

North Somerset Council

Report to the Executive

Date of Meeting: 24 April 2024

Subject of Report: Budget Monitor 2023/24 – Month 11 Update

Town or Parish: All

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

Key Decision: Yes

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

Recommendations

The Executive is asked to;

- i. Note the revenue and capital budget forecasts within the report for the current financial year including the key issues, risks and assumptions that underpin the forecasts,
- ii. Approve the changes to the 2023/24 revenue and capital budgets as detailed in Appendix 1A and Appendix 5,
- iii. Accept the offer of funding from Salix for Public Sector Decarbonisation (PSDS) at Hutton Moor Sports Centre of £2,344,518,
- iv. Approve the proposed changes to the fees and charges as detailed in section 3.10,
- v. Approve a change to the 2024/25 revenue budget to reflect the recent Household Support Fund award of £1,307,848 and an equivalent increase in the expenditure budget to cover associated spending plans as detailed in section 3.11.

1. Summary of Report

This is the latest report on the council's budget for the 2023/24 financial year and provides an update on both revenue and capital spending after the first **eleven** months, focusing on those areas which are forecast to have a significant impact on the council's overall financial position.

The council has updated its forecast to understand how much we will spend on delivering services and compared this to our budget and the report shows that there is likely to be a **balanced budget** by the end of the financial year.

Whilst this is a significant achievement compared to previous updates, this report will provide details to show that the council continues to face significant financial pressures within several parts of the budget and so efforts remain focused on understanding and managing these challenges and ensuring that the council can provide sustainable solutions to address them.

The council is aware that it has a statutory duty to balance its budget at the end of the year and so the report also provides an overview of the measures that have been taken to date over recent months to help achieve this.

2. Policy

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

3. Details

3.1. Revenue budget summary – key headlines

Revenue Budget Monitoring Summary 2023/24						
	Original Net Revenue Budget £000	Month 11 Forecast - February 2024				Change from Month 10 £000
		Revised Revenue Budget £000	Forecast Spend to 31 March 2024 £000	Projected Out-turn Variance		
				£000	%	
Service Expenditure Budgets						
Adult Social Services	84,334	86,064	84,788	(1,277)	-1.48%	(99)
Children's Services	30,011	31,348	39,745	8,397	26.79%	443
Corporate Services	31,241	30,103	29,588	(515)	-1.71%	(73)
Place	38,393	39,001	40,446	1,445	3.71%	(349)
Public Health & Reg Services	1,374	1,470	1,405	(65)	-4.40%	(29)
Sub total - Service Budgets	185,354	187,986	195,972	7,986	4.25%	(106)
Other Council-wide Budgets						
Capital Financing & Interest	10,320	10,296	4,949	(5,347)	-51.93%	0
Precepts & Levies	7,237	7,237	7,237	0	0.00%	0
Other Non Service Budgets	3,530	3,500	2,893	(607)	-17.33%	0
Contingency Budget	1,432	1,428	50	(1,378)	-96.50%	0
Provision for MTFP Risks	375	375	0	(375)	-100.00%	0
Provision for Additional Pay Costs & O	1,450	282	0	(282)	-100.00%	0
Sub total - Non Service Budgets	24,345	23,118	15,130	(7,989)	-34.56%	0
Total Net Revenue Budget	209,699	211,104	211,102	(2)	0.00%	(106)
General Fund Financing Budgets	(209,699)	(211,104)	(211,104)	0	0.00%	
NET REVENUE BUDGET TOTALS	(0)	0	(2)	(2)	0.00%	

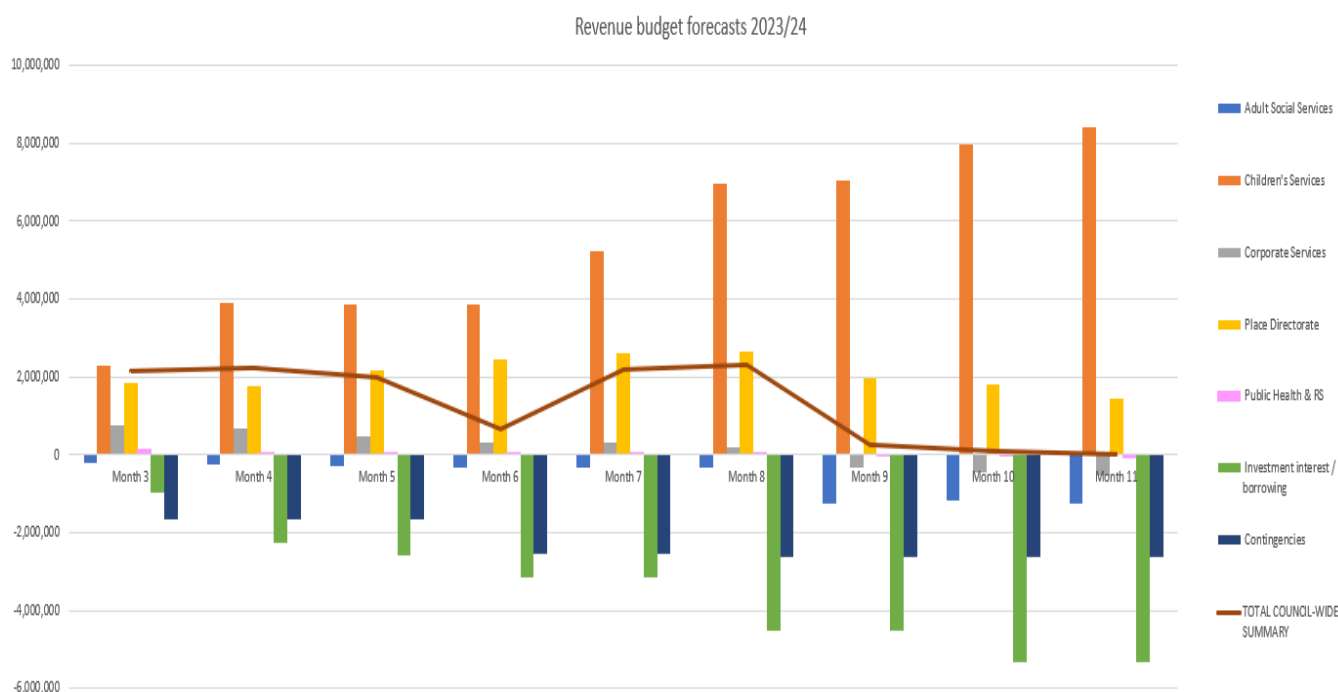
The table is displayed in the council's standard financial monitoring template and depicts the reported position for each of the 'directorates' in turn, as well as an aggregated picture of all council services.

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

- The council's original net revenue budget for the year totals £209.699m (white shaded column)
- The council's revised net revenue budget for the year totals £211.104m (blue shaded column)
- It is forecast that the council will spend £211.102m by the end of the year (green shaded column), which is £0.002m, or £2,000 **less** than the council has available to spend.

The latest summarised position continues to be an improvement on the previous reports and shows that the council has made good progress to implement measures that will enable it to deliver a balanced budget by the year-end.

However, the table above and also the chart below, both show that North Somerset continues to face significant pressures in delivering core services to the public, largely as a result of increased demand for services that support both adults and children. Further information on the material challenges and movements within the budget this year is included in **Section 3.2**, together with an update on how these issues have been integrated into the Medium Term Financial Plan (MTFP) and revenue budget preparations for 2024/25.



3.2. Significant budget pressures within the forecast

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

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

These summaries do show that the council is likely to see many changes compared to the budget that was agreed in February 2023 although the narrative report provides focus on the **main factors** that are driving the overspend so that the core issues can be better understood and contextualised.

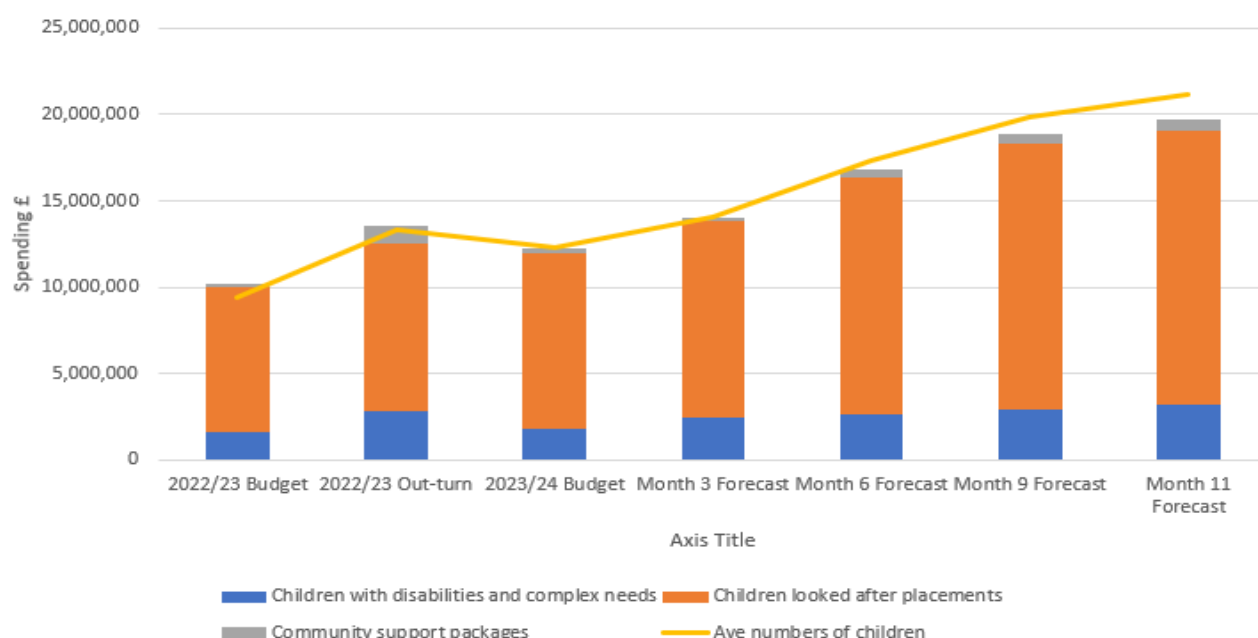
Issue	£000	
Significant budget pressures within services		
Children's services – placement (residential and support) costs, including disabled children's packages and community support	7,235	Increased
Adults – care in the community support costs	2,360	Increased
Home to School Transport costs	1,539	Increased
Waste disposal costs	1,176	Reduced
Material mitigations		
Release of the council's contingency budget	(1,429)	Increased
Release of corporate provisions for pay and budget savings	(657)	Increased
Net increase in interest received on investments	(5,934)	Increased
Hold / defer potential future spending within Adults	(600)	Increased
Reduction in the council's past service pension contribution	(605)	No change
Council-wide actions		
Release of earmarked reserves	(2,027)	New
Vacancy management savings	(701)	New
Spending controls	(410)	New
All other variations within the budget (net)	51	balancing
Forecast underspend at Month 11	(2)	

3.2.1. Material service-related pressures

Children's services

Previous reports have recognised that in-year spending supporting children within North Somerset is much higher than the approved budget. Spend is linked to the numbers of children requiring support, the complexity of their need and also the provision available at that time which can accommodate their needs. Many of these factors are outside of the council's control.

Childrens social care spending - February 2024



Given that the council is providing a statutory service to those children and young people most in need, spending controls in themselves are not a helpful way to manage the finances in this area and so external support has been used this year to help the council to assess and develop service strategies which will provide clear pathways to deliver valued care services that not only meet the needs of each child, but which will cost less in the future.

Whilst every effort is being made to ensure that improvements from this workstream are successfully delivered through increasing staff capacity, implementing new processes and also reviewing opportunities to change the local provision, e.g. through extending and enhancing our foster care provision, the council does recognise that it will take some time to embed and deliver change in this area.

Regular meetings and panels have been established which focus on the needs of the children that are both in, and also on the edge of care, as well as the financial impacts associated with their support as managers at all levels understand that this is the council's largest area of pressure and so needs close monitoring.

As noted above, additional funding has been included within this area of the budget for next year which was based on the underlying levels of demand for services experienced at the end of December.

Adult social care

Forecasts provided throughout the year have shown that at an overall level spending on adult social care has been slightly below budgeted levels however, the more detailed analysis and commentary provided by the Director has shown that spending on individual care packages has been increasing month by month and has once again reached pre-Covid levels of demand, which means that there are pressures of c.£2m within the approved budget.

These pressures have largely been offset by other activity and decisions within the service although clearly remain a concern for future years. The commentary provided at Appendix

2 includes information relating to the numbers of service users who are being currently supported across each of the various care types, together with the financial impact of this provision.

3.2.2. Material mitigations – investment interest

The council has reviewed and updated the amount of interest that it will earn on surplus cash balances during the year as the higher interest rates are continuing to have a positive impact on the investment strategy. The month 11 forecast, which assumes that the council will generate c.£6m more interest than the approved budget for the year, has been updated to take into account the latest forecast of capital spending.

3.2.3. Impact of council-wide actions to balance the budget in 2023/24

Whilst the council has often experienced challenges within its revenue budget over the course of the year, an assessment of the council's finances in December showed that not only were pressures continuing to grow, but that all of the in-year contingencies and mitigation measures had been released into the budget forecasts which meant that further action was required to ensure that the council could deliver a balanced budget by the end of the financial year.

An urgent report was considered by Council at the meeting in January 2024 where emergency budget actions were approved with immediate effect. These included a review to support the release of earmarked reserves as well as the implementation of vacancy management and spending controls. The latest forecast shows that these measures have been successful as they have helped to mitigate some of the previous overspending although it is anticipated that these measures will remain in place beyond the end of the year and until such time that assurance can be provided in respect of the robustness and sustainability of the 2024/25 revenue budget.

3.2.4. Alignment with the medium term and financial plan and revenue budget for 2024/25

The information presented throughout this report is based on a detailed and more granular analysis of all of the council's income and expenditure budgets and this detail allows us to better understand each of 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.

Areas of significant ongoing pressure have been included within the council's medium-term financial planning considerations because 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.

As a result additional resources have been added into the following service budgets for 2024/25 where demand and cost is expected to be at much higher levels than the current budget provision;

- £5.4m - Demand pressures in children's placements
- £3.1m - Demand and inflationary pressures in home to school transport
- £1.2m - Increased cost of waste disposal and collection contracts

3.3. Delivery of in-year savings plans

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

SUMMARY - savings plans included within the revenue budget	Budget Change in 2023/24 £000	Monitoring Assessment - February 2024			
		Forecast of Deliverable £000	Mitigation measures £000	Revised Deliverable £000	Under/(Over) Achieved £000
Adult Social Services	-4,227	-4,212	0	-4,212	15
Children's Services	-764	-504	0	-504	260
Corporate Services	-2,363	-2,359	-126	-2,485	-122
Place Directorate	-2,808	-1,936	-562	-2,498	310
Public Health & Regulatory Services	-258	-258	0	-258	0
Totals	-10,420	-9,269	-688	-9,957	463
		89%		96%	

The summary indicates that there is a current short-fall of £463k against the £10.420m of savings included within the budget, although the revenue budget does include a risk provision to cover or fund £375k of this sum. Where there are specific challenges which may mean that it is difficult to deliver against the original proposal, leadership teams will actively look for mitigations or alternatives to cover any short-falls. A detailed list of all proposals is included at **Appendix 3**.

3.4. Balancing the revenue budget

The latest financial update reflects the release of all of the central provisions and contingencies that were included within the approved base budget as part of the council's wider risk management strategies to support the delivery of a balanced budget should any unplanned pressures or events materialise.

As noted above, the council's corporate leadership team have also implemented a series of other council-wide mechanisms over recent months which have helped to close the gap this year and avoid the need to draw down on the general revenue reserve balance.

The balance on this reserve at the start of the year was £10.162m, which equates to 5% of the net revenue budget for the current financial year (excluding town and parish precepts), and is currently within the parameters of the council's reserves strategy approved as part of the budget setting. Without further in-year actions the council may have been required to call on this reserve which would have meant that the balance may not have been sufficient to support financial risks in future years.

3.5. Collection fund – key headlines

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

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

The latest monitoring shows that the council will receive £114k less council tax income this year compared to the budget, which is linked to higher number of people claiming discounts and fewer new homes being built than planned.

The position for business rates is more complex because after the budget was set in February, changes to the amount of business rates payable by companies were made by the Valuation Office as part of the national revaluation programme. Although our monitoring shows that the council will receive £1.178m less in income this year, the council will be compensated by way of a grant from the government in future years.

Both of these forecasts remain broadly similar to previous reports and the impacts have been reflected within the medium term financial plan because due to the accounting arrangements, they will be reflected within the budget in subsequent years.

3.6. Dedicated schools grant – key headlines

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 2023/24 is £199.9m, although this is before any deductions and recoupment, i.e. funding that is made directly available from central government to academies. The value of DSG received by the council for the year equates to £50.4m.

The latest forecast for this area shows that the council continues to experience significant pressure within the High Needs block, which is the budget that provides additional provision for those children with Special Educational Needs and Disabilities. The largest budget variances this year are linked to Top Up funding to schools so that they can support children within a local setting, Out of Authority placements and also bespoke education packages.

The council does have a Safety Valve agreement with the Department for Education which is a mechanism whereby both organisations work together to identify and fund an improvement plan so that after a range of projects are implemented, costs will be reduced to more sustainable levels in the future. The agreement does also provide for funding to be provided to the council to cover deficit balances from previous years.

3.7. Capital budget summary – key headlines

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

Appendix 4 provides details of all schemes currently included within the latest programme – the summary shows that the overall programme totals **£458.603m**, with **£108.224m** of investments across north somerset expected to be delivered during the current financial year.

The capital programme is fully funded which means that the council has identified resources to cover all of the planned spend that will be incurred over the next few years. At this time the council expects to receive £330.081m of grants and contributions from external

stakeholders to fund specific schemes, which is the largest component of the programme, although the council will need to borrow £112.021m in order to be able to deliver all aspects of the programme.

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

3.8. Changes to the capital programme

Appendix 5 lists out all of the changes which have been reflected within the programme during the current financial year, which require retrospective approval from the Executive.

Some of these changes have been through separate governance processes due to their scale or as a result of procurement and commissioning plans, whilst others of a smaller scale have been through the director or Section 151 governance decision making process in accordance with financial regulations.

The largest change to highlight in this report relates to the investment planned for the Hutton Moor Leisure Centre following the successful award of grant funding from the Department for Energy Security and Net Zero in respect of their Public Sector Decarbonisation Scheme, which provides funding to public sector bodies to fund heat decarbonisation and energy efficiency measures.

The council has been allocated a grant of £2.345m which will be supplemented by £0.402m from the council's own Energy Efficiency capital budget allocation meaning that total investment of £2.747m will be made in the site. The monies will be used to instal new Air and Water source heat pumps as well as additional insulation to the building fabric. The current heating systems use fossil fuels which means that the council will be able to significantly reduce its carbon footprint by reducing emissions from the building – current emissions are 481 tonnes of CO₂ and it is estimated that these will reduce by approx 70%, or by 339 tonnes of CO₂.

3.9. Commentary on specific projects

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

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

- Metrowest – This is the council's largest infrastructure project which has been progressed over several years with the support of several key stakeholders and

given the scale and the complexities of the project, it is under continual review until such time as it reaches cost certainty and the full delivery stage.

- Banwell bypass – this project has been escalated to a Red status after the recent announcement by contractor Alun Griffiths advising that they will no longer deliver the bypass. The news came less than a month after the Secretary of State approved the compulsory purchase orders needed for the scheme and was a surprise however, the council remains committed to the bypass and are working closely with Homes England to understand and agree the next steps and solutions. Some of the early enabling works to clear sites have continued to reduce the risk of delays later in the process.
- SEND / Safety Valve schemes – the council has approved a programme of modifications and improvements at individual locations within North Somerset to increase the capacity and support for children with Special Educational Needs and Disabilities. One of the proposed schemes was intended to deliver a nurture group space and classroom within a wider extension programme however the initial cost forecasts were higher than the allocated budget and so further discussions are being held to re-scope and re-design the scheme so that it falls within the approved funding.

3.10. Changes to fees and charges

Fees and charges represent an important source of income, providing funding to assist in achieving the Council’s objectives. Some of our fees and charges are effectively set by legislation, but many are locally determined.

The Council’s constitution requires that any proposed increase to fees and charges that are in excess of 10% or are estimated to generate additional annual revenue of more than £300,000 are to be determined by the Executive.

A report was presented to the Executive in February 2024 which recommended a number of increases/changes to existing fees and charges, a further review of fees and charges has highlighted some additional changes required in order to ensure we are covering the cost of delivering the services.

Details of the proposed changes which are requested to be approved as part of this report are shown in the table below.

Fees & charges service	Heading	Description	2023/24 existing	2024/25 proposed	Change		Basis for change	Additional information
					%	£		
Highways Licences	Road Markings	Disabled parking bays	£155.00	£195.00	25.81%	£40.00	Inflation / Cost Recovery	To cover increased contractor rates and increased administration time
Highways Licences	Road Markings	H bar markings	£95.00	£193.00	103.16%	£98.00	Inflation / Cost Recovery	To cover increased contractor rates and increased administration time
Waste Services	Public Toilets	Public Toilet Charge	£0.20	£0.30	50.00%	£0.10	Inflation / Cost Recovery	To ensure cost recovery

3.11. Household Support Fund 2024/25

A new Household Support Fund was announced by the Government in the Budget on 6th March 2024 which is generally expected to be a continuation of the funding arrangements that have been in place since 2021. The new grant will cover the period from April to September 2024 and the council’s share will be **£1,307,848**.

The objective of the Fund is to provide financial support to vulnerable households in most need with the cost of essentials, such as food, water bills, energy costs and other living expenses. Councils can also use the funding to support households with housing costs where existing housing support does not meet this need, and to supplement support with signposting and advice. Whilst immediate needs should be prioritised, councils will be encouraged to use the Fund to provide support that has a long-term sustainable impact, for example household items which would reduce bills in the long-term.

The council is currently reviewing the detailed guidance issued by the Department for Work and Pensions so that it can design a local scheme to support the residents of North Somerset.

The grant is additional to the approved budget for 2024/25 which needs to be increased by way of a budget virement. Expenditure and income budgets will both be increased by £1.308m.

4. Consultation

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

5. Financial Implications

Financial implications have been included throughout the report.

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

The values therefore, exclude any technical accounting adjustments such as impairment or depreciation - these transactions will be included within the council's statutory accounts which will be prepared and published in accordance with legislative timescales, for 2023/24 this will be by 31 May 2024.

6. Legal Powers and Implications

The Local Government Act 1972 lays down the fundamental principle by providing that every local authority shall make arrangements for the proper administration of their financial affairs including balancing their budgets each year from within their own resource allocations, although further details and requirements are contained within related legislation.

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

Further requirements are contained within the Local Government Act 1988, Section 114 (3) which provide for instances whereby the chief finance officer of an authority makes a judgement that the expenditure of the authority in a financial year is likely to exceed the resources available.

7. Climate Change and Environmental Implications

Several investments within the approved capital programme have been designed to deliver specific climate change and environmental implications and section 3.8 provides details of the latest project, which will reduce carbon emissions at Hutton Moor Leisure Centre by over 70%.

8. Risk Management

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

Risk	Inherent risk score	Residual Likelihood	Residual Impact	Residual Risk Score	Comments
Risk that we do not manage budgets effectively in-year, including by not implementing and delivering the savings or transformational projects required to meet the financial challenge	HIGH	4	4	HIGH	This reflects the council-wide position which incorporates many risks with a potential financial impact at the highest level within the matrix.
Risk that we are unable to deliver the priorities of the council by not planning to meet the Medium-Term Financial challenge	HIGH	4	4	HIGH	This reflects the current position at this time, as although the council has balanced its budget for 2024/25, we continue to reflect a £13m budget gap for the 3 years from 2025/26 onwards.
The council is unable to deliver capital projects within the approved resource envelope either due to unmanageable cost increases and/or lack of governance	HIGH	3	4	HIGH	This reflects the current position regarding inflation on schemes and potential changes to scope since budgets were set.

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

9. Equality Implications

There are no specific equality implications with regard to the recommendations contained within this report although it should be noted that the council has utilised additional Government funding (Household Support Fund) in the current financial year to support vulnerable residents where appropriate working in partnership with community groups and is intending to extend this support into 2024/25.

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

10. Corporate Implications

The Corporate Plan and MTFP, along with the supporting financial monitoring processes and performance management framework are vital tools to help align effort across the organisation and ensure that services are all focused on delivery to agreed community and organisational priorities.

With continuing financial pressures and demands for services, it is essential that the councils' limited resources continue to be prioritised and allocated in line with the identified priorities.

11. Options Considered

None – the council is legally required to set a balanced budget and to implement a robust financial framework to ensure that spending is aligned to available resources and all available options to achieve this are considered within the details above.

Author:

Melanie Watts, Head of Finance, melanie.watts@n-somerset.gov.uk

Amy Webb, Director of Corporate Services, amy.webb@n-somerset.gov.uk

Appendices:

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

Appendix 2 Financial commentaries from each director

Appendix 3 Monitoring of the MTFP savings plans

Appendix 4 Monitoring of the capital programme

Appendix 5 Changes to the capital programme

Background Papers:

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

Exec reports:

- Medium Term Financial Plan and Revenue Budget for 2023/24, February 2023
- MTFP and Revenue Budget updates in September, October and December 2023,
- Budget Monitoring Reports 2023/24 (Months 3, 4 and 6), in September, October and December 2023
- MTFP and revenue budget monitoring, February 2024