieved in this area should changes be implemented although these would be subject to review and scrutiny to ensure that the underlying business case assumptions are robust before being implemented, and updates will be included within later reports.

Further information showing the final spending pressures included within the MTFP is provided at **Appendix 5**.

### **3.7. Updated savings plans**

The Executive presented over £36m of draft savings proposals for inclusion within the MTFP at the meeting held in December 2023, with £11.6m of savings planned for delivery in 2024/25. These savings plans were grouped into six core themes, following feedback from members of public who asked us to simplify our budget and remove some of the complexity used when telling them about our plans.

A full schedule of the final savings proposals included within the MTFP is shown at **Appendix 6**, which total £42m across the four years of the Plan, with **£16.170m** to be delivered in 2024/25.

Each of the draft budget proposals included within the MTFP has been supported by an initial Equalities Impact Assessment (EIA), all of which were published on the council's website in December 2023. Further information on the EIA's is provided in section 9 and **Appendix 9**.

The table below shows the changes that have been made to the MTFP savings plans across the four-year period; which will **increase the amount of savings** in 2024/25 by £4.5m, although this will be reduced in later years.

**Table 7: Changes made savings plans since December 2023**

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	TOTAL £000
<b>Actions to close the budget gap;</b>					
- Re-phase libraries saving	-25	25	0	0	<b>0</b>
- New saving for school transport	-600	-600	-900	0	<b>-2,100</b>
- Investment interest	-3,900	0	0	0	<b>-3,900</b>
- <i>Investment interest reduction</i>	0	2,400	1,500	0	<b>3,900</b>
<b>Sub-total re changes to savings plans</b>	<b>-4,525</b>	<b>1,825</b>	<b>600</b>	<b>0</b>	<b>-2,100</b>

#### Home to school transport

A relatively modest saving had previously been included within the MTFP for home to school transport which has now been reassessed as part of the wider review of the service and increased to reflect the latest plans for next year.

#### Investment interest

Financial modelling shows that the council will continue to hold surplus cash-flows over the short-term until such time as spending plans catch up with monies currently being held to fund them. The council is able to financially benefit from this by generating interest when the surplus funds are invested, and activity undertaken in recent months has meant that the council has been able to improve the budget situation in the current financial year.

An assessment has been carried out to see how much additional income could continue to be generated over the short-term, when cash-flows and interest rates remain higher than the base budget. The council recognises that this is not a sustainable position into the longer-term as the cash-flows and interest rates will both reduce over time and has therefore only been reflected as a short-term measure within the MTFP.

### **3.8. Recommended revenue budget for 2024/25**

The MTFP not only provides a financial strategy to support service planning across the medium term, it also provides the opportunity for the council to prepare a more detailed balanced budget for the year ahead. All of the changes documented within this report will be added to the existing base budgets currently held by Directors. A summary of the recommended budgets for 2024/25 is shown at **Appendix 4**.

Changes include;

- Growth, which is additional budget to cover new spending
- Savings plans, which reduce the net operating cost of services
- Budget transfers, which occur when services are moved into another area

### **3.9. Update on reserves**

The council has a series of reserves which can be used to support spending within the revenue or capital budgets, or which it can hold to cover future financial risks. Some of these

reserves are general in nature and would be available to fund any risk or pressure, whereas others have been earmarked to signify that they have been set aside to fund or be required for a specific purpose.

The council does not support the use of reserves as a way to finance the annual revenue budget because spending to support the delivery services will generally be ongoing, whereas the use of a reserve only provides a source of funding for one-year. However, the council does recognise that reserves have a part to play in the managing the overall financial position and can provide an opportunity to fund expenditure in the short-term until such time as a longer-term and more sustainable funding solutions can be identified and implemented. This includes the ability to make short-term investments and pilot ideas for savings in the future.

A review of these reserves has been undertaken in the current financial year to assess whether any sums can be released into the revenue budget to support or fund in-year pressures. The outcome of this review will be reflected within future monitoring reports to the Executive.

The review will also ensure that retained reserve balances are sufficient to meet the planned business need in future years and also provide cover towards the inherent risks held within the recommended budget for next year, or those risks highlighted within the risk register.

The council's Section 151 Officer has assessed these levels and considered them to be adequate alongside other mitigations and risk management measures and will provide a detailed listing of all of the reserve balances at the end of the current financial year.

### **3.10. Chief Finance Officer review of the recommended budget**

The Chief Financial Officer (CFO / Section 151 Officer) is required to make a statement on the adequacy of reserves and robustness of the budget. This is a statutory duty under section 25 of the Local Government Act 2003, which states the following:

- a) Where an authority to which section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) applies is making calculations in accordance with that section, the Chief Finance Officer of the authority must report to it on the following matters:
- The robustness of the estimates made for the purposes of the calculations, and
  - The adequacy of the proposed financial reserves.
- b) An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made. This includes reporting and considering:
- The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.
  - The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council.

The CFO Statement has to be considered and approved by full Council as part of the budget approval and council tax setting process and although it concentrate on the General Fund revenue budget and associated capital programme, it must also consider key issues faced by the council over the medium-term. The Statement covering the council's MTFP and 2024/25 is included at **Appendix 8**, although some of the key points are noted below.

- The council has been preparing the budget during a period of significant financial uncertainty, brought about by the rapid and unprecedented rises in demand for some of our statutory services which has continued to affect the financial position in the current financial year as well as the planning for future years. Changes to planning assumptions for expected levels of demand has been one of the main drivers that has impacted our ability to deliver a balanced budget across all four years of the Plan.

The most notable changes have arisen in areas such as children in care and those with special educational needs and disabilities, and home to school transport services although the latest reports show an emerging risk of future increases in care needs for older and vulnerable adults.

Account has been taken of both current and future demand and provision has been built into the recommended budget for 2024/25 and beyond, although there remain several assumptions around the council's ability to influence and manage demand in these areas.

- Provision has been made for pay awards, pension and national insurance changes, contractual inflationary pressures using a range of local and national indices where appropriate.

One of the most significant drivers for change is likely to be the forecast of the National Living Wage (NLW), which will not only impact the council through increased contract costs and social care provider costs, but will also influence the council's own pay award offer to staff as the lower end of the pay structure is aligned to the annual NLW uplift.

The council recognises that there has been much change within inflationary rates over the past two year which has introduced volatility into the financial planning process and indeed, given the wider economic outlook, inflationary pressures remain a key risk for the council to consider in the future and it may be that additional costs beyond those budgeted could arise.

- The ongoing process to build a sustainable budget with numerous changes to underlying assumptions has meant that funding solutions have needed to be identified to accommodate the increased costs and resultant budget shortfalls. The rising cost base has resulted in the council developing savings proposals of over £42m across the four years of the MTFP, with over £16m being included within the recommended budget for next year.

Savings of this scale do represent a risk if they are not supported by clear delivery plans and so efforts have been made to look ahead across all years of the Plan and ensure that these are in place before the start of each financial year. The proposals will form part of the council's budget monitoring framework as well as being integrated into the performance management framework.

- Significant consideration and attention has been given to the funding pressures within the High Needs Block of the Dedicated Schools Grant (DSG) and recognising the challenges that have arisen in previous years, and also those which could continue into the future, the council is continuing its joint work with the Department for Education through the Safety Valve Programme.

- The council has prepared its resource forecasts for future years based upon the information available at this time, which in reality has only provided detail for the 2024/25 financial year and nothing beyond.

Previous reports from the government indicated a range of planned changes for the future including a national re-set of the business rates system in 2025, the implementation of the fair funding review, as well as broader changes to simplify the way in which local government sector is funded. However, in the absence of any information, the long-term funding position for the local government sector therefore remains uncertain which is clearly a challenge for the council's own financial modelling.

- Other risks faced by the council have been reviewed and assessed to identify and quantify potential financial impacts on the budget, and where appropriate have either been provided for, or aligned to resources held by the council within its reserves. The level of reserves has been examined in detail to assess the potential impact for both the current and future financial years and will continue to be closely monitored during the period of this MTFP, in the context of protecting the council from existing and future liabilities.
- On the basis of the above, the Section 151 Officer's advice is that the financial standing of the council is sound in the context of the key risks, that the recommended budget for 2024/25 has been prepared robustly and is achievable, and that the level of reserves are adequate.

### 3.11. Alternative budgets

The detailed budget proposals and decisions contained within this report have been supported by the Executive as they fulfil their duties as an administration however, all political parties have the right to submit an alternative budget for consideration by other members as part of the budget setting process. At the time of writing no alternative budgets have been received.

### 3.12. Schools budget for 2024/25

The council, in consultation with the Strategic Schools' Forum (SSF), is responsible for managing the Dedicated Schools Grant (DSG) and distributing funding to schools and early years providers. The total DSG for 2024/25 is expected to be £217.618m, although this is before any deductions and recoupment (i.e. funding which is made directly from central government to academies).

Since April 2018, the DSG has consisted of 4 blocks of funding, and the values (before recoupment) for the current year and next year are shown below.

**Table 8:** Estimated funding for the Dedicated Schools Grant for 2024/25

<b>DSG Block</b>	<b>2023/24</b>	<b>Est 2024/25</b>	<b>£ change</b>	<b>% change</b>
Schools Block*	153,696,502	162,066,408	8,369,906	5.4%
High Needs Block*	32,201,023	33,463,921	1,262,898	3.9%
Early Years Block	12,254,989	20,340,538	8,085,549	66.0%
Central School Services Block	1,704,238	1,747,648	43,410	2.5%
<b>TOTAL</b>	<b>199,856,752</b>	<b>217,618,515</b>	<b>17,761,763</b>	<b>8.9%</b>

Each year, the council and the SSF consults with schools and interested stakeholders, and then takes decisions on the formula for distributing resources to providers (including academies), along with associated funding arrangements, including any proposals for moving funding from one block to another.

### Schools and High Needs Blocks

The Schools Block is ring-fenced and must be allocated to schools, although local authorities may transfer up to 0.5% of their schools' block into another block, with the approval of the SSF. Transfers in excess of 0.5% require the approval of the Secretary of State. The previous and proposed approved transfers are shown in the table below which are used to mitigate spend in the High Needs Block.

**Table 9:** Past and proposed transfers between the Schools and High Needs Blocks

	2021/22	2022/23	2023/24	Indicative 2024/25
% transfer from Schools Block to the High Needs Block (HNB)	0.5%	0.5%	1.0%	1.0%
£s transfer from Schools Block to the High Needs Block (HNB)	£674,401	728,287	1,545,484	1,629,150

In view of the increase in High Needs funding provided by the government, and the clear government policy to protect funding for schools, the council and the SSF are awaiting Secretary of State approval to a transfer 1% for 2024/25 from the Schools Block to the High Needs Block of the DSG before it can be formally actioned.

That being said, the proposed budget for 2024/25 for the dedicated schools grant has been drafted and is shown in the table below. It reflects the proposed 1% transfer from the Schools Block to the High Needs Block (£1.6m) to support the Safety Valve agreement.

**Table 10:** Draft dedicated schools budget for 2024/25, reflecting proposed transfer

Block	Income (DSG)	Gross Expenditure	Net Expenditure
Schools Block before deductions	162,914,962	161,285,812	-1,629,150
Less: National non-domestic rates	-848,554	-848,554	0
Less: DSG paid direct to academies	-158,800,533	-158,800,533	0
<b>Schools Block after deductions and recoupment</b>	<b>3,265,875</b>	<b>1,636,725</b>	<b>-1,629,150</b>
High Needs Block before deductions	37,115,921	38,745,071	1,629,150
Less: Direct funding of high needs places	-3,652,000	-3,652,000	0
<b>High Needs Block after deductions</b>	<b>33,463,921</b>	<b>35,093,071</b>	<b>1,629,150</b>
<b>Early Years Block</b>	<b>20,340,538</b>	<b>20,340,538</b>	<b>0</b>
<b>Central School Services Block</b>	<b>1,747,648</b>	<b>1,747,648</b>	<b>0</b>
<b>TOTAL</b>	<b>58,817,982</b>	<b>58,817,982</b>	<b>0</b>

The allocation to schools that is distributed through the formula will increase from £152.702m in 2023/24 to £160.985m in 2024/25, which represents a 5.4% increase in funding. This



increase will ensure that all primary schools receive at least £4,610 in funding per pupil and all secondary schools £5,995 per pupil, with some schools receiving significantly more than that.

In addition to the DSG funding paid through the formula, in 2023/24 mainstream schools also receive a 'mainstream schools additional grant' (MSAG) of £5.147m and a teachers' pay additional grant (TPAG) of £1.543m to support schools with the teachers' pay award. In 2024/25, the MSAG is incorporated into the schools funding formula although the TPAG will continue in the form of a separate grant.

The council has entered into a Safety Valve agreement with the Department for Education (DfE) due to the pressures on the High Needs Block of the Dedicated Schools Grant (DSG). At the time of the initial discussions with the Department the deficit was estimated to grow to c. £18m by the end of 2022/23. The cumulative deficit forecast is to be £14.166m by the end of 2023/24.

The council is held to account for the reforms they implement and the associated deficit reduction targets via regular reporting to the DfE. At the time of writing this report we have successfully secured two of the three payments for 2023/24, £1.407m of a possible £2.110m. The third report has been submitted and we are expecting the third payment. These payments are to contribute towards "paying off" the historic DSG deficit balance.

### Early Years Block

The Early Years Block is seeing a large increase due to the changes in entitlement that is planned to come into effect during 2024/25 and include;

- The first change is the extension to entitlement to 2 year-olds from 1 April 2024, where many working parents will be entitled to up to 570 hours of funded childcare a year.
- The second change comes in from 1 September 2024 when many working parents of children aged 9 months to 2 years of age, will be entitled to up to 570 hours of funded childcare a year. Extensions to the Early Years Pupil Premium and Disability Access Funding will be updated to reflect these changes.

### **3.13. Looking ahead**

The council's approach to preparing its MTFP was to develop a financial strategy that not aligned with the ambition and commitments within the refreshed Corporate Plan, but one that would provide a financial roadmap over a four-year period, setting out clear spending plans that were both robust and affordable within the context of the funding that will be available over the period.

Unfortunately, whilst the latest MTFP spending plans and forecasts are robust and aligned to the Corporate Plan ambitions, they are not fully sustainable over the four-year period at this point as there remain budget gaps in years 2, 3 and 4 of the Plan.

The council is fully committed to addressing and closing the budgets gaps that remain within its financial plans in later years, although it recognises that there remains a great deal of uncertainty about both national funding allocations as well as local income generating abilities beyond 2024/25.

Notwithstanding that, the council will continue to plan and formulate strategic financial proposals to close the budget gaps, which will require new savings ideas to be generated and delivered. Given that the current MTFP forecasts already include savings plans of over £42m, the council is aware that it may need to take a different approach to this and will consider in

detail the impact of all services, both in terms of cost and value for money that they provide, and also the impact and outcomes that they achieve and deliver for the communities across North Somerset.

### 3.14. Uplifts to adult social care provider fees in 2023/24 and 2024/25

The provisional local government finance settlement contained confirmation that the Market Sustainability and Improvement Fund would continue into 2024/25 and be added to existing resources. The council's provisional grant allocation for next year is £4.8m and this value has been reflected within the recommended budget proposals.

The grant is ring-fenced which means that it must be allocated to social care services and spent on the one or all of following target areas;

- Increase the fee rates paid to adult social care providers in the local areas,
- Increasing the adult social care workforce capacity and retention,
- Reducing adult social care waiting times

Over the past two years the council has been developing a strategy which will enable us to work towards closing the Fair Cost of Care (FCC) budget gap that was highlighted in the national FCC exercise undertaken in 2022. The strategy does rely on the passporting of external funding to providers and combining these with the annual inflationary uplift that usually take place, and it is therefore proposed that the council's grant be used as part of the latest fee uplifts shown in the table below.

**Table 11:** Proposed fee uplifts to adult social care providers

Service area	Age Band	Increase
Nursing - Long Term	18-64	7.90%
Residential - Long Term	18-64	7.90%
Nursing - Long Term	65+	9.70%
Residential - Long Term	65+	9.30%
Domiciliary Care		9.00%
Extra Care		9.00%
Reablement		9.50%
Direct Payments		10.00%
Shared Lives		10.00%
Day Care		8.00%
Short Term Nursing		9.60%
Short Term Residential		9.30%

In order to use the remaining grant for 2023/24 it is proposed to apply these uplifts with effect from 1 February 2024. Decisions to increase care home fees would usually be considered by the Executive Member and reflected within the in-year spending forecasts however, given the scale of the financial impact as a result of combining and aligning over two financial years and also the timing of the decision itself, it is appropriate to integrate this decision within the joint budget monitoring and MTFP framework.

## 4. Consultation and Engagement

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 our 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.

Publication of the council's draft budget along with details of the core assumptions, planned budget changes for both additional costs and the proposed savings plans supports the objective of the Executive to be as transparent as possible.

With that in mind, as part of the Corporate Plan and budget development process we undertook an extensive engagement and consultation programme with residents and stakeholders, including Town and Parish Councils and equalities groups. This programme aimed to gather views to inform the development of the Corporate Plan ambitions and budget development including priorities and suggestions for saving and transformation options and was held in two phases, the engagement element for development and then the consultation element once drafts were produced.

### Engagement

The engagement programme ran from end-August through to October and included the following:

- An engagement survey on our consultation hub, live for six weeks, with a bespoke version for Town and Parish Councils. Paper copies of this survey were available in our libraries and children's centres, and we added a short, focused social media survey aimed at encouraging more responses from young people aged 16-30. Our Citizen's Panel were sent a link to the survey with an invitation to take part.
- A number of public engagement sessions across the towns along with a series of face-to-face sessions via the mobile libraries for rural residents to attend.
- Meetings with various stakeholder groups either virtually or face-to-face including equalities groups, voluntary and community groups, and representatives from business.
- The whole engagement programme was supported by a social media campaign and a number of posters across the area with QR codes.

### Consultation

Following the development of a draft of the Corporate Plan and budget, an invitation to comment was hosted on our consultation hub through December to early January with links through the plan, the action plan, and the council's draft budget along with details of the core assumptions, planned budget changes for both additional costs and the proposed savings. This supports the objective of the Executive to be as transparent as possible and contribute to the open element of the council's vision. A series of follow-up public engagement events were also held supported by a social media campaign and a number of posters across the area with QR codes.

For the full summary of the outputs from the engagement and consultation programme please see **Appendix 3**.

## **5. Financial Implications**

Financial implications are contained throughout this report.

All financial implications arising from the medium term financial planning (MTFP) have been aligned with a series of other reports that are also on the agenda for this meeting, with the main ones being; Capital Strategy, Treasury Management Strategy and the Fees and Charges reports.

## **6. Legal Powers and Implications**

There is a requirement within the council's Business Planning and Risk Management Frameworks to develop and refresh a Corporate Plan and ensure at least quarterly reporting of progress. This contributes to the good governance of the organisation.

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 and the resultant council tax levels for the forthcoming year is an integral part of the financial administration process.

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

The council's vision is to be open, fair and green. The climate and environmental impacts of the council's work have been considered as part of the Corporate Plan and budget development and whilst there are no specific climate related impacts to note within this report, it is clear that climate and environmental related implications will be at the forefront of our thinking when considering the impact on the revenue budget and also through formulating capital investment plans.

Some direct impacts will include the type of energy that we use in the delivery of our services and how much we pay for our energy costs, whether that be in school buildings, libraries and children's centres or when repairing the roads or providing waste collection and recycling services within communities.

The council's underlying service policies, priorities and strategies associated with how we deliver services to the local communities will also need to be considered and updated to ensure that we are focused on achieving a more sustainable future and making a real difference to the environment. For example, the Waste service has a significant impact on the environment because of how and when the waste is collected and also how it is disposed of, and changes can be made to all of these areas which will deliver improvements and may also reduce costs.

It will be important to ensure that future business cases that support delivery of strategic investment in new schools and roads clearly articulate the carbon impacts that will materialise as a result of planned activity so that the council can understand how these will contribute to net carbon goals.

## **8. Risk Management**

In developing a Corporate Plan and setting the revenue and capital budgets, the council must take into account the known key financial risks that may affect both its service delivery and ultimately its financial 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.

Officers continue to test the impact of varying key assumptions in the medium-term financial plans to assess the sensitivity of the ranges of indicative budget figures as this may inform decisions about the level of working balances needed to provide assurance as to the robustness of the budget estimates.

The most significant risks relating to the MTFP are detailed within **Appendix 7** although many of these can be summarised to provide a more strategic assessment. The council's main financial risks are noted below and have been included within the Strategic Risk Register.

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 meet our statutory obligations due to spending pressures exceeding all available resources meaning that we have to re-visit financial plans in year to set a revised budget	HIGH	4	5	HIGH	This risk takes into account the potential impacts arising from the detailed financial risk register and sets them against a backdrop of all available resources and mitigations that would be available to the council; setting revised spending plans in-year could be progressed as a final solution
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 <b>although the budget for the 2024/25 financial year has been balanced</b> . The budget gaps are expected to change as we progress nearer to setting the budget for future years
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 changes to scope since budgets were set in order to manage and control spending on capital

## 9. Equality Implications

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 our responsibility to ensure that any changes we make to them through the revenue budget, need to be considered and consulted upon. Failure to do so adequately could result in aspects of the budget being subject to challenge.

The Equalities Act 2020 (Section 149) sets out public sector duties, the general duties are to have due regard to the need for:

- Eliminate discrimination, harassment, victimisation and other conduct prohibited by the Act,
- Advance equality of opportunity between people who share a protected characteristic and those who do not; and
- Foster good relations between people who share a protected characteristic and those who do not.

These duties should be considered in the development and approval of the council's budget. To aid understanding and the consideration of these important equality duties, managers complete Equality Impact Assessments (EIAs) for each budget proposal.

**Appendix 9** provides an overall summary and all of the EIAs that underpin the **£16.170m** of budget savings and increased income proposals as recommended for inclusion within the 2024/25 recommended revenue budget.

Some of the savings' proposals included within the budget were initially identified as having a potential 'medium' or 'high' impact on equality groups so those EIAs have been discussed in detail at the Equality Stakeholder Group meetings, and feedback from the consultation has been taken fully into account within the final Assessments.

## **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 teams are focused on delivery of 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 new Corporate Plan, which has been subject to extensive consultation and engagement informs the future ambitions and commitments of the council.

## **11. Options Considered**

The good governance of the council requires a strategic plan to inform our service delivery, and we do this via the development of the Corporate Plan and associated performance and risk management frameworks. The proposed Corporate Plan refresh summarises the planned activity across the whole organisation over the coming years to contribute to our vision to be open, fair and green.

The council is legally required to set a balanced budget for the year ahead and to implement a robust financial framework to ensure that spending is aligned to available resources and all work to date has focused on achieving that objective.

Various options in respect of potential budget changes have been considered throughout the financial planning process which has been subject to extensive consultation and engagement as well as the council's own internal scrutiny process. The recommended budget for 2024/25 reflects the most up to date assumptions in respect of spending plans, aligning underlying data for service demand and costs, to council priorities.

All savings proposals contained within the draft budget have been considered by individual Executive Members and approved by the Executive collectively.

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### **Appendices:**

- Appendix 1 Corporate Plan – see separate document
- Appendix 2 Corporate Plan action plan – see separate document
- Appendix 3 Feedback from the consultation and engagement activity supporting the Corporate Plan and budget – see separate document
- Appendix 4 Recommended budget for 2024/25, allocated across directorates
- Appendix 5 Core financial assumptions within the MTFP and recommended budget
- Appendix 6 Savings proposals included within the MTFP and recommended budget
- Appendix 7 Risk register summary and sensitivity analysis
- Appendix 8 Section 151 Officers statement on the adequacy of reserves and the robustness of the budget
- Appendix 9 Equality Impact Assessment report on the 2024/25 savings proposals – see separate document

### **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

Council report: February 2023, Council Tax Setting 2023/24

Consultation and engagement:

- [North Somerset Corporate Plan and budget development - North Somerset Council Consultations \(inconsult.uk\)](https://inconsult.uk/north-somerset-council-consultations)
- [North Somerset Corporate Plan and budget 2024-2028 consultation - North Somerset Council Consultations \(inconsult.uk\)](https://inconsult.uk/north-somerset-council-consultations)

**APPENDIX 4 – Recommended revenue budget for 2024/25, allocated across directorates**

<b>North Somerset Council - Recommended Revenue Budget Summary 2024/25, February 2024</b>	Adult Social Care £000	Childrens Services £000	Corporate Services £000	Place Directorate £000	Public Health Reg Services £000	Capital Financing & Non Service £000	<b>Total £000</b>
<b>2023/24 Base Budget - as per month 8 monitor</b>	<b>84,334</b>	<b>30,011</b>	<b>31,241</b>	<b>38,393</b>	<b>1,374</b>	<b>17,412</b>	<b>202,766</b>
<b>Spending pressures and estimated cost increases</b>							
Pay related inflation	782	957	535	1,079	157	759	<b>4,269</b>
Energy costs	0	-113	-1,079	-1,061	0	0	<b>-2,252</b>
Adults - inflation, demographics, transitions	8,975	0	0	0	0	0	<b>8,975</b>
Childrens - placements, disabled children, improvement plan	0	7,155	0	0	0	0	<b>7,155</b>
Place - contract inflation, home to school transport, waste, property	0	0	0	7,927	0	0	<b>7,927</b>
Corporate - contract inflation, income shortfalls, service changes	0	0	3,274	0	0	-355	<b>2,919</b>
Other - incl revenue impacts of the capital programme	0	0	0	0	0	1,783	<b>1,783</b>
	<b>9,757</b>	<b>7,999</b>	<b>2,731</b>	<b>7,946</b>	<b>157</b>	<b>2,187</b>	<b>30,776</b>
<b>Savings proposals - identified and included within the draft budget</b>	<b>-5,767</b>	<b>-2,001</b>	<b>-656</b>	<b>-2,960</b>	<b>-50</b>	<b>-4,736</b>	<b>-16,170</b>
<b>Budget transfers 2023/24 and 2024/25</b>	<b>500</b>	<b>388</b>	<b>568</b>	<b>690</b>	<b>-325</b>	<b>-1,821</b>	<b>0</b>
<b>2024/25 Draft Budget</b>	<b>88,824</b>	<b>36,397</b>	<b>33,884</b>	<b>44,069</b>	<b>1,156</b>	<b>13,042</b>	<b>217,372</b>

Nb 2023/24 base budget excludes; £6.933m for town and parish council precepts and £1.405m additional in-year funding for Adults



## APPENDIX 5 – Core assumptions included within the recommended budget and MTFP

### Resources: income and funding assumptions

	Budget	Future MTFP Projections - February 2024			
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Council tax income	131,843	139,156	144,304	149,479	154,836
Business rates income and grants	45,981	52,804	51,508	52,168	52,819
Government grants	21,037	25,592	22,810	22,869	22,929
Other	3,905	-179	0	0	0
	<b>202,766</b>	<b>217,373</b>	<b>218,622</b>	<b>224,516</b>	<b>230,584</b>

### Spending pressures and estimated cost increases

	Budget	Future MTFP Projections - February 2024			
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Inflationary impacts and council-wide costs	10,818	1,621	4,247	4,431	4,660
Capital and financing costs	-1,336	1,783	3,444	1,341	1,184
Adult social care	12,371	8,975	6,732	6,963	7,179
Childrens placements	1,745	6,120	258	164	170
Other children's costs	684	1,035	188	-105	-40
Place - waste related services	4,143	3,002	540	540	540
Place - home to school transport services	2,366	3,690	500	500	500
Place - inflation on other contracts	384	380	177	177	177
Place - other, incl property	758	855	785	390	5
Public health	0	22	115	0	0
Corporate - inflation	1,848	1,805	938	906	953
Corporate - income short-falls	0	1,142	700	25	100
Corporate - other	315	347	209	0	0
	<b>34,096</b>	<b>30,777</b>	<b>18,833</b>	<b>15,332</b>	<b>15,428</b>

## APPENDIX 6 – Savings proposals included within the MTFP

MTFP Budget Theme	MTFP Budget Reference	Proposal	Financial details of the budget proposals				Total Proposals £000
			2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	
Adults transformation - maximising independence	ADTR01	Initiatives designed to support adults within the community to maximise their independence and to manage demand for council services by focussing efforts on those who need services the most. This will include looking at the services we provide along with partners and other key stakeholders, to expand areas such as reablement and preventative services as well as increasing the types of provision available to residents, for example, delivery of more Supported Living schemes, Extra Care housing places and an increase the use of technology aided care solutions where appropriate.	3,150	2,200	1,625	1,375	8,350
Adults transformation - service delivery models and efficiency	ADTR02	A package of measures designed to look at how we deliver services to ensure that they are efficient, fit for purpose and make the best use of resources available. This includes making sure that we obtain best value from our contracts, reviewing delivery models, allocating external funding to those services in greatest need and looking at ways that other sectors can provide help and support, for example, by investing in debt advice.	1,340	765	365	365	2,835
Childrens transformation - childrens social care services	CHTR01	Implementation of a transformation programme designed to improve outcomes for children looked after and manage the increasing demand for council services by reviewing our approach to service delivery and focussing resources on those who need services the most. This will include changes to how we deliver services in the future, working more closely with partners and other key stakeholders, improving internal processes to become more efficient and considering alternative types of provision where appropriate.	1,837	1,506	988	1,066	5,397
Childrens transformation - home to schools transport services	CHTR02	Transformation activity to manage the increasing demand for home to schools transport services for children and young people within North Somerset. This programme will review and update our policies and approach to service delivery in order to maintain the provision of statutory services, whilst reducing the cost of transport services.	650	717	1,400	1,000	3,767
Income - annual inflationary impacts	INC01	Annual uplift to general fees and charges to recognise the impact of inflation on the ongoing cost of service delivery. The additional income is directly linked to the principle of ensuring that services recover their full costs, which have gone up because of inflation.	853	564	562	582	2,561
Income - linked to adult social care services	INC02	Annual increase in fees and charges for adult social care related services specifically linked to the national increase in benefit rates.	860	870	880	890	3,500

MTFP Budget Theme	MTFP Budget Reference	Proposal	Financial details of the budget proposals				
			2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total Proposals £000
Income - linked to the parking strategy	INC03	Income linked to the parking strategy which includes an annual inflation uplift for existing fees and charges as well as the implementation of new opportunities. The strategy will look to support flexibility in charging regimes whilst still maintaining income levels including the introduction of resident parking zones and ensuring the cost of car parking provision is recovered.	504	450	50	50	1,054
Services we provide to the community - libraries, nurseries and children's centres	SPTC01	Review and reshape the delivery of library services and nurseries alongside the development of family hubs ensuring best use of buildings and giving consideration to alternative delivery models.	181	104	250	0	535
Services we provide to the community - transport	SPTC02	Review the delivery model for discretionary community transport services.	55	55	0	0	110
The way we work - service delivery models and efficiencies	TWWW01	Ongoing programme to review how the council delivers its services to ensure they are fit for purpose and provide value for money. This includes making sure that we obtain best value from our contracts, reviewing delivery models and staffing structures, implementing process improvements and reallocating resources to those services in greatest need.	754	2,097	1,771	380	5,002
The way we work - strategic management of our assets	TWWW02	Activity to ensure that the council maximises the value from the assets it holds, which includes focussing efforts on investing in assets that support service delivery, reducing our carbon impact and energy costs as well as the divestment of assets no longer required.	215	475	545	1,525	2,760
The way we work - managing our finances	TWWW03	Review the way the council manages its surplus cashflows and borrowing requirements, ensuring that it makes appropriate choices to manage the changes in interest rates.	4,736	14	0	0	4,750
Waste transformation	WAST01	Transformation programme reflecting the waste strategy, which will ensure that the council's waste services are efficient and deliver value for money to residents. The programme will review policies and service delivery models to help the council move towards meeting carbon reduction targets through increasing recycling and reducing waste and associated carbon emissions where possible.	1,035	950	0	0	1,985
<b>TOTALS</b>			<b>16,170</b>	<b>10,767</b>	<b>8,436</b>	<b>7,233</b>	<b>42,606</b>

## APPENDIX 7 – Risk Register Summary and Sensitivity Analysis

	Risk area	Initial Risk Score			Potential mitigation	Risk Score After Mitigation		
		Likelihood	Impact	Score		Likelihood	Impact	Score
1	Legacy overspending through not delivering a balanced budget in 2023/24	4	4	16	Month 8 budget monitor shows a projected net over spend of £2.3m having reflected and released all known mitigations and contingencies. However emergency actions have been agreed for the remainder of the year which should enable the council to achieve a balanced budget by the end of the year. The 2024/25 recommended budget has increased additional provision to known areas of ongoing pressure to re-base the budgets meaning that there is a lower probability that adverse variances will continue into future years.	3	4	12
2	Sustained increase in inflationary factors which have the potential to drive the council's future costs above the assumptions reflected within the MTFP for Pay, Contracts and Energy	4	4	16	Efforts have been made to review and assess assumptions for cost increases across the period of the MTFP and align these to benchmarking or national rates. Uncertainties around pay will largely be driven by the governments National Living Wage policy. All indices will continue to be closely monitored and compared to MTFP assumptions. The annual revenue budget does include an unallocated contingency budget of £1.4m and holds sums in its reserves.	2	4	8
3	Unable to mitigate budgeted demand pressures within children's social care and home to schools transport as well as other services such as adult social care, homelessness and waste collection and disposal.	5	5	25	Cost & volume data has been incorporated into the monitoring processes along with indicative growth for core demand in future years, which reflects the very latest levels of demographic and an estimate of further demand growth in 2024/25.	4	5	20
4	Unable to achieve financial savings in all areas of the council's budget, given that savings of over £16m have been included for delivery in 2024/25	5	5	25	Detailed delivery plans have been drawn up to support achievement of savings plans, and attention given to capacity and existing service pressures. Savings plans will be embedded within the council's monitoring framework to ensure continuous review and scrutiny.	4	5	20
5	Impacts arising from the Cost of Living Crisis which could present across many areas of the council's budget, e.g. increased demand for services, lower levels of income collected (including council tax)	4	3	12	Forecast levels of demand have been considered on a service by service basis to assess if adjustments are needed. Work has been undertaken to understand the impacts of support packages implemented through the CoL working group.	2	4	8
6	Uncertainties in future funding levels following potential changes to local government finance arrangements	5	5	25	The council has been provided with details to support the first year of its four-year Plan, i.e. 2024/25 which means that there remains a great deal of uncertainty beyond this period which could be driven by both national political change as well as economic change over the latter three years. The council will continue to lobby for further certainty to enable it to prepare robust medium term financial plans, through individual work as well as through liaison with other councils and stakeholders.	4	5	20
7	Unable to deliver and sustain the locally generated housing and business rate growth required to align to budgeted income streams	4	5	20	Increased focus on delivery of outcomes through regular reviews with planning and place-making teams who are monitoring effective delivery of housing growth. Implement a robust monitoring system to assess and report on collection rates for business income following the rollout of the national Revaluation process.	3	4	12

	Risk area	Initial Risk Score			Potential mitigation	Risk Score After Mitigation		
		Likelihood	Impact	Score		Likelihood	Impact	Score
8	Financial stability of providers, including those providing adult social care services and also leisure services	3	5	15	The council will continue to apply annual uplift fees to social care providers taking into account inflationary increases in costs, whilst maintaining affordability for the council. Additional funding in respect of the Fair Cost of Care will also be passported onto providers within the market to ease pressures in accordance with gov guidance. Rises in energy costs continue to impact on leisure providers. Support has been provided and further measures are planned to ensure that council owned assets are maintained to ensure a full range of facilities can be provided to residents and mitigate losses.	2	5	10
9	Uncertainties relating to statutory responsibilities and associated funding streams for Adult Social Care given the delays for some elements of the Health & Social Care Reforms	3	4	12	Prudent assumptions have been reflected within the MTFP about the extent to which increases in adult social care funding will be reflected within the MTFP to support core areas of spending (fair price for care). There remains ongoing uncertainty in relation to other Social Care Reforms / changes which were delayed.	2	3	6
10	Inability to reduce the annual Dedicated Schools Grant deficit in the short term and also the end of the statutory over-ride for DSG deficits at the end of 2025/26	5	5	25	The council continues to work closely with the government on its Safety Valve Programme which is an initiative that helps councils to deliver a sustainable financial operating position within the DSG budget, particularly in the High Needs Block. A range of projects are currently being implemented, which have been designed to reduce future levels of spending in this area and therefore reduce the council's Deficit balance through both a reduction in costs and also a release in additional funding. The Deficit is currently not chargeable to the General Fund following a temporary change in the accounting regulations although this change is planned to end at the end of 2025/26 and much uncertainty remains about the impact on the council's overall finances after that point.	4	5	20
11	Availability of one-off revenue resources to mitigate risk, and fund investment in key priorities such as transformation. This also includes ensuring that the council has sufficient capacity to support and deliver new projects, particularly those which have external funding.	3	5	15	Retain a contingency budget of £1.4m as well as General Fund working balance of between 4-6%. Mitigate current and future overspends through rigorous financial monitoring to protect use of existing risk reserves. Review opportunities to increase reserves and identify investment resources.	2	4	8
12	The ongoing impacts associated with higher interest rates, which could increase borrowing costs or provide an opportunity to increase returns on external investments	3	5	15	The council's capital strategy will aim to manage capital spending within an overall affordability envelope which means that it could scale back on spending in other areas if borrowing rates increase beyond budget levels.	2	3	6
13	Impact of more frequent and impactful weather conditions	4	4	16	Repairs and maintenance programme focused on asset management approach. Renewed emphasis on climate change in all policies and decisions. Use of additional gov funding for drainage works. Greater emphasis on risk assessment measures and early intervention where possible.	2	4	8

Examples of sensitivity analysis / scenarios relating to items included within the council's financial modelling			
Area	Example Change in Demand	Potential Impact £000	Notes and supporting information
Costs associated with the demand for Children in care and associated placement and support costs	10%	1,942	The average unit cost of a placement for a looked after child is c. £40,000 per annum. However this varies substantially depending on the type of placement, with an in-house foster placement costing c. £16,000 per annum and an average residential placement costing c. £400,000 per annum. There are currently c. 310 placements included within our cost and activity monitoring and a 10% increase could cost the council up to £1.9m more than budgeted.
Costs associated with the demand for adult social care	5%	4,500	The average gross cost of a long term adult social care package is c. £585 per week or £30,600 per annum. However, this varies depending on the type of placement, with the average home care package costing £290 per week and the average residential care package costing £800 per week, although the highest cost packages can be in excess of £5,000 per week. There are currently c. 3,220 live placement packages including within our cost and activity monitoring (month 8).
Costs associated with the demand for SEND home to school transport	10%	770	The average cost per head of a Special Educational Need and Disability (SEND) pupil transport is c£5,480 per annum. This value does however vary depending on the type of transport required and the location of the placement, for example the average out of county placement cost per head is £10,200 per annum and the average parental mileage allowance is £2,610 per annum. There are currently 755 SEND pupils receiving home to school transport.
Cost associated with the disposal of residual waste (from black bins)	10%	113	It costs the council £172.25 to dispose of a tonne of residual waste. The forecast tonnage for 2023/24 is 6,555 tonnes
Costs associated with employing staff	5%	4,575	The council budgets for 1,372 full time equivalent staff within the revenue budget with costs starting from £28,000 per person per annum, which means that the total pay-bill will be over £73 million in 2024/25 (including overheads).
Cost of borrowing to support the capital programme	1%	1,610	The council has a borrowing need of £161 million over a 5-year period to support investments within its capital programme - if interest rates were to increase by 1% then this would cost the council £1.6m more in borrowing costs than current forecasts.
Income generated from council tax	1%	1,322	There are 81,449 Band D equivalent properties showing within the taxbase forecast for 2024/25, which means that a 1% increase on the level of council tax would generate additional income of £1.322m per annum
Income generated from sales, fees and charges	1%	352	The council, like many others across the country, charge for a range of services within permitted guidance and currently expects to receive over £37 million of income through its sales, fees and charges policy. Examples are varied and include; residents paying a contribution towards their social care costs, charging fees for planning applications and providing building control services or food inspection certificates, providing licences to taxi drivers and landlords, as well recovering the cost of providing car parking and garden waste services. Modelling shows that if a 1% increase was applied to these income budgets then £355,000 more income would be generated. However, it is important to note that some charges are set nationally and increases may not be allowable which means that more detailed modelling would be required to understand the impact for individual areas.

This table provides a range of examples to show how the council's costs or income assumptions 'could' change in the future depending on different scenarios. It is not anticipated that these will become likely scenarios, but do provide context as part of understanding the budget forecasting.

## **APPENDIX 8 – Section 151 Officers statement on the adequacy of reserves and the robustness of the budget**

### **ASSURANCE STATEMENT FROM THE SECTION 151 OFFICER**

The following are the summary assurances and recommendations of the council's Section 151 Officer who is Amy Webb, the Director of Corporate Services.

#### **A Review of the Revenue Budget**

In relation to the 2024/25 revenue budget I have examined the underlying base spending position, assessed future demand forecasts, considered potential risks and future impacts, and also reviewed the draft savings proposals which are to be included within the budget for next year.

I believe that, whilst some elements of the council's spending and service delivery proposals are likely to be challenging, they are nevertheless achievable given the political and management will to implement the required changes, good management, and the sound monitoring of performance and budgets, which has been evidenced this year, whilst continuing to deal with the on-going financial volatility which has arisen from the sharp rises in demand in areas such as children's placement and legal costs, home to schools transport and waste disposal costs.

The council must however recognise that the financial information that it has received from the Government in respect of a funding package to support spending **over the medium-term**, is insufficient as it has only provided a detailed settlement package in respect of the 2024/25 financial year and nothing of substance that can be relied on to indicate how much money the council might expect to receive, or be allowed to generate locally, beyond that point.

My recommendations are also conditional upon:

- The council approving the updated projections within the Medium Term Financial Plan for 2024/25 to 2027/28,
- Directors and managers not exceeding their ongoing operational allocated base budgets,
- Taking every opportunity to ensure that underspends or favourable windfall variances are fed into the council's bottom line as a first call rather than be used for alternative purposes within the service, thereby ensuring a one-council approach to financial management and a more strategic use of resources to meet the council's Corporate Plan aims,
- Not considering further calls on reserves other than for those risks that have been identified, those that could not have been reasonably foreseen and that cannot be dealt with through management or policy actions. Any excess reserves should be targeted towards business transformation, asset management and invest to save initiatives, economic recovery following the pandemic or to smoothing reserves to mitigate further risks associated with current issues such as demand-led pressures and broader economic impacts,

- A recognition that the level of reserves and corporate risk assessment need to be regularly reviewed in the light of changing circumstances and that the council needs to show a commitment to maintain reserves at a level which provides adequate cover for most identified risks during the planning period, and
- That the council has arrangements and resources in place to **consider value for money in preparation for future years' budgets**.

## **B Adequacy of Reserves**

In relation to the adequacy of reserves, I recommend the following Reserves Strategy based on an approach to evidence the requisite level of reserves by internal financial risk assessment. The Reserves Strategy will need to be reviewed annually and adjusted in the light of the prevailing circumstances.

### **B1 Introduction and background**

Section 31a of the Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Local Government Act 2003, Section 25 requires the council's Section 151 officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations.

Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances'. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties.

In setting the revenue and capital budgets, the council must consider 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 and other earmarked reserves. Throughout 2023/24 the council has experienced significant pressures on its revenue budget, largely as a result of increasing demand for some essential services as well as some ongoing inflationary pressures within some external contracts.

The council recognises that there is an increasingly high degree of risk in terms of making specific decisions around its Medium-Term Financial Plan (MTFP) and that reserves will play a part in the overall strategy and the level of working balances needed to provide assurance as to the robustness of the budget estimates.

An MTFP risk register is regularly updated which reflects the most significant areas of the council's financial planning, these are reported to members through reports to the Executive and Council.

In addition, there are specific concerns across the sector relating to the possible end of the statutory override period in relation to the Dedicated Schools Grant deficit, which has been extended until the end of the 2025/26 financial year. Alongside this the council has started to implement many of the projects detailed within its Safety Valve agreement with the DfE, which documents how, in the medium term, the high needs block of the DSG (Dedicated Schools Grant) can be brought into in-year balance and how, consequently, the



Government will contribute to reducing the historic deficit. The council has identified £1.1m of its own resources to support the delivery of this plan through funding additional help and support.

## **Strategic Context**

There are a number of reasons why a Local Government Authority might hold reserves, these include to:-

- Mitigate potential future risks such as increased demand and costs;
- Help absorb the costs of future liabilities;
- Temporarily plug a funding gap should resources be reduced suddenly;
- Enable the council to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax;
- Spread the cost of large-scale projects which span a number of years.

***Reserves only provide one-off funding so the council aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan, as part of its obligations under Section 114 of the Local Government Act 1972.***

**Long-Term Sustainability** - Reserves are an essential tool to ensure long term budget stability particularly at a time when the council is facing significant year on year reductions in real terms funding and spiralling costs.

Reserve balances have been identified as a key indicator of financial health and the council continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.

There are two different types of reserve, and these are;

- **General Fund Balance** – usage from this Reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget e.g. unplanned operational demand resulting in significant costs.
- **Earmarked Reserves** – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then the agreement of the council would be sought to decide how any remaining balance is to be utilised.

## **B2: Risk Assessment to Determine the Adequacy of the General Fund Balance**

A well-managed multi-purpose council will strive to maintain as low a level of General Fund Balance as possible to free up resources to deliver services, whilst still covering its financial risks.

The council has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties, such as suppliers, the Local Government Employers and Government departments have on its income and expenditure, there is always a risk that the Council will unexpectedly become liable for expenditure that it has not budgeted for.

The Council has set its Prudential Indicator for the General Fund Balance as between 4-6% of annual budget which is a commonly used benchmark across the Sector. The council's General Fund Balance is currently £10.162m, which equates to 5.01% of the original base budget after excluding town and parish council precepts, which is within the acceptable range.

Due to varying revenue budgets, maintaining a consistent level of General Fund Balance will result in the percentage varying over time. Transfers in or out of the General Fund Balance to conform to the range indicated would only normally be considered if there was significant variance or if resources were earmarked to another project.

The prudential indicator is a useful control measure but is a rudimentary way of assessing the adequacy of the General Fund Balance and a more meaningful approach is to develop a risk assessment. The council will consider both measures as part of its annual reserve strategy.

A risk assessment of the adequacy of the Council's General Fund Balance will be carried out regularly to determine the extent to which the Council is exposed to uninsured and unbudgeted losses. The risk assessment for the current financial year 2023/24 has been prepared and then rolled over as part of the budget setting process, within the most significant risks being summarised and shown in **Appendix 7**. The assessment in respect of the next financial year shows that the impact and scale of potential losses rated as medium or high has been estimated to calculate a potential net financial impact of **approximately £9.3m**, which is lower than level of general reserves held and means that it is not necessary to amend the amount based on the current risk assessment as the value is within an overall envelope.

### B3 – Review of earmarked reserves

The council has a number of earmarked reserves which have been established for specific purposes where there have been timing differences at budget setting or year end, or emerging risks or cost pressures. The relevance of, and balance in, each of these is reviewed annually and the council is informed of the latest plans for the balances held in such reserves over the medium term via the Reserves Strategy.

A series of tables have been included below to provide an overview of the council's reserves position following the latest review, which took place in December 2023. The table below provides a summary of the total 'usable' reserves position at this time:

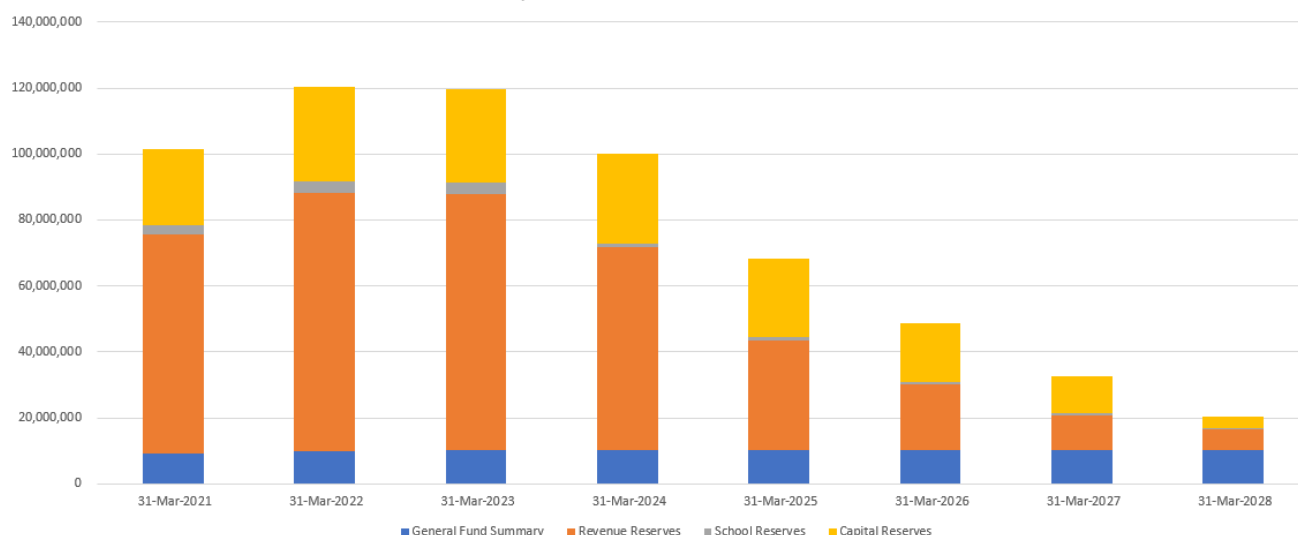
Usable Reserves Summary		Actual Balance Held 31-Mar-2023 £	Indicative Balance 31-Mar-2024 £	Notes / Comments
<b>Revenue related reserves;</b>				
R1	General Fund Reserve	-10,161,536	-10,161,536	Also called the Working Balance - equates to 5% of the annual revenue budget
R2	Earmarked Reserves - Revenue	-77,829,101	-61,598,023	Further breakdown provided in tables below
R3	School Balances & Reserves	-3,457,724	-1,202,296	Ring-fenced balances linked to individual schools and projects
	sub total - revenue reserves	-91,448,361	-72,961,855	
<b>Capital related reserves;</b>				
C1	Earmarked Reserves - Capital	-8,340,527	-7,509,362	Ring-fenced council resources to fund projects within the approved capital programme
C2	Capital Receipts	-12,514,247	-12,733,247	Monies from sale of council assets, funding is linked to projects within the approved capital programme
C3	Capital Grants Unapplied	-7,474,260	-7,002,260	Govt grants awarded to specific schemes within the approved programme
	sub total - capital resources	-28,329,033	-27,244,868	
<b>Total usable reserves</b>		<b>-119,777,394</b>	<b>-100,206,723</b>	

High level observations show;

- **£10.162m** relates to anticipated balance that will be held within the general fund revenue reserve at the end of the 2023/24 financial year - this has been risk assessed as adequate in paragraph B2 above,
- **£61.598m** relates to the anticipated balances that will be held within the council's earmarked reserves at the end of the current financial year based on current spending plans and decisions – further details is provided in the following tables below,
- **£1.202m** relates to schools and is ringfenced accordingly – this provides an indication of the balance, final values will be confirmed after the year-end transactions have been completed and will relate to schools that have not yet been transferred to academies
- **£27.245m** is held for capital and is committed to current projects included within the overall capital programme
- There is a forecast reduction of **£19.5m**, or 16.3% by the end of 2023/24 as many balances previously held will be used to support spending in the current financial year or released to support the council's overall financial position.

The graph below shows that over the medium term, usable reserves are forecast to further reduce to just £20m by the end of 2027/28.

Actual / Forecast Usable Reserves - 2021-2028



**As the council has greatest flexibility over the use of its Earmarked Revenue Reserves these are explored in more detail in the following two tables.**

The table below provides a breakdown of all the council's **earmarked revenue reserves**.

R2 - Summary of Earmarked Revenue Reserves		Actual Balance Held 31-Mar-2023	Indicative Balance 31-Mar-2024	Notes / Comments
		£	£	
R2.1	Adults	-8,729,185	-7,334,912	Further breakdown provided below - see Table R2.1
R2.2	Childrens	-3,699,600	-2,395,636	Further breakdown provided below - see Table R2.2
R2.3	Public Health & Regulatory Services	-5,431,326	-2,269,531	Further breakdown provided below - see Table R2.3
R2.4	Place	-9,574,220	-6,704,240	Further breakdown provided below - see Table R2.4
R2.5	Corporate Services	-7,830,668	-5,790,517	Further breakdown provided below - see Table R2.5
R2.6	Non-Service - Corporate Reserves	-34,234,794	-28,773,879	Further breakdown provided below - see Table R2.6
R2.7	Non-Service - Property sinking funds	-1,171,863	-1,171,863	
R2.8	Non-Service - Capital, incl Section 106 Funds	-7,157,446	-7,157,446	
		<b>-77,829,101</b>	<b>-61,598,023</b>	

It can be seen that;

- Each of the **directorates** manages its own earmarked reserves;
  - these are actively used to support specific programmes and initiatives delivered by managers in these areas, e.g public health programmes, social care projects, supporting place-making objectives etc,
  - whilst these reserves are currently being used to support specific programmes, it may be some elements could be released and re-prioritised to support the council’s broader financial position as part of the annual review process,
  - further detail on each of the individual directorate held earmarked reserves will be provided at the end of the current financial year when the accounts are finalised, together with a confirmation of the balance for each one.
- In addition, the council is currently holding **£7.157m** of reserves relating to S106 agreements, following delivery of new developments across the district – these monies will be used to fund investment in schools, open spaces, libraries, housing and infrastructure and balances will be updated at the end of each financial year.
- The largest section of earmarked reserves relates to the ‘**corporate**’ area of the council – a further breakdown is given in the table below.

The table below provides a breakdown of the council’s ‘**corporate**’ revenue reserves.

R2.6 - Extract of Revenue Reserves - Corporate / Council-wide		Actual Balance Held 31-Mar-2023 £	Indicative Balance 31-Mar-2024 £	Notes / Comments
CP1	Collection Fund Smoothing & City-Deal Reserves	-13,193,051	-10,543,051	Technical reserves to smooth financial impacts across years e.g. Business Rate Relief awarded through several Govt policies
CP2	Insurance Reserve	-2,264,288	-2,258,538	To fund uninsured risks, changes in the value of current claims, claims occurred but not yet reported claims, stop-loss levels
CP3	Severance Reserve	-1,591,915	-1,591,915	To fund severance costs which release MTFP savings
CP4	Financial Risk Reserve }	-1,776,474	-3,980,022	Part of the council's risk management and reserves strategy that will fund unplanned financial risks
CP5	Covid Grant Reserve }	-1,703,548	0	Govt grants to be used to fund ongoing impacts and risks
CP6	MTFP Risk Reserve re Energy }	-2,022,000	0	To fund the energy costs reflected within the 2023/24 MTFP, together with an allowance for risk
CP7	Financial Instruments Smoothing Reserve	-1,167,093	-1,167,093	To fund the potential capital losses on pooled fund investments at the end of the statutory override period
CP8	Healthier Together Matched Funding Grant Reserve	-1,201,386	-951,386	Created at the end of March 2022, linked to Agreement with the ICB to deliver healthier outcomes for spending largely in Adults and Childrens
CP9	Driving Growth Reserve	-1,050,646	-1,188,736	To fund costs associated with Development Programme, linked to Place-making Strategy
CP10	Corporate Transformation Reserve	-1,298,500	-839,760	To fund one-off costs associated with transformation activity, which will deliver ongoing MTFP savings
CP11	Corporate ICT & Software Replacement Reserve	-824,137	-575,137	To fund ongoing programme of approved projects, linked to Capital Strategy
CP12	Castlewood Redevelopment Reserve	-800,000	-800,000	To fund the next phase of the redevelopment of the Castlewood site
CP13	DSG Safety Valve Implementation Plan Reserve	-1,100,000	-800,000	To fund the 5 year costs associated with the DSG Implementation Plan
CP14	S256 Corporate Data Sharing Reserve	-4,000,000	-4,000,000	Funding from ICB end of March 2023 - spending plans to be updated
CP15	Balance - all other Corporate Reserves	-241,755	-35,000	
		<b>-34,234,794</b>	<b>-28,730,639</b>	

ICB: Integrated Care Board

Several of these reserves are technical in nature and support specific accounting treatment, for example the Collection Fund Smoothing Reserve and the City-Deal Smoothing Reserve. Others are held to cover long-term risks such as the Insurance Reserve and Severance Reserve.

The council also has other reserves which are held for the strategic purposes and their use is part of a multi-year flexible resourcing strategy;

- CP4 Financial risk reserve, to fund unplanned risks that may occur during the revenue budget and is in added to the annual contingency budget.
- CP5 Previously held as a specific reserve for covid related matters although has now been merged into the general risk reserve following a reduction in covid related risks.
- CP6 The approved revenue budget will utilise £1.522m of the Energy Reserve and the balance has been merged into the general risk reserve, again recognising that Energy is no longer a material stand alone risk that needs to be managed.
- CP8 Corporate Transformation Reserve – this funding is held with strict criteria for invest to save projects within the council, and is expected to support digital transformation alongside other programmes of change to support future MTFP savings delivery.
- CP13 and CP14 – these are specific reserves that have been created to fund spend that supports delivery of wider corporate objectives, the outcomes of which are materially important to the council’s ongoing financial position and so are closely monitored by the corporate leadership team.

Given the challenging MTFP gap being forecast over the remaining period of the MTFP, alongside the forecast overspend in the current financial year, ***it is not recommended that any of these reserves are transferred or re-prioritised for other uses than those described.***

## **C Capital Planning**

In relation to the Capital Programme covering the period 2024/25 to 2027/28 (including commitments from previous years and new approvals):

- The capital budgets are based on the best information available in terms of project costs and are supported by effective procurement processes which demonstrate value for money,
- The council previously established a Major Projects Capital Delivery Team within the Place Directorate who have the required skills and experience to deliver significant infrastructure projects on time and on budget, and who are supported by a programme management office who ensure a consistent approach is applied to all capital projects,
- The council has embedded the Capital Programme Planning and Delivery board to oversee and manage all aspects of capital spending, approvals and performance,
- Whilst there is currently less certainty around the actual phasing of planned expenditure as this can fluctuate, this will be monitored and developed throughout the year to understand associated cash-flows and assess whether any re-phasing across financial years may need to be carried out,
- The council operates a rolling capital programme which means that changes and additions can be reflected on an ongoing basis, subject to the relevant approvals,
- That the funding identified for the approved capital programme has been assessed as being prudent, affordable and sustainable.

In relation to the medium to long term Capital Programme:

- The delivery of the agreed Capital Strategy and Asset Management Plan remains a critical priority to enable the matching of resources to needs and priorities. Work is ongoing to develop and finalise medium-term service based and asset requirements,
- Funding to support these plans is less developed at this stage although it is accepted that spending plans will have to remain affordable within the context of the Medium Term Financial Plan, which means that some form of prioritisation may be required.

#### **D Assurance**

Given all these factors, I, as the council's Section 151 Officer, consider the estimates for 2024/25 to be sufficiently robust for approval by the council. I am also able to advise the council that the level of general fund revenue reserve is adequate and to recommend a Reserves Strategy which is achievable during 2024/25.