

# North Somerset Council

## REPORT TO THE EXECUTIVE

**DATE OF MEETING: 7 JANUARY 2020**

**SUBJECT OF REPORT: MEDIUM TERM FINANCIAL PLAN (MTFP) AND REVENUE BUDGET UPDATE**

**TOWN OR PARISH: ALL**

**MEMBER PRESENTING: EXECUTIVE MEMBER FINANCE AND PERFORMANCE**

**KEY DECISION: YES**

## RECOMMENDATIONS

1 To note:

- i. the updated budget projections as at December 2019 within the Medium Term Financial Plan (MTFP) as detailed within the report,
- ii. the draft savings strategies and proposals included within the MTFP as described within section 3.3 and listed in Appendix 2;
- iii. the next steps and timescales for finalising the MTFP and setting the 2020/21 revenue budget as set out in the report.

2 To approve the consultation of, the Executive's draft budget for 2020/21 incorporating all the growth items and savings proposals as described throughout the report, and the draft budget allocations for each directorate as shown in Appendix 1.

3 To recommend that Council note the draft budget projections within the MTFP as at December 2019.

## 1. SUMMARY OF REPORT

The purpose of this report is to provide a further update on the council's medium term financial plan (MTFP) covering the four-year period to 2023/24, to advise on the work undertaken over recent weeks to close the budget gap and to introduce the savings strategies and budget proposals that will be incorporated into the 2020/21 draft revenue budget.

As work over recent weeks has largely closed the budget gap for the next financial year the report presents a summary of the Executive's draft revenue budget for 2020/21 for consultation, including allocations for each directorate area.

Section 3.4 of the report also advises upon the next steps and further actions required by the council in respect of updating the Plan to ensure finalisation of the budget process, and arrangements for setting the council tax in readiness for 2020/21.

## 2. POLICY

The MTFP is a core strategic document that supports the delivery of the council's Corporate Plan. Work has been progressing over recent months to revise the Corporate Plan in readiness to deliver on the challenges and opportunities over the next four-year period, and a report on latest progress will be considered elsewhere on the agenda for this meeting. It is anticipated that the new Plan will be approved in February 2020, alongside the MTFP and revenue budget.

The MTFP itself describes the council's current and projected financial position and compares these to the anticipated resources available. It highlights the key risks inherent within the budget planning processes and incorporates a range of financial strategies to address these. A key focus of the MTFP is recognising the need to continue to invest and transform services as well as develop sustainable, local income streams through the delivery of structured economic and housing growth plans as this will help to provide stability and support the council's financial position over the medium-term. The draft budget proposals presented to the Executive have been prepared along-side the Corporate Plan and so feature new areas of investment to recognise the council's changing priorities. The capital programme is also being developed in parallel and will be presented alongside the revenue MTFP in February.

There is a legal requirement to produce a robust revenue budget for the 2020/21 financial year along with relevant council tax bandings and rates. These will be recommended for approval by Council in February 2020.

## 3. DETAILS

### 3.1 Recap of MTFP projections

The existing Medium Term Financial Plan (MTFP), was approved by Council in February 2019 and covers the financial years 2019/20 to 2023/24. The MTFP in February was prepared using a range of information and assumptions available at that time and updated over recent months to reflect more relevant information relating to both service pressures and assumptions supporting our resources. Figure 1 below shows a summary of the financial modelling presented to the Executive at the meeting in October 2019.

**Figure 1: MTFP financial summary as at October 2019**

<b>MTFP SUMMARY - Update Oct 2019</b>	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
- Resources	153,976	160,715	160,377	163,823	167,552
- Base Spending Position	153,259	153,976	160,715	160,377	163,823
- Budget Pressures / Growth	11,570	14,553	9,309	9,906	10,038
- Savings Proposals / Grant Income	-10,854	-5,728	-3,664	-2,040	-1,080
<b>- Revised Spending Base</b>	<b>153,975</b>	<b>162,801</b>	<b>166,360</b>	<b>168,243</b>	<b>172,781</b>
- Budget Gap	0	2,086	5,983	4,420	5,228
			17,717		
- Council Tax Assumptions;					
- Council Tax Increase	2.75%	1.99%	1.99%	1.99%	1.99%
- Adult Social Care Precept	0.00%	2.00%	0.00%	0.00%	0.00%

As can be seen the Plan still reflects a challenging position for the council with a projected budget deficit of £2.086m in 2020/21, with further short-falls totalling £15.631m in the following three years, meaning that a range of strategies and actions are required to close this gap.

### **3.2 Updates on service pressures and investment priorities - £11.966m in 2020/21**

As noted in previous reports, estimates regarding material budget pressures, growth items and investment priorities are continually reviewed and revised in order to ensure that budget setting is realistic and robust. They are also linked to the monthly budget monitoring processes and activity levels for the current financial year so that ongoing trends in demand are factored into future years' budget setting cycles.

As with resource assumptions, although we undertake detailed modelling for service pressures and spending plans for 2020/21 and beyond, it should be recognised that the further into the future we forecast, the lower degree of confidence we will have in their robustness, meaning that the estimates in later years will require regular review.

The main areas of growth to cover core budget pressures largely remain as before, and are listed below for completeness and transparency;

- Inflation on pay budgets, and the proposed changes in our annual pension costs arising from the triennial revaluation of the Local Government Pension fund,
- Inflation on major contracts, which include services such as highways, waste collection and disposal, parks and streetscene and support services,
- Inflation on social care contracts and costs for both adults and children's related services,
- Increases in demand for services provided across the council although the most notable are;
  - Increased numbers of children requiring support, either through a placement related service, or by way of an education health and care plan (EHCP) assessment,
  - Increased numbers of residents requiring adult social care services, including those who previously received support as a child and are due to transition into adulthood in the near future,
  - Increased demand for home to school transport services, including those with special educational needs and disabilities,
- Growth to cover shortfalls in base budget provision or changes to external funding streams and mechanisms, such as prior year grant funding for social care, and changes in office accommodation rental income forecasts.

In addition to covering core budgetary pressures and service needs, the Executive has also expressed their intention to incorporate more resources into the budget for next year to fund new investment in their changing priorities over the period of the MTFP. It can be seen from the modelling that some of the proposed investment will be recurring and included within the base budget going forwards, whilst other elements have been reflected within the MTFP for specific timeframes.

This dual approach to financial planning enables funding of both one-off spending proposals, at the same time as introducing key priorities into the budget from 2020/21. Members are aware of the overall budgetary constraints and so the strategy provides an opportunity to monitor and

reflect on the effectiveness of some of their ideas before they are incorporated into the budget on a permanent basis, should resources allow at that time.

The short-term nature for some areas of investment is also appropriate as it allows a pilot principle to be developed whilst additional resources are secured and levered in from third parties by way of receiving grants and contributions to fund future years expenditure.

At this time, the draft budget reflects additional resources to fund the following areas of new investment on a permanent basis;

- Changes to the council tax support scheme to reduce the minimum contribution payable by residents by up to 3%,
- Providing an improved benefits and support package to in-house foster carers to retain existing carers and incentivise new carers,
- Increased investment in early intervention and prevention services for children, including support to run additional parenting courses, better co-ordination of early help assessments and meetings, and support to partners to engage in Early Help processes for the over 5's.
- Funding to support the required transformations and initiatives arising from Ofsted planning.

The draft budget for next year also includes the following additional resources, although it should be noted that these have only been included for specified time periods;

- Weston parking charges – this is the anticipated one-off cost of early implementation of proposed reductions in charges across Weston, pending introduction of new charges across the district to off-set and generate net additional income. This investment is linked to the car parking review proposals elsewhere within the MTFP modelling.
- Cultural strategy implementation – this is a short-term pump-priming investment to create project officer capacity to support first 2 years of development and see the roll out of a 10-year cultural strategy. Total investment costs are £115k, with £65k being provided through the MTFP and a further £50k from the D&E Driving Growth reserve.
- Town centre support – this is a 12-month programme to bring approximately 10 empty retail premises back into use through a partnership with the Meanwhile Foundation. The initial proposal is for this to be a Pilot focussed on Weston Town Centre which could be rolled out across the district if successful. Alternative funding options and delivery models will be also explored including town councils, sponsorship, grant funding s106 etc. to sustain the approach.
- Community engagement and consultation - additional costs to deliver engagement such as; residents surveys, co-working events, online platforms, literature.

An analysis of the £11.966m of growth included within the draft budget for next year is shown at Appendix 1, and these values have been allocated across the relevant directorate budget headings.

It should be noted that the emerging climate change agenda remains a priority area for the Executive and investment totalling £140k has already been approved within the budget monitoring report presented to the Executive at its meeting in October 2019.

### 3.3 Introduction of Financial Strategies and Commissioning Plans

Budget reports over recent years have shown that the council has faced many difficult decisions as it has been necessary to re-base budgets and re-direct resources in order to fund costs associated with the increased levels of demand for services, as well as the increased costs of core contracts, most notably in areas such as adults and children's social care, home to schools transport and waste. This has occurred at the same time as receiving continued reductions in funding from the government.

During this period resources have focused on retaining and protecting front-line services wherever possible, and this has largely been achieved by a targeted financial strategy which included the following core components;

- continuing to build an affordable, safe, social care business model through the creation and development of 'cost and volume' models to underpin financial allocations, with projected numbers of clients and prices of care packages;
- transformational programme activity such as introducing new social care visions for adults and children's services, introducing projects to review and reduce demand levels, transforming our social care processes, providing social care accommodation solutions that are both more cost effective and promote independence, increasing digital solutions for customer interactions and community involvement, and introducing more efficient contracts and commissioning arrangements, partnership working for transactional and customer services and reducing management overheads;
- developing sustainable, local income streams through delivering structured economic, business and housing growth, as well as through the introduction of a commercial investment programme which was designed to generate financial returns following the strategic acquisition of property.

Previous reports have shown that the council has already successfully delivered significant budget reductions since 2010. Over recent months the Executive, along with the Corporate and Directorate Leadership Teams (CLT, and DLT), have continued to work on closing the budget gap for the 2020/21 financial year, and across the remaining period of the MTFP. This work builds on the clear strategy developed over recent years, along with further increasing income into the budget in a targeted way.

It is anticipated that this approach will realign resource sufficiently to retain and protect front-line services, including the increased demand for core services, whilst also facilitating new investment priorities wherever possible. The Executive would like to protect existing front-line services from direct cuts in service levels across the MTFP period wherever possible, and it is expected that this objective will be largely delivered in 2020/21.

The information provided below sets out the draft savings strategies and proposals that will be considered within each area of the council's budget, and a schedule of the draft proposals is included at Appendix 2. Each of the proposals will be supported by an Equality Impact Assessment to enable the council to understand their impact and mitigate any potential inequalities. Further information is provided in section 9 of the report.

### **3.3.1 People and Communities commissioning proposals**

#### **Adults**

The Adult Social Care vision for Maximising Independence and Wellbeing is the cornerstone of the current and future approach to service provision and funding and is informing the 2020/21 investment and savings programme. The main elements of the 2020/21 programme are as follows:

- Bringing forward additional alternative care accommodation solutions that are more cost effective and increase independence when compared, for example, to residential care, including Extra Care Housing, Supported Living and Shared Lives
- Undertaking timely reviews of care assessments and Direct Payment arrangements to ensure that they continue to reflect needs, take opportunities to maximise independence and make the best use of assistive technology
- Ensure income from health partners represents a fair and appropriate contribution, as required by legislation
- Implementing changes to procedural arrangements for non-residential financial assessments, which will result in increases to client contributions

#### **Children's Services**

The Children's Transformation Programme is being designed to address some of the challenges within Children's Services. A Programme Board is in place and has identified the following work streams, with detailed scoping work underway:

- Visioning;
- Culture and Workforce
- Early Intervention; and
- Commissioning, governance and financial management

There will be a continued focus on the Residential Step Down project, which is designed to "step down" appropriate young people from high cost residential care into foster care or a family-based care, more suited to their individual current needs.

The completion of the procurement of housing with support services for young people aged 16-25 will provide more appropriate and effective opportunities for looked after children approaching 18 and care leavers.

The focussed Edge of Care Social Impact Bond (SIB) initiative, designed at working closely with appropriate individuals to avoid them coming into care will continue. Analysis indicates that the number of children aged 10 and over coming into care under Section 20 of the Children Act 1989 has reduced by around 55% when compared with 2016/17.

A further area of focus will be the arrangements for approving and supporting foster carers, in order to improve recruitment and retention, and minimise the need to use independent foster care agencies.

#### **Public Health**

The ring-fenced Public Health grant continues to fund key public health services to support the health of North Somerset's population. Whilst the grant is not reducing in 2020/21, pressures

relating to inflation, contracts and reduced income will require use of the public health reserve to facilitate a seamless transition during service redesign.

### **3.3.2 Development & Environment commissioning proposals**

The proposals for 2020/21 will remain focused on protecting core front line services and also support delivery of the emerging Corporate Plan priorities (open, fairer, greener), underpinning the delivery of the Climate Emergency Strategy and associated action plan for example.

The most significant proposal within D&E for next year is the change to garden waste services, which supports the climate change agenda and the council's ongoing financial challenge.

The proposal to implement garden waste collection charges is one that is not being taken lightly. This proposal arises from the need to reduce the cost of council services where possible to enable continued delivery of statutory services that support the most vulnerable. The garden waste service has been identified as non-statutory and something that householders have a choice about opting into. Alternative ways to dispose of garden waste include home composting (the most environmentally beneficial way) and using a household waste and recycling centre.

Implementing garden waste collection charges offers an opportunity to promote home composting as a free alternative to the garden waste collection. The council wants as many households as possible to shift to home composting and to incentivise reductions in the amount of garden waste produced for collection. To facilitate this, it is proposed that the charges made for garden waste collection will support the home composting initiative.

Another significant environmental initiative is the roll out of LED street lighting. This capital programme will be delivered over the next financial year and will lead to a significant reduction in energy usage and in turn the costs of running this service.

As part of the process to review parking in North Somerset, there are proposals to implement parking measures to improve the management of spaces and turnover to benefit all users. Proposals include changes to existing parking fees both on and off-street and to introduce new parking controls both on and off-street in various locations including new pay and display charges. Proposals to reduce the number of pay and display machines and promote mobile app services are also included to align with the Council's cashless strategy.

The proposals above will deliver a reduction in carbon emissions, underpinning the climate emergency strategy, as well as contributing to the council's financial agenda.

Other continuing proposals focus on maintaining current staff vacancies where feasible, and/or taking opportunities to fund posts in different ways, such as through income, capital projects or grants, and reviewing contracts and services for further efficiencies.

### **3.3.3 Corporate Services proposals**

The 2020/21 budget setting process will build upon the councils' overarching financial principles of building sustainable income streams, reviewing spending patterns and implementing further changes to staffing structures through the maximisation of opportunities, transformation and consolidation as well as reviewing services provided by partners through contracts. Further details are provided below:

- Proposed changes delivered through the support services contract include value for money reviews, analysing the council's related asset base and maximising the Microsoft storage facilities.
- There will also be savings linked to transformational projects and initiatives which support the digital journey to cash-less and paper-less transactions. It is recognised that the council needs to keep up with progress and deliver services that their communities want and expect in today's society and this includes things such as reducing the need for cash collection services as customers increasingly pay for parking using digital apps or online mechanisms. The council will also review its current arrangements for contacting residents, challenging areas of significant postage activity when other digital options are available. Clearly the needs of residents will continue to come first and so any changes will be phased in after reviews and assessments have been undertaken.
- The council will continue to try and generate increased rental income from its assets and also seek to explore and build on new trading opportunities which deliver professional services to other organisations.
- There are some small proposed changes to staffing alongside a review of funding either through charges to the capital programme or the use of external funding sources. In non-staffing areas contract efficiencies will be leveraged wherever possible.
- The proposals also include the introduction of a staff buy-back of leave scheme. The scheme, which is currently being developed, would include an option to allow staff to purchase additional leave over and above their usual annual entitlement. Full details will be shared and consulted upon in due course although business need and delivery of core services would remain a key consideration. This supports the council's aim of recruiting and retaining an excellent staff base.

### **3.3.4 New proposals for 2021/22 and beyond**

Whilst some initial work has been undertaken for meeting the financial challenges for the period 2021/22 onwards, further detailed work continues. This will require a continued focus on maximising independence for vulnerable adults, early intervention and support for families and young people, encouraging active and healthy lifestyles for everyone, service redesign, leveraging benefit from the council's asset base and emerging technology and systems and exploring opportunities for joint working with partners.

## **3.4 Proposed areas of change**

### **3.4.1 Council tax support scheme**

Para 3.2 referred to the growth proposal around the council tax support scheme (CTSS). This is where working-age residents on low incomes currently contribute 27.5% towards their council tax liability. There is no intention to change the construct of the scheme however it is proposed to reduce the threshold by 3% to 24.5%, which would require residents on low income to pay less towards their council tax. Calculations indicate that this would impact approx 7,000 residents who would each pay an average of £52 p.a. less, based on the average Band D property.

Public consultation on the proposed change took place between 4 and 29 November 2019, and the responses are currently being analysed. Further information will be provided in the formal CTSS update report to Council in January 2020, as councils are required to review and formally adopt

their local scheme annually by 31 January, enabling implementation on 1 April. This supports one of the emerging corporate plan aims of reducing inequality.

### 3.4.2 Empty homes premium

The draft financial plans for next year include the implementation of a policy change which would allow the council to charge a council tax premium to owners of empty homes. This proposal supports the governments initiative to empower councils to reduce empty homes within their areas by way of a financial charge. If approved the council would receive additional council tax income for these properties until such time as the property is reoccupied. It is hoped that this will reduce the number of empty homes and therefore provide additional housing.

### 3.5 Proposed MTFP summary for consultation

As noted earlier current modelling has taken into account the need to re-base budgets, fund inflationary rises, redirect resources to fund the anticipated increases in costs associated with demand-led social care related services, and also incorporate investment in new priority areas. Shown in Figure 2 below is a revised summary of the council’s financial planning position having incorporated all of the draft proposals described previously.

<b>MTFP SUMMARY - Update Dec 2019</b>	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
- Resources	153,976	160,595	159,728	163,174	166,903
- Base Spending Position	153,259	153,976	160,595	159,728	163,174
- Budget Pressures / Growth	11,570	11,966	11,158	9,681	9,838
- Savings Proposals / Grant Income	-10,854	-5,323	-3,364	-1,865	-930
<b>- Revised Spending Base</b>	<b>153,975</b>	<b>160,619</b>	<b>168,389</b>	<b>167,544</b>	<b>172,082</b>
- Budget Gap	0	24	8,661	4,370	5,178
			18,233		
- Council Tax Assumptions;					
- Council Tax Increase	2.75%	1.99%	1.99%	1.99%	1.99%
- Adult Social Care Precept	0.00%	2.00%	0.00%	0.00%	0.00%

As a result of the proposed changes outlined in this report, the latest financial summary shows that the council has almost achieved a balanced budget position for next year, with a small revised budget gap of just £24k for 2020/21.

Significant budget gaps remain in later years, highlighting the need for additional resources and further saving plans to balance the budget from 2021/22 onwards.

### 3.6 Next Steps

Officers continue to work on ensuring that the MTFP and component parts of the draft budget are robust and accurately reflect the latest forecasts, information and underlying assumptions. To this end the council's draft budget will need to be updated to reflect changes in the following areas;

- **Changes in Resources** – as usual the projected income levels relating to council tax, business rates and government grants will continue to be reviewed and updated throughout December and early January. It is anticipated that forecasts will change from their current MTFP levels as more information is known and calculations are finalised, and any changes will impact on the budget gap for next year;
  - Government funding – although the council received some funding information earlier in the year as part of the Spending Round, it is not yet known when the provisional local government finance settlement will be formally announced. This Settlement will usually confirm details and values for grants such as the general Revenue Support, New Homes Bonus, Business Rates top-up funding, as well as funding for priority services, for example, Adult Social Care.
  - Council tax, property growth – the amount of income included within the budget will be calculated using the council tax base, this being the projected number of Band D properties within the area, taking into account rises for demographic growth and housing trajectory changes. It is anticipated that the tax base will have been calculated and agreed during December and an update included within the January 2020 council report. It should be noted that monitoring in the current year does reflect the negative impacts brought about as a result of delays in the delivery of housing completions, this would have a negative impact on the council's budget projections should this remain unchanged.
  - Council tax, policy changes - the council tax income forecasts used within the modelling are reflective of current policies on discounts and reliefs, although there are 2 proposed changes included within the draft budget which would amend the amount of income that can be generated. Once approved the council tax income levels will be adjusted and re-presented.
  - Business rate income – economic growth remains one of the council's key priorities as we recognise the value of building a sustainable local income stream. Work is currently underway to review and update our assessment of new growth expected for next year, and details will be included within the January 2020 council report. It should be noted that the financial assumptions in respect of business rate income are based upon the current retention rate of 49% being attributable to the council.
- **Changes in demand levels** – the current growth allocations reflected within the draft budget for next year are based upon the last projections of demand for our services. This will remain under review using the monthly budget monitoring reports and any emerging trends.
- **Changes in underlying data or assumptions** – some elements of growth for next year are based upon external factors or information, such as inflation related indices or indications relating to pay awards, should any of these materially change from current projections, then the budget would need to be adjusted.

- **Changes in directorate proposals** – as noted in para 3.3. above, the draft budget presented within this report contains details of the draft proposals for next year, all of which will be subject to consultation and scrutiny. Should any of these proposals plans be changed or removed, this would impact on the council’s overall budget projections.
- **Changes linked to capital and asset strategy** – the capital programme is currently being developed and any revenue implications arising from these plans will be incorporated into the final MTFP in February 2020.

Key milestones over the coming months, prior to the formal budget setting in February 2020, are:

- *Report to Executive, January 2020 – revise and update the medium term financial forecasts, and present a draft budget subject to consultation. This will incorporate the proposals that are required to close the gap and ensure delivery of a 2020/21 balanced budget; summary Equality Impact Assessments (EIAs);*
- Report to Council, January 2020 – update on resources impact of the provisional local government finance settlement, business rate forecast (NNDR1 return), and council tax base for 2020/21;
- January 2020 – Further consultation and scrutiny, including publication of EIAs and specific consultation with affected groups
- Report to Executive, February 2020 – recommend balanced revenue and capital budgets for 2020/21 to Council; all summary and full Equality Impact Assessments; consideration of alternative budgets;
- Report to Executive, February 2020 – recommend capital and treasury management strategies for 2020/21 to Council; this ensures that all component parts of the council’s financial strategies, approvals, limits and implications for the year ahead are co-ordinated and integrated.
- Report to Council, February 2020 – Approval of 2020/21 revenue and capital budgets and council tax levels and bandings

### **3.7 Alternative Budgets**

As is the current practice the Executive will consider alternative revenue budget proposals which are put forward by opposition groups. It is proposed that these are presented at the Council meeting in January 2020, so that all Members can note the details and the Executive can consider whether they wish to incorporate any items within the final draft budget to be presented at its meeting in February 2020.

### **3.8 Schools Budget Update**

The Council, through 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 is c.£160m but is paid to the Council minus deductions (“recoupment”) for academies. The current DSG is as follows:

<b>Block</b>	<b>Total DSG</b>	<b>Deductions *</b>	<b>DSG payable to NSC</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	
<b>Schools</b>	122.519	-108.627	13.892	Formula driven funding for individual schools, including academies
<b>Early Years</b>	11.296	0	11.296	Formula driven funding for individual providers
<b>High Needs</b>	23.867	-3.374	20.493	Special Schools place funding, SEND top-up funding, out of area placements, AP/PRU and tuition service
<b>Central</b>	2.115	0	2.115	Admissions, funding, prudential borrowing, etc.
<b>TOTAL</b>	<b>159.797</b>	<b>-112.001</b>	<b>47.796</b>	

Each year, 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.

The schools block of the DSG is expected to increase by in excess of £6m in 2020/21, particularly to allow the implementation of the Government's promised minimum funding per pupil of £3,740 for primary schools and £5,000 for secondary schools. Funding in the High Needs Block is expected to rise by around £2m.

The budget setting process has identified that, despite an increase in funding in the High Needs Block of the DSG from central government, it is unlikely that there will be sufficient funding to meet existing demands, particularly in relation to out of authority placements and top-up funding. At the time of writing, a consultation is underway with schools to determine how much (if any) funding is likely to be transferred from the Schools Block of the DSG to the High Needs block of the DSG – options included in the consultation include transfers of 0.5% (c. £600k), 0.7% (c. £900k) and £1.2% (c.£1.5m). Any proposed transfers in excess of 0.5% will require the approval of the Secretary of State for Education via the disapplication process.

The Council believes that the most likely outcome is a 0.7% transfer to the High Needs Block, which would consist of c.£650k to contribute to increases in demand and c. £250k to deliver additional early intervention and re-engagement services to keep young people in mainstream schools for longer.

Given the significant additional pressures in the High Needs Block, it is not anticipated that the DSG deficit (projected to be c.£3.6m by the end of 2019/20) will reduce in the short term. Medium term plans are in place to increase the provision of local special school places and resource units, which will mitigate future increases, but further significant increases in funding from central government will be required if the deficit is to reduce.

Also of note is the Government's consultation on the treatment of DSG deficits. The consultation, which ran from 11 October to 15 November 2019, intended to clarify the ring-fenced status of the DSG. The consultation essentially states that it is the Government's intention that DSG deficits should not be covered from Councils' general funds, but that, over time, they should be recovered from DSG income. As its reasoning, it refers, in particular, to the risk that covering DSG deficits from general funds may lead authorities to make spending reductions in other services that they would not otherwise make.

The consultation also refers to the additional funding that is planned for the DSG (including the High Needs Block) for the next three years, stating that the additional funding will help many authorities to bring their DSG accounts into balance, although it accepts that a number of authorities will already have substantial deficits at the end of 2019/20 and will not be able to recover them immediately.

Whilst this represents welcome clarification that the Council should not use its general funding to support spending in the high needs block of the DSG, it does not recognise the additional demands being placed on Home to School transport budgets, which do form part of the Council's general funding. The outcome of the consultation has yet to be announced.

The Council will need to revisit its DSG deficit recovery plan to take into account increases in funding in the DSG, future movements from the schools' block, and the impacts of increases in demand for, and supply of special school places. As stated above, given the significant increase in demand, the Council does not expect the DSG deficit to reduce in the short term.

The timetable for the setting of the Schools Budget covered by the DSG is as follows:

<b>Key Dates</b>	<b>Details</b>
13 <sup>th</sup> November to 27 <sup>th</sup> November 2019	Schools Formula Consultation period
28 <sup>th</sup> November 2019	Disapplication deadline for movements from schools block to another block
4 <sup>th</sup> December 2019	Proposals considered by the Strategic Schools Forum and the initial budget and provisional schools funding for 2020-21
Late December 2019	ESFA confirms DSG allocations for 2020-21 (prior to recouplement of funding for academies)
December/January 2019/2020	Formula funding for schools updated to reflect on October 2019 data set and 2020-21 DSG
15 <sup>th</sup> January 2020	The SSF finalise formula and budget for 2020-21, including Early Years and High Needs
21 <sup>st</sup> January 2020	The single proforma deadline for submitting to the EFA detailing structure of formula and unit values
5 February and 18 February	Executive and Council approval of schools budget
By 29 <sup>th</sup> February	Delegated budget shares for 2020-21 issued to schools

#### **4. CONSULTATION**

Consultation on the draft MTFP will proceed including a consultation document on the website, which aims to inform residents and partners about the services the council offers, its spending and funding sources as well the financial challenge and will seek their views. In addition to this the proposals will also be scrutinised by Member panels and also other key stakeholders such as local business, partner organisations and other groups such as the equality related forums.

#### **5. FINANCIAL IMPLICATIONS**

Financial implications are contained throughout the report.

## **6. LEGAL POWERS AND IMPLICATIONS**

The Local Government Act 1972 lays down the fundamental principle by providing that every local authority shall make arrangements for the proper administration of their financial affairs, although further details and requirements are contained within related legislation. The setting of the council's budget for the forthcoming year is an integral part of the financial administration process.

## **7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

As indicated in the report climate change and environmental benefits will flow both directly and indirectly from the proposals being put forward for consultation.

## **8. RISK MANAGEMENT**

In setting the revenue and capital budgets, the council takes full account of the known key financial risks that may affect its plans. At this time the most significant financial risks are either being explicitly provided for in the base budget, are offset by either the unallocated contingency budget or covered by the Financial Risk Reserve and working balances, in addition some continuing issues are being built into future plans for 2020/21 onwards.

The uncertainty of local government finance particularly with regards to proposed changes to business rate retention, social care funding levels and a national fair funding review, combined with the wider economic conditions and continued short-term nature of funding settlements, does attract a high degree of risk in terms of financial planning. However, it is important to recognise that the Corporate Plan and MTFP are vital tools to help align effort across the organisation to ensure that services are focused on delivery to agreed community and organisational priorities.

In addition, officers will continue to test the impact of varying key assumptions in the medium-term financial strategy to assess the sensitivity of the indicative budget figures. This informs decisions about the level of working balances needed to provide assurance as to the robustness of the budget estimates.

An MTFP risk register is continually updated which reflects the most significant areas of the council's financial planning, although at this time some of the most significant risks are shown in Appendix 3.

## **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 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 2010 (Section 149) sets out public sector duties, the general duties are to have due regard to the need to:

- 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.

A draft EIA for each budget proposal has been prepared and will be available on the attached link from 19 December 2019: [www.n-somerset.gov.uk/eia2020](http://www.n-somerset.gov.uk/eia2020).

If you have any comments or questions in relation to the EIAs please contact Louise Roberts, Equality and Diversity Manager: [louise.roberts@n-somerset.gov.uk](mailto:louise.roberts@n-somerset.gov.uk).

Following consultation the final EIAs will be circulated alongside a report on the cumulative impact of the financial plans, and this will be incorporated within MTFP report to the Executive in February 2020.

## **10. CORPORATE IMPLICATIONS**

The Corporate Plan and MTFP are vital tools to help align effort across the organisation and ensure that services are all are focused on delivery to agreed community and organisational priorities. With continuing financial pressures and demands for services, it is essential that the councils' limited resources continue to be prioritised and allocated in line with the identified priorities.

## **11. OPTIONS CONSIDERED**

The council is required to formally approve a revenue and capital budget for 2020/21. This could be undertaken as a stand-alone annual process, however planning will continue to focus on a 4-year funding horizon and MTFP period which sets the context in which annual budgets are set.

## **AUTHOR**

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## **BACKGROUND PAPERS**

MTFP & 2018/19 Budget Setting Reports (Executive & Council – February 2019)  
MTFP 2019/20 Report (Executive, September 2019)  
Budget Monitoring Reports (Executive – June-October 2019)  
Spending Round 2019, HM Treasury, September 2019

## **APPENDICES**

Appendix 1	Draft Budget, by Directorate for 2020/21
Appendix 2	Draft Savings Proposals
Appendix 3	Risk Register Extract

## APPENDIX 1

	MTFP BUDGET SUMMARY													
	2020/21 BUDGET MOVEMENTS BY DIRECTORATE										TOTAL GROWTH 2020/21 £000	MTFP FUTURE YEARS		
	Adult Services £000	Children's Services £000	Housing Services £000	Public Heath £000	Dev & Environment £000	Corporate Services £000	Capital Financing £000	Non Services £000	All / Other £000	Resource s £000		2021/22 £000	2022/23 £000	2023/24 £000
<b>NET BASE BUDGET 2019:20</b>														
North Somerset Council Services	65,840	28,929	1,646	0	36,138	6,762	11,221	3,440	0	0	153,976			
Town and Parish Precepts	0	0	0	0	0	0	0	4,852	0	0	4,852			
<b>TOTAL NET BUDGET</b>	<b>65,840</b>	<b>28,929</b>	<b>1,646</b>	<b>0</b>	<b>36,138</b>	<b>6,762</b>	<b>11,221</b>	<b>8,292</b>	<b>0</b>	<b>0</b>	<b>158,828</b>			
<b>Core Budget Pressures</b>														
Pay and Pensions	172	237	25	0	215	226	0	0	745	0	1,620	1,813	1,852	1,886
Adult Social Care	5,440	0	0	0	0	0	0	0	0	0	5,440	5,343	3,980	4,055
Children's Services	0	1,675	0	0	0	0	0	0	0	0	1,675	510	445	500
Public Health	0	0	0	430	0	0	0	0	0	0	430	0	0	0
Development & Environment	0	0	0	0	900	0	0	0	0	0	900	1,000	600	600
Corporate Services	0	0	0	0	0	1,156	0	0	0	0	1,156	824	881	1,297
Other - Energy infl, Demand etc	0	0	0	0	0	0	0	0	0	0	0	1,953	1,948	1,500
	5,612	1,912	25	430	1,115	1,382	0	0	745	0	11,221	11,443	9,706	9,838
<b>Ongoing Investment</b>														
Council tax support scheme	0	0	0	0	0	0	0	0	0	240	240	0	0	0
Foster carers support	0	70	0	0	0	0	0	0	0	0	70	0	0	0
Early intervention and prevention	0	105	0	0	0	0	0	0	0	0	105	0	0	0
Ofsted transformation support	0	20	0	0	0	0	0	0	0	0	20	0	0	0
	0	195	0	0	0	0	0	0	0	240	435	0	0	0
<b>One-off Investment</b>														
Weston parking charges	0	0	0	0	100	0	0	0	0	0	100	-100	0	0
Cultural strategy implementation	0	0	0	0	40	0	0	0	0	0	40	-15	-25	0
Town centre support	0	0	0	0	120	0	0	0	0	0	120	-120	0	0
Engagement and consultation	0	0	0	0	0	50	0	0	0	0	50	-50	0	0
	0	0	0	0	260	50	0	0	0	0	310	-285	-25	0
<b>Sub total - GROWTH</b>	<b>5,612</b>	<b>2,107</b>	<b>25</b>	<b>430</b>	<b>1,375</b>	<b>1,432</b>	<b>0</b>	<b>0</b>	<b>745</b>	<b>240</b>	<b>11,966</b>	<b>11,158</b>	<b>9,681</b>	<b>9,838</b>
<b>Sub total - SAVINGS PLANS</b>	<b>-1,740</b>	<b>-403</b>	<b>-60</b>	<b>-430</b>	<b>-1,487</b>	<b>-703</b>	<b>-400</b>	<b>0</b>	<b>0</b>	<b>-100</b>	<b>-5,323</b>	<b>-3,364</b>	<b>-1,865</b>	<b>-930</b>
<b>Sub total - RESOURCES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6,619</b>	<b>-6,619</b>	<b>867</b>	<b>-3,446</b>	<b>-3,730</b>
<b>TOTAL BUDGET MOVEMENTS (£)</b>	<b>3,872</b>	<b>1,704</b>	<b>-35</b>	<b>0</b>	<b>-112</b>	<b>729</b>	<b>-400</b>	<b>0</b>	<b>745</b>	<b>-6,479</b>	<b>24</b>	<b>8,661</b>	<b>4,370</b>	<b>5,178</b>

## APPENDIX 2

MTFP SAVINGS PROPOSALS - DECEMBER 2019							
Dir	Dir Ref	Exec Member	MTFP Savings Proposals	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
CORP	CORP S1	Ash Cartman	Annual uplift to fees and charges to cover inflationary cost of services	-380	-380	-380	-380
CSD	CSD S1	Ash Cartman	Support Services contract - value for money service reviews	-30	-80	-40	0
CSD	CSD S4	Ash Cartman	Support Services contract - ICT asset review	-10	-10	-5	0
CSD	CSD S6	Ash Cartman	Support Services contract - reductions agreed in 2015	-80	-80	0	0
CSD	CSD S7	Ash Cartman	Increase in trading opportunities	-20	-20	-20	0
CSD	CSD S8	Ash Cartman	Transformation - Paperless journey - reduce postage costs	-20	-20	-10	0
CSD	CSD S9.1	Ash Cartman	Transformation - Cashless journey - reduce cash collection costs	-38	-14	0	0
CSD	CSD S9.2	Ash Cartman	Transformation - Cashless journey - reduce giro fees	-23	0	0	0
CSD	CSD S10	Ash Cartman	Office Accommodation income	-30	-70	-300	0
CSD	CSD S14	Ash Cartman	Internal audit contract reductions	-10	-20	-20	0
CSD	CSD S15	Ash Cartman	Introduce Empty Homes Premium	-100	20	40	0
CSD	CSD S17	Ash Cartman	Review of capital recharges, linked to Programme and Asset Review	-150	0	0	0
CSD	CSD S19	Ash Cartman	Reduce frequency of NS Life printed editions - Digital journey	-30	0	0	0
CSD	CSD S20	Ash Cartman	Increase in income from Legal & Democratic Services	-30	0	0	0
CSD	CSD S21	Ash Cartman	Reduction in Chairman's budget	-7	0	0	0
CSD	CSD S22	Don Davies	Introduce leave buy-back scheme	-30	0	0	0
CSD	CSD S23	Don Davies	Community Safety Budget efficiencies	-10	0	0	0
CSD	CSD S26	Ash Cartman	PA support team service review - Digital journey	-15	0	0	0
CSD	CSD S27	Ash Cartman	Increase in investment interest and reduction in capital costs	-400	0	0	0
CSD	CSD S28	Ash Cartman	Reduction in former employee pension costs	-30	0	0	0
CSD	CSD S29	Ash Cartman	Reduction in insurance premiums (subject to procurement)	-60	0	0	0
CSD	CSD S30	Ash Cartman	Use of S38 highways income to fund staffing cost	-60	0	0	0
D&E	DE1	Don Davies	Concessionary Fares-reduced patronage	-50	0	0	0
D&E	DE2	All D&E	D&E Staffing Review	-100	-100	0	0
D&E	DE3	Caritas Charles	Events programme to become cost neutral or minimal support	-25	-65	0	0
D&E	DE6	Bridget Petty	Additional income in Regulatory Services	-50	0	0	0
D&E	DE7	James Tonkin	Introduce break-even policy for Building Control	-30	-20	0	0
D&E	DE8	Bridget Petty	Introduce garden waste charging	-450	-450	0	0
D&E	DE10	Mark Canniford	Parking review	-150	-150	-150	-100
D&E	DE11	Don Davies	Review Community Transport services	-5	-15	0	0
D&E	DE12	Don Davies	Reduce Supported Bus services subsidy	-50	0	0	0
D&E	DE14	Ash Cartman	Review consultant spend and contractual agreements	-50	0	0	0
D&E	DE17	Don Davies/ Catherine Gibbons	Revisit safe Home To Schools Transport routes	-50	-50	-100	-100
D&E	DE18	James Tonkin	Safer roads initiatives (additional sites meeting relevant criteria)	-20	-30	0	0
D&E	DE19	Caritas Charles/ Mark Canniford	Seafront concessions - additional income / review model of service	-50	-50	-40	0
D&E	DE20	James Tonkin	Street Lighting- reduction in utility costs due to rollout of LED	-300	0	0	0
D&E	DE21	Bridget Petty	Toilets- reduction in running costs	-5	-5	0	0

## APPENDIX 2

MTFP SAVINGS PROPOSALS - DECEMBER 2019							
Dir	Dir Ref	Exec Member	MTFP Savings Proposals	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
PCA	PCA1	Mike Bell	Efficiencies from consolidation of joint finances	-200	0	0	0
PCA	PCA2	Mike Bell	Closure of Castlewood Staff Canteen	-20	0	0	0
PCA	PCA3	Mike Bell	Re-procurement of Health Watch contract	-50	0	0	0
PCA	PCA4	Mike Bell	Supporting People - Restructuring of Housing with Support contracts	-50	0	0	0
PCA	PCA5	Mike Bell	Adults Continuing Health Care contributions	-175	-175	0	0
PCA	PCA6	Mike Bell	Reduced use of home-care pending beds following building of domicillary care	-50	0	0	0
PCA	PCA7	Mike Bell	Reduced residential placements following increased Shared Lives capacity	-180	-180	0	0
PCA	PCA8	Mike Bell	Reduced residential placements following new / increased Extra Care capacity	-225	-200	0	-250
PCA	PCA9	Mike Bell	Reduced residential placements following new Supported Living schemes	-100	-100	-100	-100
PCA	PCA10	Mike Bell	Review of adult social care and support packages	-200	-50	0	0
PCA	PCA11	Mike Bell	Review of Direct Payments for adult social care and support	-100	-50	0	0
PCA	PCA12	Mike Bell	Changes to Adult Care non-residential Financial Assessments	-150	-50	0	0
PCC	PCC1	Catherine Gibbons	Completion of more Parenting Assessments in-house	-5	0	0	0
PCC	PCC2	Catherine Gibbons	Children's Continuing Care / Health Contributions	-125	-125	0	0
PCC	PCC3	Catherine Gibbons	Children's Residential Step Down	-200	0	0	0
PCC	PCC5	Catherine Gibbons	Increase the number of In-house foster placements	-60	-40	0	0
PCH	PCH1	Don Davies	Housing efficiencies	-55	0	0	0
PCPH	PH1	Mike Bell	Review of Public Health 2019/20 growth funded projects	-100	0	0	0
PCPH	PH2	Mike Bell	Temporary use of public health reserve	-180	0	0	0
PCPH	PH4	Mike Bell	Reduce expenditure on the drug and alcohol misuse contract	-150	0	0	0
All	Various	Various	Other savings proposals, to be delivered from 2021/22 (para 3.3.4)	0	-785	-740	0
<b>TOTAL - SAVINGS PLANS</b>				<b>-5,323</b>	<b>-3,364</b>	<b>-1,865</b>	<b>-930</b>

## APPENDIX 3

### MTFP RISK REGISTER

	Risk area	Initial Risk Score			Potential mitigation	Risk Score After Mitigation		
		P	I	S		P	I	S
1	Legacy overspending through not delivering a balanced budget in 2019/20	4	4	16	Month 7 budget monitor shows a projected net over spend of £1.1m. The 2020/21 draft budget has allocated growth to key areas of ongoing pressure meaning that there is a low probability that adverse variances will continue into future years.	3	3	9
2	Unable to achieve financial savings in all areas of the council's budget	4	4	16	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.	3	4	12
3	Unable to mitigate budget demand pressures within social care and other related areas, such as Home to Schools Transport	4	4	16	Cost & volume has been incorporated into the monitoring processes along with indicative growth for core demand in future years, which reflects demographic and demand growth.	4	3	12
4	Unable to deliver the Housing and economic growth required to deliver forecasted income streams	4	5	20	Strong partnership working with partners, incl the Homes and Communities Agency, along with increased place-making and development aspirations will help support delivery of housing growth. Direct intervention using council resources to influence the local economy will help to sustain and build business rate growth.	4	4	16
5	Uncertainties in funding for Adult Social Care in future years and potential implications arising from the Green Paper	3	4	12	Prudent assumptions have been reflected within the MTFP about the extent to which increases in adult social care funding will be sustained. Any changes to the way in which adult social care is funded will need to be modelled at a national and local level once any proposals are announced.	3	3	9
6	Financial stability of adult social care providers	3	5	15	The council will continue to annual uplift fees to providers taking into account increases in costs, whilst maintaining affordability for the council	3	4	12
7	Changing market conditions for major contracts could lead to a changed risk profile	4	4	16	Clarity and flexibility in the council's contracting processes, exploring different delivery models, monitoring of contract performance, ability to renegotiate terms and conditions as a last resort.	3	4	12
8	Uncertainties in future funding levels following changes to local government finance arrangements, including Fair Funding Review, and transition to 75% Business Rate Retention	5	4	20	The council has submitted responses to all government consultations to ensure the needs of council are shared and can be reflected within future changes where possible. Financial modelling will be undertaken as soon as further information is released and fed into the MTFP and monitoring processes.	5	4	20

### APPENDIX 3

9	Impact of more frequent and impactful weather conditions	4	3	12	Repairs and maintenance programme focused on asset management approach. Renewed emphasis on climate change in all policies and decisions. Greater emphasis on early intervention.	3	3	9
10	Inability to reduce the Dedicated Schools Grant deficit in the short term	5	5	25	Increased funding from central government is planned over the next 3 years and additional local special provision is also planned. However, this is unlikely to reduce the deficit in the short term. Government consultation indicates that the deficit will no longer need to be covered by the General Fund.	5	2	10
11	Availability of one-off revenue resources to mitigate risk, and fund investment in key priorities	3	4	12	Retain a 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.	3	3	9

Key;

- P: probability
- I: impact
- S: score