

North Somerset Council

Report to the Executive

Date of Meeting: 11 February 2021

Subject of Report: MTFP Update & Revenue Budget 2021/22

Town or Parish: All

Officer/Member Presenting: Ashley Cartman, Executive Member for Finance & Performance

Key Decision: Yes

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

Recommendations

The Executive is asked to:

- i. Note the updated revenue and capital budget forecasts in respect of the 2020/21 financial year as detailed within section 3.1 of the report;
- ii. Note the Equality Impact Assessment report attached at Appendix 6, and familiarise themselves with the published Equality Impact Assessments (EIAs) that underpin the 2021/22 budget savings plans;
- iii. Note the statement of the Chief Finance Officer on the adequacy of reserves and the robustness of the budget as detailed in section 3.10 of the report;
- iv. Recommend to Council a revenue budget for 2021/22 for approval as detailed within this report;
- v. Recommend that Council approve a council tax increase of 1.99% for 2021/22;
- vi. Recommend that Council approve an adult social care precept of 3% on the council tax for 2021/22
- vii. Approve the required changes to staffing schedules where specific provision has been included within the MTFP growth allocations
- viii. Approve a working capital loan facility to be arranged with North Somerset Environment Company as detailed in section 3.12 of the report and to delegate authority to the Director of Place, in consultation with the Director of Corporate Services to agree the amount and terms of the loan.

1. Summary of Report

Reports have been presented to the Executive over recent months, which have provided updates on the council's financial planning assumptions across the period of the Medium Term Financial Plan (MTFP), giving particular focus to the preparation of the detailed revenue budget for the 2021/22 financial year.

The Executive approved a draft budget at the meeting in December 2020 based on information held at that time, which has been subject to consultation and engagement with residents and other stakeholders.

A report to Council on 12th January provided a further update on the council's financial planning, notably advising of the details contained within the provisional Local Government Finance Settlement and the specific grant funding allocations which North Somerset can expect to receive next year.

The report also provided an overview of proposed investments in priority areas which the Executive would like to focus upon, which aim to deliver tangible benefits to many residents through improving local amenities and access to them, and also to businesses and the wider community through providing targeted support and facilitating recovery plans.

This report finalises the MTFP planning assumptions and recommends a final revenue budget to Council for 2021/22 in readiness for setting the council tax charges for the year ahead.

2. Policy

The MTFP is a core strategic document that supports the delivery of the council's Corporate Plan which outlines the key priorities for residents and businesses within our communities. 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 process and incorporates a range of financial strategies to address these.

There is a legal requirement to produce a robust revenue budget for the 2021/22 financial year along with relevant council tax bandings and rates, and these will be recommended for approval by Council in February 2021.

3. Details

3.1. Update on the 2020/21 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 in Table 1 is an update on the council's revenue budget position for the current financial year using forecasts made at the end of December 2020, with a comparison to the council's previous assessment.

The table is displayed in the council's standard financial monitoring template and depicts the financial position for each of the directorates in turn (prior to the recent council-wide restructure), as well as the aggregated picture for all council services and financing resources. The projected forecasts do contain both Covid and non-Covid impacts.

Table 1: Revenue budget summary for 2020/21 financial year

Revenue Budget Monitoring Summary 2020/21								
	Original Net Revenue Budget £000	Month 7 Forecast			Month 9 Forecast			Movement from Month 7 £000
		Revised Revenue Budget £000	Projected Out-turn £000	Projected Variance £000	Revised Revenue Budget £000	Projected Out-turn £000	Projected Variance £000	
Service Expenditure Budgets								
People & Communities;								
Adult Social Care	68,893	75,100	80,650	5,550	75,460	80,695	5,235	(315)
Children & Young People	30,867	32,144	33,703	1,559	31,784	32,963	1,179	(380)
Housing	1,519	1,532	1,529	(3)	1,486	1,462	(24)	(21)
Schools & DSG	0	0	0	0	0	0	0	0
Sub total - People & Communities	101,279	108,776	115,882	7,106	108,730	115,120	6,390	(716)
Development & Environment	35,414	42,707	48,539	5,832	42,753	45,499	2,746	(3,086)
Corporate Services	7,621	7,816	8,684	868	7,816	9,264	1,448	580
Public Health & Regulatory Services	912	3,708	3,770	62	3,708	3,717	9	(53)
Corporate & Capital Financing	20,844	20,844	21,320	476	20,844	21,267	423	(53)
Total Net Revenue Budget	166,069	183,851	198,195	14,344	183,851	194,867	11,016	(3,328)
General Fund Financing Budgets	(166,069)	(183,851)	(197,010)	(13,159)	(183,851)	(194,860)	(11,009)	2,150
NET REVENUE BUDGET TOTALS	0	(0)	1,186	1,186	(0)	7	7	(1,178)

The table above indicates that the council is broadly reflecting a balanced budget position in the current financial year, which is an improvement from the previous forecast;

- the council has received £17.782m in specific ring-fenced grants during the year – these sums have been allocated directly to service areas and are reflected within their revised revenue budget values (i.e. an increase in the budget from £166.069m original budget to £183.851m being the revised budget).
- In addition to this, the council is forecast to over spend the revised budget by £11.016m in delivering its services to the public, this being as a result of incurring additional expenditure or suffering short-falls in income budgets.
- The council's funding sources are projected to be £11.009m higher than planned, the majority of which relates to allocations of additional un-ringfenced government grants which have been given to fund Covid-related pressures, and movements in reserves.
- The council combined forecast position is therefore a minor net over spend, or shortfall in resources, of **£0.007m (or just £7,000)** at the end of the financial year, assuming current assumptions remain unchanged.
- This is an **improvement of £1.178m** compared to the position reported at the end of Month 7, one of the predominant reasons for this change is the inclusion of forecast income from the government's sales, fees and charges compensation

scheme, which was referred to in our previous reports, although at that time values were uncertain and the status of claims not finalised.

Whilst a further improvement in the reported position is a positive outcome, it should be noted that these forecast projections were gathered before the announcement of the latest restrictions and third lockdown which means that it is very likely that the council will incur additional costs or receive further requests for support from contractors, service providers, other stakeholders and the wider community. A third and potentially longer lockdown period may also impact on the council's current income projections, meaning that these forecasts could also change before the end of the year.

A risk register has been formulated and will continue to be updated as new information is received or decisions are made.

Integration of the 2020/21 and 2021/22 financial years

The information presented above is clearly a high-level financial summary which brings together all of the council's more detailed budgets and forecasts. The detailed analysis distinguishes the impacts between those which are specifically Covid-related and also those which relate to delivery of council's ongoing operational service provision, which variances are likely to be one-off in nature, and which are likely to continue.

When further review is carried out of the non-covid financial impacts it can be seen that there are several areas where material budget variances have occurred during the current financial year which are likely to continue into the future.

A summary of these items is provided below, together with confirmation that additional growth provision has been added into the budget for next year in order to provide a more sustainable and realistic baseline for these services going forwards.

- £475k – Legacy issues within the disabled children's budgets
- £760k – Demand pressures for children's placements
- £500k – Increasing demand pressures within home to schools' transport budgets
- £500k – Demand pressures in adult social care
- £1,334k – Reductions in property related rental income

Reports presented to the Executive throughout the year have included details of the significant financial impacts within the council's budget as a result of the Covid-19 pandemic, which have manifested themselves by way of; increased pressures on existing services, additional expenditure for new services and changes to ways of working, support to businesses, contractors, partners and providers as well losses in the amounts of budgeted income.

As noted above, central government have provided a range of ring-fenced and general grant funding allocations to the council in-year to help alleviate such pressures and thereby reduce the financial impact on the council's own limited resources.

Given the uncertainties surrounding the timescales associated with the pandemic, calculating financial forecasts beyond the end of the current financial year, and into the next for some of these pressures, is problematic. The Government has recognised this challenge and has allocated £1.55bn of funding to the sector at a national level for next

year. The council's share of this un-ringfenced grant is £4.975m and this sum has been included within the 2021/22 budget plans, specifically held to fund impacts associated with Covid-19. These monies will be retained as a central provision until such time as priorities and needs have been considered, when these have been agreed then budgets will be transferred to the relevant spending service areas.

No further provision has been included within the revenue budget for ongoing Covid pressures next year although the council is aware that the Government have extended the Sales, Fees and Charges income loss compensation scheme for a further 3 months, until the end of June 2021, which will help mitigate and fund income losses which fall within the definition of the scheme.

3.2. Updated resource assumptions

The council recently updated its resource assumptions following the release of the provisional local government finance settlement announcement on 17 December 2020 and also confirmation of the council tax base for next year. The report provided details of the Governments' intention to increase core spending power for local authorities by up to 4.5% although recognised that it would be necessary for councils to increase their council tax by up to 5% next year to achieve this outcome.

The final revenue budget calculations within this report remain unchanged from previous reports and reflect a proposed increase of 1.99% on the council tax charge for 2021/22, together with an increase of 3% in respect of the adult social care precept, meaning that the council will **increase its' charges by a total of 4.99% next year**.

The majority of the recommended increase will provide the council with additional funding to support the rising costs of adult social care and section 3.3 of the report confirms that £4.6m of additional growth has been included within the budget for next year.

The council has now finalised its calculations in respect of forecast business rate income following completion of the annual return due for submission to central government however, it should be noted that this forecast has proved more challenging than in previous years and these forecast values may be subject to higher levels of volatility and risk.

At the start of the pandemic, the government offered rate relief to businesses within the retail, leisure and hospitality sectors for all of the 2020/21 financial year, and for North Somerset this equates to c£28m, which is nearly half of the total income receivable.

Records held largely show the continuation of these businesses at their previous occupancy and income levels, when in reality some of these businesses may no longer be trading or they may be held at the lower rateable values following settlement of any appeal applications. The council has used the most up to date information it has available within its projections but has also included further narrative within the MTFP risk register to recognise the risk of a potential reduction in income next year.

The table below shows the projected value of resources available as funding across the period of the MTFP.

Table 2: Projected resources across the MTFP period

MTFP RESOURCES	MTFP UPDATE - FEB 2021		
	2021/22 £000	2022/23 £000	2023/24 £000
Govt funding - Revenue Support Grant	2,179	0	0
Govt funding - New Homes Bonus Grant	1,382	494	0
Govt funding - Social Care Grants	5,807	5,101	5,101
Govt funding - Lower Tier Services Grant	213	0	0
Govt funding - Covid General Support Grant	4,975	0	0
Govt funding - Covid Council Tax Support Grant	1,922	0	0
Govt funding - Covid Collection Fund Losses Grant	246	246	246
Govt funding - Business Rate Grants	7,307	7,330	7,377
	24,031	13,171	12,724
Council Tax Income - base	112,872	119,444	123,210
Council Tax Income - increase	2,244	2,373	2,448
Council Tax Income - adult social care precept	3,386	0	0
Council Tax Income - hardship fund / council tax support	-1,922	0	0
Business Rates Income	31,262	31,753	32,522
	147,842	153,570	158,180
Collection Fund Deficit - covid losses 2020/21	-980	-1,148	-1,148
Collection Fund Deficit - covid business rate reliefs	-13,754	0	0
Use of Collection Fund Smoothing Reserve	14,176	167	167
	-558	-981	-981
Total Resources	171,315	165,760	169,923
Resulting Council Tax Increase:			
- North Somerset Council Services	1.99%	1.99%	1.99%
- Adult Social Care Precept	3.00%	0.00%	0.00%

It can be seen that the government funding in 2021/22 includes approximately £24m in respect of business rate and covid-related grants, although a large proportion of this likely to drop out after one year.

Other core government funding, such as the revenue support and new homes bonus grants, are also expected to fall away at the end of next year leaving social care grants as being the remaining primary funding stream. It should be noted however, that the continuation of social care funding has not actually been confirmed and so may be changed when the much-awaited green paper on the long-term funding solution for adult social care is published.

The short-term nature and uncertainties within government funding allocations does restrict the council's financial planning across the medium-term as resource forecasts are the cornerstone of our projections. Longer-term or strategic investment decisions are not able to be easily progressed when the council's funding streams are so restricted and short-term.

Locally generated resources, which are forecast to amount to over 92% of overall funding by 2022/23, are the key to building a more sustainable financial future for the council in the longer-term and so the council will continue to focus attention on supporting and facilitating recovery plans and enabling growth to be delivered where possible.

3.3. Building a sustainable budget

When preparing the budget for next year the council has ensured that key areas have been updated and refreshed to incorporate the latest information on all component parts of the planning forecasts and underlying assumptions.

As noted in para 3.1 above, the results of budget monitoring forecasts in respect of the current financial year have been reviewed to ensure that the budget for next year does not feature any legacy issues and is set at robust levels wherever possible.

In addition, information has been gathered from a variety of sources, including external drivers covering government funding allocations, interest and inflation rates and the national living wage, as well as internal information such as the forecast numbers and volumes within demand led services such as waste, home to schools transport, adults and children's social care, and also projections for new housing developments and business growth.

Specific provision has also been made within the budget for next year to reflect the continuation of sustained covid-related impacts. The provision will only be held in the budget for one year and the value has been aligned to the ring-fenced funding provided by the government, i.e. a one-off sum totalling £4.975m.

The final revenue budget recommended to Council continues to include resources set-aside to fund investment in the changing priorities described within the Corporate Plan, although it can be seen from the modelling that these investments will largely be aligned to the council's resource base and so will largely be one-off in nature, rather than recurring into future years. A summary of these plans is held at Appendix 2, but it worth noting here that the areas of investment include local community infrastructure, business, tourism and cultural recovery, the climate emergency, active travel, and improving outcomes for vulnerable adults and children. Additional investment plans have also been included within the Capital Strategy report, which is being considered elsewhere on the agenda for this meeting.

The council has therefore provided within its budget for known legacy issues, residual covid impacts, inflationary cost pressures, and increased demand for its services, plus investment in priorities, which total £18.736m in 2021/22. Further details are shown in the table below.

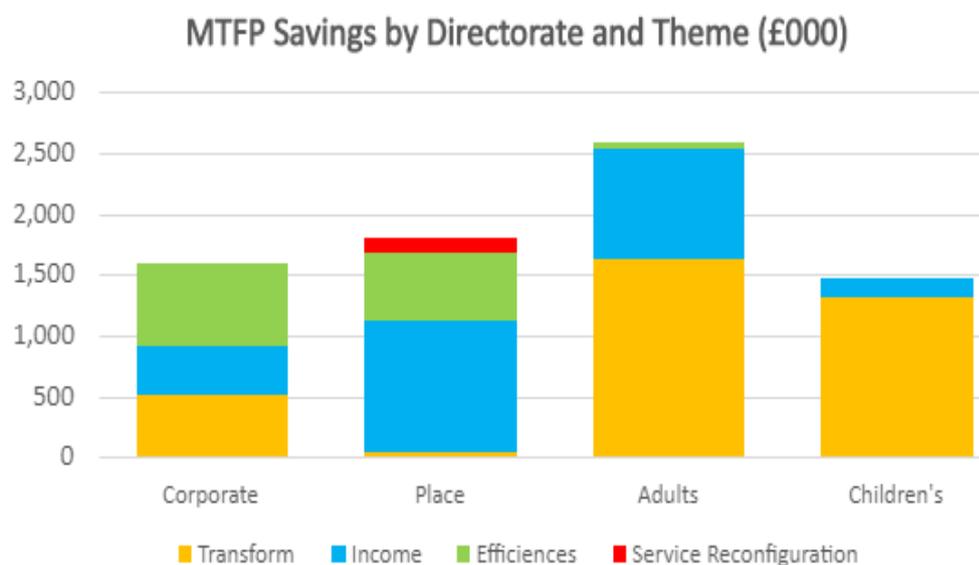
Table 3: MTFP spending commitments incorporated into the revenue budget

MTFP COMMITMENTS	MTFP UPDATE - FEB 2021			Change 2021/22 £0
	2021/22	2022/23	2023/24	
	£000	£000	£000	
Inflation on pay and pensions	1,665	1,523	1,413	-148
Inflation on energy and contracts	1,198	819	844	-315
Increase in adults services	4,594	3,980	4,055	-749
Increase in children's services	1,926	445	500	1,416
Increase in place budgets, incl schools transport	650	200	200	450
Increase in waste costs	0	784	2,068	0
Increase in the contingency budget	500	0	0	500
Transformation programme support	483	0	0	483
Changes in property rental income	1,334	738	247	1,020
Other, incl capital investment	311	950	750	-1,154
Provision for Covid impacts - funded by grant	4,975	-4,975	0	4,975
Investment in priority areas to deliver impact and change within communities	1,100	-1,044	0	1,100
Total Commitments	18,736	3,420	10,077	7,578

3.4. Budget savings and income generation plans

The Executive presented the draft savings proposals for inclusion within the budget at the meeting in December 2020, all of which were supported by initial equality impact assessment, prior to being consulted upon.

The primary focus of the Executive continues to be to retain and protect front-line services wherever possible and to introduce savings plans which generate viable and targeted income streams, deliver transformational change with services which can reduce costs, and to ensure best value is achieved through contracts and commissioning arrangements.



The ambition of the Executive has been to reduce the number of savings plans which cut service provision, and as can be seen in the chart below, this has largely been achieved.

A full schedule of the savings proposals included within the MTFP is shown at Appendix 2, there are no changes to the position reported to Council at the meeting in January.

Each of the proposals is supported by an Equality Impact Assessment to enable the council to understand their impact and mitigate any potential inequalities. Further information is provided in Appendix 6 of the report.

3.5. Update from consultation and engagement

Engagement, consultation and scrutiny on the council's financial planning process and proposals has been undertaken over recent months in order to ensure that Members, residents and other stakeholders are aware of the services the council offers as well as its spending plans, investment decisions, and savings proposals, all set within the overall context of the financial challenge.

In addition to reports, briefings and scrutiny session the council has also undertaken specific and targeted engagement with the Equalities Stakeholders Group as well as the newly formed Citizens Panel and. Feedback from the equalities session is included within the report at Appendix 6, and further information on the Panel is shown below.

Citizens Panel

North Somerset has recently launched its own Citizens Panel and currently has approximately 550 people registered who live, work or study in the area and want to actively be part of the council's vision and journey going forwards.

All members of the Panel were offered the opportunity to take part in a series of themed discussion groups to enable service managers to gather information, thoughts and comments on specific areas within MTFP planning and /or future service delivery. The themed discussion groups were;

- Adult social care – significant area of the budget, delivering key services to residents
- Climate emergency – key priority area for the council
- Customer services – potential transformational opportunity, reflect new ways of working
- Waste and recycling – important service to residents, area of potential change
- Voluntary services – offer valuable contributions to, and supporting, council services

A total of 9 discussion groups were held the week of December 14th using a text-based platform. Participants were given some broad context regarding the council's financial position as well as background material on each of the subjects in advance of the sessions (via e-mail) alongside a number of discussion themes and questions that would be explored during the session. Each discussion group lasted for an hour.

A decision was made to use a text based platform to ensure that those without access to video apps, a camera or microphone could take part in these live events. It was a new way of engaging with residents and was seen as an alternative to using the council's e-Consult tool or a Teams-based discussion forum.

The interactive sessions offered the opportunity to focus on live debate and follow discussions led by Panel members who openly shared their knowledge and views on topics. Responses to the tool itself varied on the subject matter being discussed, i.e. for Climate Emergency and Waste and Recycling responses were very positive with a number of comments suggesting the tool worked well and praising its inclusivity. However for Adult Social Care and Customer Services some members were not keen on the character limit as they felt it restricted their more detailed responses.

Panel members themselves were from a wide range of backgrounds with significant knowledge of the topics being discussed. Several follow up e-mails were received from

participants with significant consideration given to the topics being discussed, all of which have been shared for follow up with service leads.

A table showing headline metrics from the sessions is shown below and further details has been included at Appendix 4.

Table 4: MTFP engagement

Service area	No of Panel Members	Active Participants	Comments	Likes	Engagement Score (*)
Adult social care	29	15	240	123	363
Climate emergency	50	33	665	421	909
Customer services	22	11	137	45	188
Waste and recycling	42	37	442	189	444
Voluntary and community services	40	23	351	171	529

* arising from no of questions, likes, poll responses

3.6. Summary of changes from the draft budget

No changes have been made to the substantive components of the budget plans for next year although work has been undertaken to refine and shape the investment proposals after taking on board comments raised during the Council meeting and through the engagement process.

Additional focus has been given to ensure that spending in these new areas will bring benefits to residents, businesses and the wider community through increasing resources to facilitate and deliver climate change initiatives, investing in Weston, Clevedon and Portishead lakes as well as improving our infrastructure and public rights of way.

3.7. Revised MTFP forecasts

Having reviewed and updated all assumptions in relation to resources and grant income as well as spending commitments, investment plans and savings proposals, it is clear that the financial future of the council over the remaining MTFP period remains challenging, although this is largely as a result of the continued uncertainty beyond 2021/22 arising from the national economic situation as well as the local one.

The ongoing impacts resulting from the pandemic and the potential changes to local government finance could both significantly impact on the council's future financial position going forwards, as could any of the other inherent risks identified within the MTFP risk register.

The government recognises that the sector as a whole needs a longer-term funding package and is committed to providing a multi-year spending review over the course of the next year, along with the previously discussed reforms to local finance however the council will continue to press for this to be actioned so that it is possible to understand and model specific impacts for North Somerset, to enable the council to plan decisions relating to future service delivery more appropriately.

The table below summarises the proposed movements within its budget plans across the period of the MTFP. It can be seen that a balanced budget is being recommended for the 2021/22 financial year, although at this time there remains an estimated shortfall of £12.624m over the following two years.

Table 5: MTFP financial summary

	MTFP UPDATE - FEB 2021		
	2021/22	2022/23	2023/24
	£000	£000	£000
- Resources - Grants, Council Tax & Bus Rates	171,315	165,760	169,923
- Base Spending Position	160,030	171,315	165,760
- Budget Pressures / Growth	18,736	3,420	10,077
- Savings Proposals / Grant Income	-7,451	-1,225	-1,040
- Revised Spending Base	171,315	173,510	174,797
- Budget Gap (February 2021)	0	7,750	4,874
		12,624	

3.8. Allocations of budget across directorates (including removal of central recharges)

All of the proposed changes to the councils' budget for next year, both investment and savings plans will be allocated to specific service areas, and these items will be added to the existing base budgets currently held and managed by Directors. A summary of the recommended budgets for 2021/22 is shown at Appendix 1.

It can be seen that the recommended budgets for next year reflect the revised directorate structure following changes implemented by Jo Walker over recent months.

The council now has five directorates and so service-related income and expenditure budgets have been allocated across each of these areas;

- Director of Adult Services
- Director of Children's Services
- Director of Place
- Director of Public Health and Regulatory Services
- Director of Corporate Services

The management and reporting lines of various services have been changed as part of the council-wide restructure and the budget changes associated with these movements are included within the 'virements' in Appendix 1.

The proposed budgets for next year are also presented without 'central recharges', which are apportionments or shares of corporately managed overheads such as office accommodation or central support charges.

This is a change in approach as the council previously followed the principle of showing the 'total cost' of delivering front-line services within its budgets (as required by the accounting regulations) however as the guidance in this area has changed, and the council believes that it will be more transparent to understand the direct costs of service delivery, as well as the real cost of delivering corporate service related activities.

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. These are

known as 'usable' reserves and are held on the council's balance sheet, some of these reserves are 'general' in nature whereas other reserves are 'earmarked' and held for specific purposes.

General reserves are not held for day-to-day spending or on projects and investments but are instead held as a contribution towards the council's wider strategic risk management measures and to cover unforeseen events such as major weather events or pandemics.

That being said, an early assessment of Covid-19 showed that impacts on the council's revenue budget could be in excess of £30 million, which means that the £9m of general reserves held at the start of the year would have been inadequate should the council have been required to bear the cost of this themselves.

A significant amount of work has been carried out by the finance team throughout the year as they considered, reviewed and projected the financial impacts of the pandemic on council services, as well as key stakeholders. They have also worked to understand the myriad of complex grant funding streams and opportunities which have been made available by the government because whilst these resources have been welcomed, the purpose, nature and timing of such grants has brought added pressure to the revenue budget to ensure that they have been accounted for correctly and do not distort the council's underlying revenue budget position.

As this time it is anticipated that the Covid-19 impacts will largely be funded by government grant and will not require any drawdown from the councils' General Revenue Reserve, meaning that it is forecast to remain at its current level of £9.053m. However as noted in para 3.1 above, the council recognises that the latest forecasts may not have reflected all impacts arising from the third National Lockdown and so that assumption may be tested over the coming weeks should the pandemic continue on for longer periods, or rise above projected levels.

Financial Year	General Reserve Balance	Net Revenue Budget	% of Net Revenue Budget	Status
2021/22	9,053	171,315	5.28%	Estimated
2020/21	9,053	160,030	5.66%	Projected
2019/20	9,053	153,976	5.88%	Actual
2018/19	9,053	153,157	5.91%	Actual

The council closely monitors the cash value of its general reserve balances through its monthly forecast process but it also compares this sum to the annual revenue budget to ensure that its value remains current and within relevant parameters.

A generally accepted benchmark is that councils should hold at least 5% of the net revenue budget in this reserve, although given the volatility experienced during the current financial year, and the ongoing uncertainties likely to be faced in the year ahead, it is recommended that this level be increased to nearer 6%.

Earmarked reserves are largely created in order to:- provide resources for a range of one-off programmes, invest in planned future expenditure or service improvements, deliver the outcomes required by unconditional service related grants received from the government and / or external partners, or to provide the council with cover from financial risks.

Reserves are also held for statutory purposes and are sometimes outside of the council's control, for example, the balance held by schools or on behalf of partners. The council is permitted to set-aside resources in a reserve to smooth financial impacts over several

financial years rather than allow significant financial fluctuations to distort the annual revenue budget.

The management of reserves is an essential part of a sound strategic financial plan and is recognised within the Local Government Act 2003 which states the council has a responsibility to ensure that such reserves are adequate, and so are regularly monitored throughout the year. Additional reviews are undertaken as part of the council's budget setting and closure of accounts processes, with key considerations being to ensure there are sufficient resources available to support spending, enable and stimulate the Recovery and cover financial risks in 2021/22.

3.10. Chief Finance Officer review of the recommended budget

The Chief Financial Officer (CFO) is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act 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 taking into account:

- 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 concentrates 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 2021/22 budget is detailed at Appendix 7, although key points are listed below:

- Preparing the budget during an ongoing period of significant financial uncertainties, largely brought about by the world-wide pandemic and the entire country's response to it, remains extremely challenging. Over the past 9 months the Coronavirus has brought amount unprecedented challenges and volatility to the Council in terms of the services it has been able to deliver to residents, businesses and the wider community, as well as its own financial position.

That being said the council has successfully managed to continue to operate during heightened and pressured times and has delivered change and created opportunities in terms of the ways in which it works which were potentially unimaginable even a year ago.

- A review of the Council's financial performance over the last three years, excluding the impacts of the pandemic indicate that there is inevitably some residual risk within core services, particularly with regards to demand led services, especially care for older and vulnerable people. children looked after, and home to school transport services where demand is continuing to increase. Account has been taken of current spending trends and, where known, additional unavoidable cost pressures have been built into the recommended 2021/22 budget proposals.
- The Council is aware that risk within service areas is changing and moving away from traditional demand-led pressures but also includes rising costs associated with caring for the elderly and those with complex disabilities, particularly those moving from childhood to adulthood. The longer-term impact of Covid-19 such as "Long

Covid” and impacts on mental health and on carers is becoming an emerging issue, along with the increasing number of children and young people that require specialist education provision.

- Service delivery models will continue to change across the medium-term and this will start following the creation of the Council’s new company in September 2020, North Somerset Environment Company, which will deliver waste services from March 2021.
- The ongoing and unknown impacts of the pandemic do feature within the Council’s budget plans for next year, although only with regards to those impacts which will be funded by central government through the specific funding allocation, or potentially covered off by other anticipated grant funding sources such as the sales, fees and charges income loss compensation scheme. Other impacts will remain a key risk and will therefore need to be closely monitored over the course of the next year and escalated where necessary.
- Provision has also been made for pay awards, pension and national insurance increases, contractual inflationary pressures and the forecast impact of the National Living Wage which will largely arise through increased provider costs. Some consideration to the funding pressures within the DSG High Needs Block Funding has been made although whilst the council has a programme in place to try to resolve this issue, if the High Needs block continues to overspend, further measures may need to be taken to reduce expenditure.
- The council has prepared its resource forecasts for future years based upon the information available at this time however it is recognised that there remains a great deal of uncertainty regarding the funding position for future years, particularly as the government was only able to deliver a one-year Spending Review and none of the intended reforms relating to the financing of local government as a sector. These remain outstanding and need to be reviewed and considered as and when information is released.
- 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. This includes specific service risks such as Ash Die-back, or broader impacts such as reductions in rental income which have arisen following the economic downturn. Supporting recovery plans and facilitating development will be key to deliver change in these areas in the future.
- The level of reserves has been examined 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 2021/22 has been prepared robustly and is achievable, and the level of reserves held are adequate.

3.11. Schools budget

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 for 2021/22 is expected to be £183.384m, although this is before any deductions for funding which is made directly from central government to academies (this is known as "recoupment").

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.

From 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 6: Dedicated Schools Grant allocations, compared with 2021/22

	2020/21	2021/22	Change	
	£	£	£	%
Schools Block (*)	129,968,128	141,092,716	11,124,588	8.60%
High Needs Block	25,957,648	28,684,328	2,726,680	10.50%
Early Years Block	11,656,425	11,813,242	156,817	1.40%
Central Services Block	1,888,682	1,793,442	-95,240	-5.00%
TOTAL DSG	169,470,883	183,383,728	13,912,845	8.20%

*The Teachers Pay and Pensions grants have been included in the Schools Block for 2021/22, it was a separate grant previously. This money is ringfenced within the Schools Block. The Schools Block prior to the TPPG for 2021/22 is £134,880,240 a percentage increase of 3.8%.

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 show in the table below and are used to mitigate spend in the High Needs Block (see below).

In view of the increase in High Needs funding provided by the government in 2020/21 and again in 2021/22, and the clear Government policy to protect funding for schools, the council and the SSF restricted its request to a transfer of 0.5% for 2021/22.

Table 7: Transfers to / from High Needs Block

	2018/19	2019/20	2020/21	2021/22
Transfer from Schools Block to High Needs Block (HNB) - %	0.97%	1.65%	0.50%	0.50%
Transfer from Schools Block to High Needs Block (HNB) - £	1,152,341	2,021,557	649,843	674,401

In common with many other authorities, the council is continuing to experience significant pressures in the High Needs Block of the DSG – this largely comprises of place funding for

special schools and pupil referral units, top-up funding (TUF) to schools for children with SEND, and out of area special school placements.

The pressures are largely driven by increases in the number of children with Education and Health Care Plans (EHCPs), who require specialist placements / support. In 2020/21, it is expected that the spend on out of area placements alone will increase by £2m (20%) when compared with last year and the total 2020/21 estimated overspend in the High Needs Block is c. £3.72m, meaning that the overall DSG deficit by the end of 2020/21 is estimated to be c. £7.57m.

Whilst the government announced an increase in funding in the HNB of £2m for North Somerset for 2020/21, this is not enough to offset the continuing increase in demand and the reduction in funding being transferred from the Schools Block. As a result, despite the council putting in measures to mitigate spend in the HNB, the DSG deficit is expected to rise further in 2021/22.

The proposed budget for 2021/22 for the dedicated schools grant is shown in the table below.

Table 8: 2021/22 Schools budget funded by the Dedicated Schools Grant

Block	Income (DSG) £	Gross Expenditure £	Net Expenditure £
Schools Block	134,880,240	134,205,839	674,401
Teachers Pay and Pension Grants	6,212,476	6,212,476	0
Less: DSG paid direct to academies	-128,968,698	-128,968,698	0
Schools Block, after recoupment	12,124,018	11,449,617	674,401
High Needs Block	28,684,328	29,358,729	-674,401
Less: Direct funding of high needs places	-3,396,000	-3,396,000	0
High Needs Block, after deductions	25,288,328	25,962,729	-674,401
Early Years Block	11,813,242	11,813,242	0
Central Services Block	1,793,442	1,793,442	0
TOTAL BUDGET 2021/22	51,019,030	51,019,030	0

The allocation to schools that is distributed through the formula will increase from £135.50m in 2020/21 to £140.41m in 2021/22, which represents a 3.6% increase in funding for schools. This increase will ensure that all primary schools receive at least £4,180 in funding per pupil and all secondary schools £5,415 per pupil, with some schools receiving significantly more than that.

3.12. Other financial implications – waste services

Waste services will be delivered through a local authority trading company from 2021/22 as approved at Council in September 2020. The North Somerset Environment Company Limited (NSEC) has been formed and the existing waste revenue budgets will be re-based in order to meet the costs of the new service, this process will gross up expenditure and

income budgets and reflect the different elements that will now be accounted for by the company, and those elements which will be retained by the council.

The following changes have been reflected within the MTFP in order to meet the costs of the new service:

- **Growth to reflect increase service cost** – The new arrangement is expected to lead to an increase in budget requirement. This is due to a different budget configuration to the current contract arrangement i.e. whether costs / income sit within the company or within the council, the council’s budget will retain the income rather than the contractor, meaning that the contract payment sum will be increased.
- **New income budget** - The additional costs noted above will be partially mitigated by a new income stream to the council for recycling materials, this income currently goes to directly to the waste contractor.
- **MTFP Saving Garden Waste** - The additional costs will be further mitigated by additional income that is expected to be generated through the new garden waste charging scheme.
- **MTFP Saving – Service Efficiencies** – There will be opportunities to make service efficiencies once the service is embedded and operating as expected. MTFP savings of £100k have been included for 2022/23 and 2023/24.
- **Ring-fenced funding** - The council will also use the waste strategy implementation reserve to fund the service in the short-term, which has been created using ring-fenced resources relating to the service area.

The table below summarises the MTFP entries for Waste Services (which are cumulative):

Table 9: Extract of Waste impacts within the MTFP

	2021/22 £000	2022/23 £000	2023/24 £000
Re-base Waste Contract – Growth requirement	3,897	0	0
Ring-fenced funding – Waste strategy implementation reserve	-2,852	784	2,068
Waste Contract - new recycling income	-1,045	0	0
Waste Service Efficiencies - MTFP savings	0	-100	-100
TOTAL	0	684	1,968

NSEC will require working capital to support the business in the period before the company is fully established and income generating. It is recommended this is provided via a working capital loan from the council. The loan would be provided to NSEC on commercial terms, with an interest rate that will reflect market conditions and would be a drawdown facility linked to key thresholds, i.e. only the required amount will be drawdown and will be subject to the relevant approvals and core controls.

It is recommended the value of the loan be capped at a value which is equivalent to two months service costs (£1.6m), subject to the finalisation of the company’s financial model including a cashflow forecast, and subject to the terms listed above, although the actual

draw-down decisions be delegated to the Director of Place, in consultation with the Director of Corporate Services, to validate and agree when required.

3.13. Looking ahead

The council's financial planning forecasts will continue to be reviewed and updated regularly to reflect any material changes in locally generated resource assumptions, national funding reforms as well as any spending pressures identified through the budget monitoring reports.

However as throughout the report, there remains significant uncertainty in terms of the continuation of the pandemic throughout the next 12 months as well as government resource allocations and constraints beyond 2021/22.

Notwithstanding that, the council will continue to plan for the future and formulate strategic financial proposals to close the budget gap, which will require new savings ideas to be generated and delivered. It is anticipated that a large proportion of these will focus upon the council's technological ambitions and transformational approach as evidence of pilots in these areas have been successful in the past and shown potential for further progress.

All such initiatives will be set within the Corporate Plan vision and will seek to promote independence and well-being.

4. Consultation

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 in December 2020, 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.

An engagement plan was drawn up to support the MTFP process with the majority of the Plan now having already been delivered. Further information is described in Section 3.5 above.

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 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

Climate and environmental related implications continue to be at the forefront of our thinking when considering the underlying Corporate Plan and service policies and priorities, as well as detailed investment and savings options.

Energy and climate change issues were identified as a key theme within the council's Transformation Programme and workshops which have been held over the past 6 months, in an effort to shape and formulate the key components of an Action plan which are necessary to achieve desired outcomes in this area. The council recognises that further investment is required and has included provision within the new investment proposals as described in section 3.3 above, and Appendix 2.

It is anticipated that the council may also identify resource allocations within the draft capital programme for 2021/22, or look to scope specific projects or initiatives for this area, further details of which will be included within other reports elsewhere on the agenda for this meeting.

8. Risk Management

In setting the revenue and capital budgets, the council must take into account 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.

The council's Section 151 Officer has led work over recent months to assess and review these items, which are held in the MTFP risk register at Appendix 5.

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 6 provides an overall summary and all of the EIAs that underpin the £7.451m budget savings and increased income proposals as recommended for inclusion within the 2021/22 revenue budget.

Two of the areas included in the budget savings were initially identified as having a potential 'medium' impact on equality groups so those EIAs have been discussed in detail at the Equality Stakeholder Group meeting, held in January 2021, and the feedback from the consultation has been taken fully into account within the final Assessments.

10. Corporate Implications

The Corporate Plan and MTFP 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 and changes reflected within the budget where required.

11. Options Considered

The council is required to formally approve a revenue and capital budget for 2021/22. This could be undertaken as a stand-alone annual process however, planning will continue to focus on a multi-year funding horizon and MTFP period which sets the context within which decisions relating to the setting of annual budgets are taken.

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Appendices:

- Appendix 1 Recommended budget for 2021/22, allocated across Directorates
- Appendix 2 Investment proposals included within the 2021/22 revenue budget
- Appendix 3 Savings proposals incorporated into the recommended budget
- Appendix 4 Summary of responses to the MTFP Engagement sessions
- Appendix 5 Risk register summary
- Appendix 6 Equality Impact Assessment report on the 2021/22 savings proposals

Appendix 7 Section 151 Officers statement on the adequacy of reserves and the robustness of the budget

Background Papers:

MTFP & 2020/21 Budget Setting Reports (Executive & Council – Feb 2020 to Jan 2021)
Budget Monitoring Reports (Executive - June-December 2020)

APPENDIX 1

RECOMMENDED NET REVENUE BUDGETS 2021/22											
	Adult Social Services £000	Children's Services £000	Place £000	Public Health & Reg Services £000	Corporate Services £000	Housing Services £000	Capital Financing & Interest £000	Non Service & Contingency £000	TOTAL BUDGET (NSC SERV) £000	Town & Parish Precepts £000	TOTAL BUDGET £000
Revised Base Budget 2020/21 - incl recharges	68,893	30,867	35,414	912	7,621	1,519	10,579	4,225	160,030	6,040	166,069
Revised Base Budget 2020/21 - excl recharges	64,296	25,200	29,522	736	24,417	1,055	10,579	4,225	160,030	6,040	166,069
Budget movements;											
- inflation, demand and other pressures	5,125	2,360	1,477	115	2,501	0	550	534	12,661	tba	12,661
- one-off provision for Covid impacts	0	0	0	0	0	0	0	4,975	4,975	0	4,975
- investment in new priorities	200	150	405	0	45	0	0	300	1,100	0	1,100
- savings plans	-2,827	-1,477	-1,908	-12	-1,228	0	0	0	-7,451	0	-7,451
- budget virements	731	253	125	446	-45	-1,055	-455	0	0	tba	0
Total movements in budget	3,230	1,286	98	548	1,273	-1,055	95	5,809	11,285	0	11,285
Proposed Base Budget for 2021/22 - excl recharges	67,525	26,487	29,620	1,284	25,690	0	10,674	10,034	171,315	6,040	177,354
	5%	5%	0%	74%	5%	-100%	1%	137%	7%		

Notes:

- Virements relate to functions or services which have been transferred between directorates, including areas such as Housing, Major Transport teams, Property, Learning & Development, Community Services, Emergency Planning, Climate Change. Not all areas have been finalised and so further virements may be reflected in future monitoring reports.
- Precept information from Town and Parish councils is still being received and will be included the Council Tax Setting report.

APPENDIX 2

INVESTMENT PROPOSALS INCLUDED WITHIN THE 2021/22 REVENUE BUDGET		£000
Investment in Children's services - £150,000		
Funding for extension of the Mockingbird Project to support Foster Carers		80
Improvements at Family Hubs - Provision of advice and support		35
Improvements at Family Hubs - Making equipment and environment more suitable for all age groups		15
Support to Care Leavers to achieve Education, Employment or Training		20
Investment in Climate Emergency - £150,000		
Mainstream Climate Change Officer into base budget (* ongoing into future years)		56
Defined climate change initiatives; feasibility studies for renewables (heat and electricity)		31
Sustainable Investment Officer post for 1-year		44
Climate Change Communication and Engagement to encourage behavioural change and strengthen reporting to the public		50
Action Plan Project Development; addressing emissions, adaption plan, community projects		25
Contribution from earmarked reserve		-56
Investment in Recovery, Business, Tourism and Culture - £100,000		
Higher Level Apprentice post within the Economy team		22
Funding to support businesses, e.g. business breakfast meetings		5
Funding to support Culture post to drive longer-term vision and lever external resources		45
Investment in other projects / improvements		28
Investment in Active Travel, Parking and Highways - £200,000		
Parking services - capacity to deliver outcomes		55
Highways and transport - funding to accelerate, develop and deliver Projects		145
Investment in Adults Services - £200,000		
Mental Health Support Workers to support adults recover from mental health episodes and maintain independence		120
Additional respite support for carers		80
Investment in Community Services - £300,000		
Investments to support recovery or improve local communities, including areas such as community and green spaces, access routes and public rights of way		300
Total Investment Proposals - within the Revenue Budget		1,100

MTFP SAVINGS PROPOSALS - FEBRUARY 2021						
Details				Financial Impact		
Dir Ref	Exec Member	Theme	MTFP Savings Proposals	2021/22	2022/23	2023/24
				£000	£000	£000
PCC4	Catherine Gibbons	Income Generation	Increase contributions from CCG for children with complex needs / children's continuing care *	-150	0	0
PCC5	Catherine Gibbons	New Ways of Working	Reduction in staff travel costs as a result of fewer visits	-50	0	0
PCC1	Catherine Gibbons	Sufficiency Strategy	Increase in in-house foster carers to enable less use of Independent Foster Agencies *	-100	0	0
PCC2	Catherine Gibbons	Sufficiency Strategy	Commissioning of alternative placements for 16 and 17 year old children looked after	-890	0	0
PCC3	Catherine Gibbons	Sufficiency Strategy	Residential Step Down to In-house Professional Foster Scheme	-275	0	0
			* indicates where saving proposals are carried forward in part or in full from the previous year's MTFP			
GRAND TOTAL PROPOSALS				-1,465	0	0

MTFP SAVINGS PROPOSALS - FEBRUARY 2021						
Details				Financial Impact		
Dir Ref	Exec Member	Theme	MTFP Savings Proposals	2021/22	2022/23	2023/24
				£000	£000	£000
DE1	Mike Solomon	Efficiency / Change	Events programme to become cost neutral or minimal support	0	-65	0
DE2	James Tonkin	Review provision	Introduce break-even policy for Building Control	0	-20	0
DE3	Don Davies	Transformation	ITU - Establishment of a single, council-wide transport function and improved commissioning	0	-50	0
DE4	Don Davies	Review provision	Review Community Transport Services	-15	0	0
DE5	Mike Solomon	Review provision	Review of Churchill Sports Centre	-90	0	0
DE6	Mike Solomon	Income Generation	Libraries Income	-50	0	-50
DE7	Don Davies / Catherine Gibbons	Efficiency / Change	Revisit safe Home to School Transport Routes	-50	-100	-100
DE8	James Tonkin	Efficiency / Change	Safer roads initiatives (additional sites meeting relevant criteria)	0	-30	0
DE9	Mike Solomon / Mark Canniford	Income Generation / Change	Seafront concessions - additional income / review model of service	0	-50	-40
DE10	Bridget Petty	Income Generation	Introduce Garden Waste Charging	-1,050	0	0
DE11	All D&E	Efficiency / Change	Staffing Budget - Fund existing staff through capital / other funding opportunities	-200	0	0
DE12	Don Davies	Efficiency / Change	Concessionary Fares Budget - Reduced Patronage	-130	0	0
DE13	Geoff Richardson	Efficiency / Change	Introduction of the Permit Scheme	-50	0	0
DE14	Don Davies	Efficiency / Change	Reduction / Review of Fleet	-40	0	0
DE15	Mike Solomon	Review provision	Review of current leisure discount schemes	-21	0	0
DE16	Bridget Petty	Income Generation	Litter Enforcement	-30	0	0
DE17	Don Davies	Efficiency / Change	Supported Bus Review	-30	0	0
DE19	All D&E	Efficiency / Change	Reduction in staff travel budgets	-20	0	0
DE21	Various	Efficiency / Change	Partnership working with Town & Parish Council	-30	0	0
				-1,806	-315	-190

MTFP SAVINGS PROPOSALS - FEBRUARY 2021						
Details				Financial Impact		
Dir Ref	Exec Member	Theme	MTFP Savings Proposals	2021/22	2022/23	2023/24
				£000	£000	£000
CORP S1	Ash Cartman	Income Generation	Annual uplift to fees and charges to cover inflationary cost of services - cross cutting, impact will be reflected across all directorate budgets *	-380	-380	-380
CSD S1	Ash Cartman	Income Generation	Increase in trading income - Inspire, FOI, Risk, Audit, RIPA, FOI etc	-20	-20	0
CSD S2	Ash Cartman	Transformation	Corporate Services Transformation Programme - including specific projects linked to ICT asset analysis and systems rationalisation, and replacement telephone system	-110	-135	-50
CSD S3	Ash Cartman	Transformation	Corporate Services Transformation Programme - to include introducing a new Target Operating Model for Customer Services which will be designed to look at how we interact with customers and the channels and facilities we use to do this, i.e. Gateways, buildings, contact centres. Undertaking a review of internal and contracted Business Support functions; review of storage costs (both physical and electronic); continue to build on the new ways of working to reduce printing behaviours and postage costs	-265	-85	-10
CSD S4	Ash Cartman	Transformation	Staffing savings arising from a restructure within Corporate Services and a review of vacant posts	-255	0	0
CSD S5	Ash Cartman	Efficiency / Change	Changes and reductions within the Support Services contract, including Value for Money service reviews and release of inflation provision within the base	-190	-120	-10
CSD S7	Ash Cartman	Efficiency / Change	Review commissioning and contract opportunities following an assessment of the Contracts Register	-70	-70	-50
CSD S8	Ash Cartman	Efficiency / Change	Reflect ongoing reductions within expenditure budgets; reduction in the number of former employees and sustained reductions in travel / mileage activity	-50	0	0
CSD S9	Ash Cartman	Efficiency / Change	Review funding options for severance and insurance costs - smoothing resources between ongoing base budget provision and sums held in reserves, as well as internal / external premiums	-250	0	0
GRAND TOTAL PROPOSALS				-1,590	-810	-500

Summary of the Citizens Panel Engagement Sessions

Adult social care

Participants understood and agreed with the need to transform services to ensure they are as fit for purpose as possible and understood also that this was against a challenging national picture. There was a strong theme that transformation should not just be about saving money but about giving the right services. There was also agreement that generally people would prefer to stay in their homes where possible but acceptance of the challenges around this.

The groups felt that a one size fits all approach is not appropriate and that services should be tailored to the individual. Comments were made that information to support this is not always easily available.

Technology was considered to be helpful with suggestions around devices like Apple watches and Alexa units. However, caution was given around the user's ability to make best use of the technology and also its affordability.

It was recognised by the groups that caring responsibilities within families are challenging and need to be supported.

Suggestions were made to encourage volunteering in this space, not necessarily with care but around social isolation.

Climate emergency

The Panel recognised that awareness is already high with very clear science for those who are interested in the subject, although there was debate regarding how we raise awareness for those who are not aware/interested, and should this be done via targeting of younger people via schools, colleges etc.

Participants were mixed on whether it should be the council's job to raise awareness but were clear that the council should be focusing on action and should be leading by example. There should be clear news stories *of things that we have actually done*.

There was strong appetite for projects linked in to planning and development including ensuring carbon neutral standards are met, e.g. PV panels wherever possible, improved flood defences, improved public transport offered linked in with measures to encourage walking and cycling such as more cycle lanes.

A strong theme throughout both groups that North Somerset has a willing and able community and so needs to consider how we work with communities and partner with community groups to help facilitate and support change.

It is worth noting that participants were aware that they held significant overall knowledge and that may not be the case for all residents.

Customer services

Members of the group were already using engagement methods such as phone, web and chat where possible, though it was not clear how much of that was due to the pandemic or a natural shift over time. There were mixed responses on how easy they found these engagement methods.

There was a strong appetite for an improved Live Chat function via the website with an extension of hours outside of the 9-5 office hours.

Responses to the idea of offering appointments for face-to-face engagement were very mixed. There was concern from some that this might exclude people without the skills or technology to be able to engage online.

There were also questions about how an appointment process would work and how that would align with the current operating model. Should there be a staged model i.e. web/phone first with follow up appointments if necessary. However, there were also comments that some walk-ins can be very quick and/or are of an urgent nature and these would still need to be picked up.

Waste and recycling services

There was general agreement across the groups that to reduce costs we need to recycle more.

Suggestions were given to increase recycling including reducing food waste from general waste and ensuring it is recycled, composting where possible, buying less packaging, encouraging manufacturers to use less packaging, and to reuse where possible.

The groups identified several possible barriers including a need for more guidance around what can be recycled, making the process as easy as possible especially around food waste – are the caddies easy to use? Do residents know that they do not need to buy special bags?

There was a strong theme that we should educate as much as possible including around the costs of not recycling and through schools for inter-generational behaviour change. However, there was also a theme that there should be enforcement if needed.

The group understood the financial challenge and there were some suggestions of reduced collection frequency for general waste to encourage behaviour change and help with the financial challenge.

It is worth noting that many participants referred to themselves as ‘the converted’ and understood that not all residents would agree with their ideas.

Voluntary and community services

Members of these groups came from a variety of backgrounds in terms of voluntary and community services with almost all volunteering in some capacity. Some had been volunteering for some years whilst others had been galvanised due to the pandemic.

Ways of volunteering have changed in the last year and there was a strong desire for things to get back to normal but also a feeling that the pandemic had highlighted the importance of the sector, though there was not necessarily a sense that volunteers felt any more or less valued than usual.

A theme emerged around how volunteering and community services are coordinated in the area both from an infrastructure perspective and via support. Some commented that there is a lack of support for new groups especially around set-up and ongoing administration i.e. the running of an organisation.

Various other suggestions for improvement were also made but there was not a strong appetite about prioritisation for support by theme i.e. more support given to one type of voluntary or community organisation than others, instead it was felt that support should be given as broadly as possible.

General feedback

Numerous positive comments were received about the engagement exercise overall and Panel members were pleased to be involved and engaged in this way.

'The really good thing with the "new NSC" is its willingness to ask the community for the answers. We really are all in this together. Thanks!'

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 2020/21	4	5	20	Month 9 budget monitor shows a projected balanced budget position, although the uncertainty of timescales or impacts associated with the Pandemic means that it is difficult to assume that this position will continue through to the end of March. The 2021/22 draft budget has allocated growth to key areas of ongoing pressure meaning that there is a lower probability that adverse variances will continue into future years.	3	3	9
2	Uncertainties and impacts of the continuation of the Pandemic emergency situation on services, communities, resources, and staffing - both locally and at national levels	5	4	20	The national vaccination programme should help to reduce the timescales of the pandemic, and national guidance and restrictions should reduce some of the life-threatening impacts. That being said, these themselves could bring further impacts on services and the council's capacity and resources. Support measures are being put in place for staff to enable their well-being. The council will continue to lobby government for additional funding where appropriate.	4	4	16
3	Unable to achieve the £7.4m of 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, Savings plans will be embedded within the council's financial monitoring framework to ensure continuous review and scrutiny.	3	4	12
4	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 current demographic and demand growth forecasts, although monitoring demand in adult social care is currently very complex, given the extent to which hospital discharges have been funded by the NHS in 2020/21. Further mitigating actions could be linked to capital investment plans which could alleviate pressures on the revenue budget through delivering Invest-to-Save schemes.	4	3	12
5	Services currently funded by the CCG, which may not receive funding in the future.	3	4	12	Continuation of dialogue with stakeholders and increased monitoring and review of individual criteria. Engagement with the CCG on the new "Discharge to Assess" business case and spending plans.	4	3	12

	Risk area	Initial Risk Score			Potential mitigation	Risk Score After Mitigation		
		P	I	S		P	I	S
6	Financial stability of adult social care providers, as a result of combination of factors, e.g. continuation of the Covid-19 pandemic and the requirements for self-isolation, PPE, loss of capacity arising from staff turnover, rising insurance costs, increase in void beds etc. Also that provider inflation may be insufficient to prevent market failure.	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, and also to lobby for additional resources and passport on ring-fenced government funding to the sector where appropriate.	3	4	12
7	Inability to reduce the Dedicated Schools Grant deficit in the short term	5	5	25	Increased funding from central government was planned although will be reconsidered in light of the new 3-year Spending Review. Additional local special provision is planned however, this is unlikely to reduce the deficit in the short-term. Changes in Government consultation means that the deficit cannot be covered by the General Fund however this has led to uncertainty with the government in terms of a long-term solution, and also potential conflict with external auditors who may challenge the accounting approach taken by the council to continue to reflect a negative reserve balance on the balance sheet.	4	4	16
8	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
9	Changing delivery models may not be successful	3	4	12	The council has allocated specific resources to ensure that new models are fully supported through transition periods, and that suitably qualified and experienced staff are brought in to manage services	3	3	9
10	Specific service risks, e.g. Ash Die-back	4	3	12	Project plans are in place to monitor and assess the potential impact and delivery plans are being drawn up to facilitate the required change. Will be aligned to national guidance	3	3	9
11	Unable to deliver transformational changes across all areas of the council's budget, including digital improvements to support changes to working models, as well as service transformation programmes such as the Children's Improvement Plan and	4	3	12	Additional resources have been included within the MTFP for next year to enable change to be supported. Transformation progress will be embedded within the council's performance monitoring framework to ensure continuous review and scrutiny.	3	3	9

Maximising Independence and Well-being Strategy										
Risk area		Initial Risk Score			Potential mitigation			Risk Score After Mitigation		
		P	I	S				P	I	S
12	Uncertainties in future funding levels following deferral of 3-year Spending Review and proposed changes to local government finance arrangements, including Fair Funding Review, and transition to 75% Business Rate Retention	5	5	25	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, although clearly the wider national financial position will not be able to be mitigated at this level			5	4	20
13	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
14	Unable to deliver the Housing and economic growth required to deliver forecasted income streams	4	5	20	Strong partnership working with partners, along with increased place-making and development aspirations will help support delivery of housing growth and business growth. Direct intervention using external funding bids and council resources to influence the local economy will help to sustain and build business rate growth.			4	4	16
15	Movements in interest rates for both investments and borrowing, meaning that significant capital investment plans could become unaffordable, or income budgets unachieved. There is also the emerging issue of negative interest rates and reductions in counter-parties meeting the council's credit worthiness criteria	4	4	16	Mitigations managed through the ongoing review of strategic investment plans being linked to interest rates, more rigour applied to options appraisals, prioritisation of capital programme delivery, and further diversification within investment decision-making options.			3	3	9

16	Availability of one-off revenue resources to mitigate risk, and fund investment in key priorities, including transformation programmes and delivery of the capital strategy	3	5	15	Retain a General Fund working balance of at least 5%. 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
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	Risk area	Initial Risk Score			Potential mitigation	Risk Score After Mitigation		
		P	I	S		P	I	S
17	Changes to timescales or costs of key projects within the Capital Programme leading to delays and increased costs, resulting in additional borrowing costs being charged to the council's revenue budget	5	5	25	Establish revised governance arrangements for Capital Delivery and strengthen and improve monitoring arrangements. Introduce new reporting standards and apply them consistently across projects, holding managers to account.	4	5	20
18	Direct impact on staffing, services and resources for the council as a result of Brexit, as well as wider indirect impacts, for example, in areas such cost pressures, income generation, delivery of economic growth and prosperity, and workforce. Additional pressures and impacts include changes within the Regulatory Services requirements, leading to surges in demand for health or food safety certificates.	4	3	12	Government funding has been allocated to the council to cover some of the immediate pressures although this may be unsustainable across the long-term if activity continues at current levels. Mitigations will also be managed at a national level.	3	3	9
19	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

EQUALITY IMPACT REPORT – Please refer to separate document on the agenda / website

ASSURANCE STATEMENT FROM THE SECTION 151 OFFICER

The following are the summary assurances and recommendations of the council's Section 151 Officer who is Richard Penska, the Interim Director of Finance.

A Review of the Revenue Budget

In relation to the 2021/22 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 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 dealing with the significant financial volatility which has arisen from the Coronavirus pandemic situation.

I am satisfied that sufficient management processes currently exist within the council to deliver this budget and to identify and deal with any new problems which may arise during the year, this of course includes the continuation of the Covid-19 pandemic itself.

The council must however recognise that it will need to ensure that a range of dedicated support service and transformation related resources are available to managers to assist with the implementation and delivery of the savings proposals, as well as key financial processes to review and remain focused on the embedding change as well as the monitoring of key financial risks. I am pleased to note that specific provision has been included within the budget for next year to cover this requirement.

My recommendations are also conditional upon:

- The council approving the updated projections within the Medium Term Financial Plan for 2021/22 to 2024/25,
- A recognition that the level of reserves and corporate risk assessment need to be regularly reviewed in the light of changing circumstances and that it needs to show a commitment to maintain reserves at a level which provides adequate cover for most identified risks during the planning period. This approach is pragmatic, and shows a clear commitment to prudent contingency planning. It must be noted however, that the recommended levels of reserves could still leave the council exposed to the very exceptional risks identified in this review and, if all those risks crystallised, then the total level of reserves could be inadequate;
- Directors and managers not exceeding their ongoing operational allocated base budgets for 2020/21 (as clearly the council is managing Covid-19 impacts at a strategic level);

- 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.
- 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.

- An absolute minimum level of unallocated reserves within the general fund working balance of £9 million is maintained throughout the period between 2021/22 to 2024/25;
- An optimal general fund working balance level of £11 million over the period 2021/22 to 2024/25 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances;
- A maximum recommended level of unallocated reserves within the general fund working balance of £14 million for the period 2021/22 to 2024/25 to provide additional resilience to implement the Medium Term Financial Plan;
- A Reserves Strategy to remain within the recommended level of reserves over the relevant period of 2021/22 to 2024/25.

The estimated level the council's general fund working balance at 31 March 2020 based on current projections is £9.053 million. Therefore:

- The absolute minimum level of reserves of £9 million is currently being achieved;
- The optimal level of reserves of £11 million criteria is achievable for 2021/22, if departments spend against budget as currently projected, the impacts of the Covid-19 emergency are fully funded by government funding, and there is no call on the council's contingency budget;
- The maximum level of reserves of £14 million is not being exceeded;
- Reserves should remain within the recommended range of reserves during 2020/21, and no transfers out of the general fund working balance should be made.

These recommendations are made on the basis of:

- The risks identified by the Chief Executive and Directors reviews of their budgets;
- My own enquiries during the development of the current budget proposals;
- The resilience and sustainability required to deliver the Medium Term Financial Plan;
- That the general fund working balance reserves in 2021/22 and the foreseeable future are used only if risks materialise and cannot be contained by management or policy actions.
- That where reserves are drawn down, the level of reserves is maintained in line with the latest Medium Term Financial Plan.

There are also serious exceptional risks which, if they crystallise, could significantly impact the council's reserves and leave its financial standing seriously in question. Some of these include:

- The continuation of the Covid-19 pandemic beyond the Spring 2021 together with a reduction in government funding compared to those received in the current financial year.
- The potential for unforeseen and material remediation works relating to the council's owned infrastructure issues;
- Ongoing and sustainable provision within the market to cover the social care requirements;
- Other material contract failures or changes;
- The financial implications from the Care Act or the anticipated Green Paper for social care, other welfare reform changes or associated Housing legislation;
- The increasing cost and demand pressures for adult and children social care;
- Failure to provide a permanent funding solution in respect of the overspending and pressures within the High Needs Block of the Dedicated Schools Budget;
- The risk surrounding the non-delivery of savings and exceeding investment proposals within the budget package for 2021/22;
- Material insurance claims;
- The extreme financial issues for the public sector arising from the prevailing and continuing national and local conditions;
- Significant changes in the assumptions supporting the delivery of capital investment plans, whose funding may be linked to funding streams such as asset sales or capital receipts;
- The risk of even further significant reductions in both locally generated income and also government grant funding, particularly in relation to:
 - Sustainable growth and / or decline in the council's tax base and business rates base;
 - Ongoing business rates appeals from the 2017 revaluation;
 - The local council tax support scheme with reduction in subsidy funding and no protection for caseload increases;
 - Further changes to the way in which local government is financed by government particularly with any changes to the business rates retention scheme, e.g. transition to 75% retention;

- Future government changes in policy and funding for local government, particularly the unknown impact of the next Spending Round and fair funding review;
- The need to address the country's ongoing Public Sector Borrowing Requirement (PSBR) and the structural financial deficit which may result in significant changes to interest rates.
- The economic impact of the withdrawal of the UK from the European Union, together with any impact on Council services and Budget in 2021/22 and later years arising from the intended withdrawal from the European Union.

C Capital Planning

In relation to the Capital Programme 2020/21 to 2024/25 (including commitments from previous years and new approvals):

- The capital budgets are based on the best information available in terms of project costs.
- The council has established a Major Projects and Capital Delivery Team who have the required skills and experience to deliver projects on time and on budget, and which demonstrate value for money;
- There is less certainty around the actual phasing of planned expenditure as this can fluctuate, although this will be monitored throughout the year and re-phasing across financial years will be carried out;
- The council operates a rolling programme which means that changes and additions can be reflected on an ongoing basis;
- The key strategic schemes identified in the capital programme will be closely monitored in-year;
- That the funding identified for the approved capital programme is delivered and is 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 is a critical priority to enable the matching of resources to needs and priorities. Work is currently underway to develop and finalise medium-term service based and asset requirements, and a further report will be presented to the Executive later in the financial year;
- Funding to support these plans is less developed at this stage although will be included within the same report however it is accepted that this may result in an additional borrowing requirement for the council, some of which has already been reflected within the Medium Term Financial Plan.

D Assurance

Given all these factors, I, as the council's Section 151 Officer, consider the estimates for 2021/22 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 2021/22.