



Notice of Meeting of

## **SCRUTINY COMMITTEE - CORPORATE AND RESOURCES**

**Thursday, 4 January 2024 at 10.00 am**

**John Meikle Room, The Deane House, Belvedere Road, Taunton TA1 1HE**

To: The members of the Scrutiny Committee - Corporate and Resources

Chair: Councillor Bob Filmer  
Vice-chair: Councillor Richard Wilkins

Councillor Shane Collins	Councillor Nick Cottle
Councillor Philip Ham	Councillor Tony Lock
Councillor Martin Lovell	Councillor Emily Pearlstone
Councillor Diogo Rodrigues	Councillor Peter Seib
Councillor Brian Smedley	Councillor Andy Soughton
Councillor Lucy Trimnell	

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The meeting will be webcast and an audio recording made.

Issued by (the Proper Officer) on Friday, 22 December 2023

# **AGENDA**

**Scrutiny Committee - Corporate and Resources - 10.00 am Thursday, 4 January  
2024**

**Public Guidance Notes contained in Agenda Annexe (Pages 7 - 8)**

**Click here to join the online meeting (Pages 9 - 10)**

**1 Apologies for Absence**

To receive any apologies for absence.

**2 Minutes from the Previous Meeting (Pages 11 - 18)**

To approve the minutes from the previous meeting held on 5 December 2023.

**3 Declarations of Interest**

To receive and note any declarations of interests in respect of any matters included on the agenda for consideration at this meeting.

(The other registrable interests of Councillors of Somerset Council, arising from membership of City, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes: [City, Town & Parish Twin Hatters - Somerset Councillors 2023](#) )

#### **4 Public Question Time**

The Chair to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public who have submitted any questions or statements, please note, a three minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue.

We are now live webcasting most of our committee meetings and you are welcome to view and listen to the discussion. The link to each webcast will be available on the meeting webpage, please see details under 'click here to join online meeting'.

#### **5 Financial Budget Update Month 7 (Pages 19 - 76)**

To receive the update and consider any mitigations or recommendations to make to the Executive.

#### **6 Somerset Council Reserves Amalgamation (Pages 77 - 84)**

To receive the report and consider any recommendations to the Executive.

#### **7 Business System for Finance Implementation Review (Pages 85 - 108)**

To receive an update on the Business System for Finance Implementation project.

#### **8 Property Maintenance and Compliance Report (Pages 109 - 118)**

To receive a presentation from Strategic Asset Management on Building Maintenance and compliance (non-schools) and an update on the Condition Programme.

#### **9 Surplus Assets Review (Pages 119 - 124)**

To receive a report on the progress of the surplus assets review.

**10 Commercial Asset and Realisation Task and Finish Group Report (Pages 125 - 128)**

To receive an update from the Task and Finish Working Group on Commercial Assets and Realisation.

**11 Scrutiny Corporate and Resources Forward Plan (Pages 129 - 132)**

To review the Forward Plan and to make any amendments or add new items.

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## Guidance notes for the meeting

### Council Public Meetings

The legislation that governs Council meetings requires that committee meetings are held face-to-face. The requirement is for members of the committee and key supporting officers (report authors and statutory officers) to attend in person, along with some provision for any public speakers. Provision will be made wherever possible for those who do not need to attend in person including the public and press who wish to view the meeting to be able to do so virtually.

#### Inspection of Papers

Any person wishing to inspect minutes, reports, or the background papers for any item on the agenda should contact Democratic Services at

[democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk) or telephone 01823 357628.

They can also be accessed via the council's website on [Committee structure - Modern Council \(somerset.gov.uk\)](#)

### Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at: [Code of Conduct](#)

### Minutes of the Meeting

Details of the issues discussed, and recommendations made at the meeting will be set out in the minutes, which the Committee will be asked to approve as a correct record at its next meeting.

### Public Question Time

If you wish to speak or ask a question about any matter on the Committee's agenda please contact Democratic Services by 5pm providing 3 clear working days before the meeting. (for example, for a meeting being held on a Wednesday, the deadline will be 5pm on the Thursday prior to the meeting) Email

[democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk) or telephone 01823 357628.

Members of public wishing to speak or ask a question will need to attend in person or if unable can submit their question or statement in writing for an officer to read out, or alternatively can attend the meeting online.

A 20-minute time slot for Public Question Time is set aside near the beginning of the meeting, after the minutes of the previous meeting have been agreed. Each speaker will have 3 minutes to address the committee.

You must direct your questions and comments through the Chair. You may not take a direct part in the debate. The Chair will decide when public participation is to finish. If an item on the agenda is contentious, with many people wishing to attend the meeting, a representative should be nominated to present the views of a group.

### **Meeting Etiquette for participants**

Only speak when invited to do so by the Chair.

Mute your microphone when you are not talking.

Switch off video if you are not speaking.

Speak clearly (if you are not using video then please state your name)

If you're referring to a specific page, mention the page number.

There is a facility in Microsoft Teams under the ellipsis button called turn on live captions which provides subtitles on the screen.

### **Exclusion of Press & Public**

If when considering an item on the agenda, the Committee may consider it appropriate to pass a resolution under Section 100A (4) Schedule 12A of the Local Government Act 1972 that the press and public be excluded from the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information, as defined under the terms of the Act.

If there are members of the public and press listening to the open part of the meeting, then the Democratic Services Officer will, at the appropriate time, ask participants to leave the meeting when any exempt or confidential information is about to be discussed.

### **Recording of meetings**

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Scrutiny - Corporate and Resources, Thursday 4 January 2024

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Minutes of a Meeting of the Scrutiny Committee - Corporate and Resources held in the John Meikle Room, The Deane House, Belvedere Road, Taunton TA1 1HE, on Tuesday, 5 December 2023 at 2.00 pm

**Present:**

Cllr Bob Filmer (Chair)

Cllr Richard Wilkins (Vice-Chair)

Cllr Tony Lock

Cllr Diogo Rodrigues

Cllr Brian Smedley

Cllr Lucy Trimnell

Cllr Emily Pearlstone

Cllr Peter Seib

Cllr Andy Soughton

**45 Apologies for Absence - Agenda Item 1**

Apologies were received from Councillors Cottle, Lovell and Ham. Councillors Johnson and Hobhouse attended as substitutes.

**46 Minutes from the Previous Meeting held on 9th November 2023 - Agenda Item 2**

Resolved that the minutes of the Scrutiny Committee - Corporate and Resources held on 9<sup>th</sup> November be confirmed as a correct record.

**47 Declarations of Interest - Agenda Item 3**

No other additional declarations were made.

**48 Public Question Time - Agenda Item 4**

None.

**49 2023/24 Budget Monitoring Report - Month 6 - End of September 2023 - Agenda Item 5**

Cllr Leyshon introduced the item and Jason Vaughan presented the report which set out an improved position as a result of a one off variance which enabled some protection to reserves needed in future years.

As part of the response to the overspend, the emergency actions put in included spend control boards and panels. Looking at all recruitment over the workforce and challenging this. Although this was not a blanket freeze on recruitment. Non-staffing expenditure such as discretionary spend and contracts across the Council were all being looked at. Part of process was to enforce purchase order requests and bring down care placement costs as part of a peer review which was being undertaken. There was still no certainty that the budget gap would be reduced to zero by the end of the year.

The Scrutiny Committee members were asked for feedback on the format of the report, including the 10 appendices that provided more detail across the Council service areas, see more detail within this. Appendix 9 set out the MTFP savings.

- More details were requested of the members of the control boards, these were officer boards comprised of peers within the service and adults and children's staff and service directors in addition to members of the finance team.
- The cost of care placements remained high, but work was ongoing to ensure a better placement could be achieved where possible.
- In respect of pressures continuing to grow in adults and children's care, there would be ongoing work at future savings in this area and how these can be achieved. 70% of the budget was on Adults and Childrens social care, so if these services overspends the Council was likely to incur an overspend.
- Lack of foster care placements was being monitored but there was a difficulty in controlling the demand.
- It was questioned how the recruitment control boards would impact devolved services to town and parish councils, it remained the responsibility for town and parish councils to recruit staff, and would depend on which services would be devolved to town and parish councils, under consideration for pilot project.
- Newton Europe were the management consultants working with Adults Services at a cost of £7million, this was performance related and estimated to deliver £10million of ongoing savings.
- Capitalisation permission from the government was progressing which would enable the capital receipts from assets to be used as funding to tackle the revenue shortfall.
- The sum of £7million received as via Connecting Devon and Somerset was a once off windfall from CDS. There wasn't an expectation for this to vary hugely but there was a split across councils who were involved with this

initially. This was as a result of a larger take-up of broadband than anticipated which has resulted in the windfall.

- Other councils have been looking to impose a double council tax on second homes. A report was being considered in December confirming this was now the legislation to be voted on at Decembers Full Council. Empty Properties and second homes, one next year and one from 2025/26.
- Tax exemptions for empty properties had been removed.
- The breakdown of all the exemptions and premiums was requested to be provided to members for their information.
- Uncollected Council tax was referred to in the report. The committee were informed that some debts were 20 years old and where there had bereavement and no next of kin. There were different policies for each District Council prior to April.
- Chair thanked officers for the report and welcomed reduction in deficit and further updates on the budget position over the coming months.

The Chair thanked the officers for attending with the update for the Scrutiny Committee Corporate and Resources and concluded that the committee had considered the report and noted the information provided.

#### **50 2023/24 General Fund Capital Budget Monitoring Report - Month 6 - End of September 2023 - Agenda Item 6**

The report was introduced by Cllr Leyshon and presented by the Section 151 Officer. During the debate the following comments and questions were raised:-

- Impacts on the construction industry and highways was considered, one of the projects as part of the Glastonbury town deal and has gone out to tender and 5 solid tenders had been received which was considered a positive indication that construction companies were stabilising, and prices were also stabilising.
- There remained a large capital programme across the Council, predicting spend on capital remained a challenge and there had been some instances of 25% slippage on spend, there were schemes from new councils in addition to schemes from the predecessor councils.
- Now interest rates were at 5% - accurate predictions on capital expenditure were important due to the impacts on borrowing to finance capital projects.
- It was questioned if there could be a quarterly breakdown of this. Projections were across the year but there was a desire to present quarterly projections which remained an aspiration.
- The Section 151 Officer was congratulated on the updated presentation format of the report, which was clear to understand.
- The Octagon Project was determined not deliverable and would be removed

from future capital reports.

- Work was ongoing with the arts council and department of culture media and sport (DCMS) to ensure the DCMS funding remains in Somerset.
- There had been an octagon board meeting, discussing various options. 3 options were being considered by the board, and work was ongoing with partners to consider if options acceptable to DCNS to keep the £10 million funding in Somerset for the benefit of residents.
- There had been positive engagement from government, the situation was challenging as the funding was in this year or there was a need to obtain a ministerial direction to transfer into the next financial year.
- A commitment date and spend date was requested to be provided in future reports.
- There was an exercise looking at savings against projects caused by slippage, this was key to treasury management.
- The delivery Department responsible for expenditure, where there are capital projects. Clarity on where projects are going to be stopped or delayed was being sought.
- As a general rule, 30% of the value of the project could be changed to allow for contingency without having to go back to Government as long as the outcomes were the same. Any changes in any project are still reported to Government.
- The Committee thanked officers for their report

The Chair thanked the officers for attending with the update for the Scrutiny Committee Corporate and Resources and concluded that the committee had considered the report and noted the information provided.

## **51 2023/24 Housing Revenue Account (HRA) Revenue and Capital Budget Monitoring as at Quarter 2 (30 September 2023) - Agenda Item 7**

The report was introduced and presented by the Management Accounting and Reporting Lead. During the debate the following comments and questions were raised:-

- There was an increase in cost pressures reported, there had been a 22% increase to date for void properties compared to last year and increase in responsive repairs.
- The leaving well scheme had been introduced to support tenants to leave properties in a better condition to enable faster relets of the properties.
- The pay award had been estimated as 5% but came in at 6.1% - this has been managed within budget.
- The capital spend had been profiled within each year in future.

- £5million has been awarded by Homes England for the North Taunton Woolaway Project.
- A supplementary request has been made for fire safety works to be approved by Full Council.
- Questions
- Reserves remained high although rents remained controlled, it was considered how this fed through and is this something that could be managed. The capital schemes were limited to the two HRA areas. General Reserves would be used to manage the current years overspend.
- Rents were capped, the rent policy had been adopted locally, this was capped at 7% and would be capped for 24/25.
- The Committee thanked officers for the report and thanked the finance and HRA officer team.

The Chair thanked the officers for attending with the update for the Scrutiny Committee Corporate and Resources and concluded that the committee had considered the report and noted the information provided.

## **52 2024/25 General Fund Revenue Budget & Capital Programme update - Agenda Item 7a**

The report was introduced by Cllr Leyshon and presented by the Section 151 Officer. During the debate the following comments and questions were raised:-

- It was confirmed that the report was being presented at the Executive Committee on 6<sup>th</sup> December.
- Approached Department for Levelling up, Housing and Communities on capitalisation direction which was not a quick or straightforward process.
- There was a legal requirement in engaging with the business sector in the coming months and informing of individual service changes. Major changes to services required full consultation.
- It was estimated that, £36million of earmarked reserves could be freed up from earmarked reserves, which could be reported back in February to amalgamate these.
- The finance settlement from Government was expected within the next two weeks.
- This will confirm how much funding the council will receive and all individual grants and business rates. An accurate prediction has already been made of this.
- The budget gap had decreased from £100 to £87 million. Live work on reductions in expenditure was ongoing across the Council would continue until council tax setting.
- The capitalisation direction has to be approved by Secretary of State, the

council can borrow to fund revenue expenditure although due to the borrowing costs of higher interest rates, freeing up reserves and generating capital receipts was considered a more efficient way of funding.

- There was a tight timescale, up until February 20<sup>th</sup> to work towards budget setting and deliver this within financial year as a result of impacts of inflation and funding.
- Report from September at Executive meeting set out the work on combining earmarked reserves would be ongoing, ensuring reserves would be repurposed where necessary and continue to hold onto earmarked reserves needed for specific tasks.
- Disposal of assets, borrowing and transformation needed to be carefully managed with treasury management activity.
- The committee requested that it would be helpful if there could be clarity over the previous reserves and which reserves were being reduced to balance the budget.
- It was confirmed that there was a spreadsheet which could be shared offline which tracked which reserves had moved and changed from the previous councils. There had been a risk analysis produced of reserves as a whole.
- There had been a development of budget options and this was ranked based on priority and deliverability.
- Previous years savings and what's been delivered and what is going to be delivered on savings in future years.
- An assessment would be made on how much savings could be delivered, influence on what contingency could be held in the budget. The level of contingency is approximately 2% of budget.
- Base savings and staffing cost profiles would continue into next year, these decisions were needed on a permanent basis and incorporating existing staffing restructures.
- All options would be consulted upon to enable residents of Somerset to have the best opportunity of input. There were savings to be made looking ahead, some were attached to contracts in the next and future financial years.
- This remained a complex picture. More engagement across the board with members of the public was required as more information became available.
- A Full list of reserves was requested to be circulated to all members of the committee, who thanked all officers for their report.

The Chair thanked the officers for attending with the update for the Scrutiny Committee Corporate and Resources and concluded that the committee had considered the report and noted the information provided.

### **53 Framework for Asset and/or Service Devolution - Agenda Item 8**

Councillor Theo Butt Philip introduced the item which was presented by Sara Skirton



and Scott Weetch. Feedback was welcomed from committee to develop the framework further. During the debate the following comments and questions were raised:-

- There had been confusion from Town and Parish Councils on what was a priority as part of this work. As a result greater communication with town and parish councils was requested due to capacity concerns to take these services on.
- There could be significant asset transfers, it would be helpful to try and put some rationale and priority into the paper including timescales which had been an emerging picture.
- There was regular engagement with the sector, with fortnightly clerks meetings, and attendance at the SALC AGM to hear concerns of colleagues in Town and Parish councils.
- Concerns were expressed that where some services were being devolved that there wouldn't be enough service provision for those Towns and Parishes who couldn't take services on.
- It was agreed that equity of provision needed to be monitored and to be clear on this.
- In respect of recent flooding issues and tackling blocked drains, restrictions in highways expenditure, costs and liability on hiring a highway jetter was considered and how local villages can help. Residents were unhappy with the lack of activity.
- Highways stewards modelling and supporting local highways was under consideration, more details were to follow on how this can help local issues on the highways network.
- There were a suite of opportunities for local councils to buy into and licensing was required to work on highways to ensure liabilities and insurance impacts were covered.
- A response to flooding issues would be provided to Cllr Hobhouse following the meeting after discussion with operational colleagues.
- It was questioned what period of time are local authorities having the option to take on devolved services and to successfully run and finance these services? Concerns were expressed that this was too late due to local precepts being set early next year which puts Parish Councils in an impossible position to devolve services in such a short period.
- It was understood that there were risks around unprepared and unsupported councils to take on services. What was being done to ensure they are prepared and manage that risk.
- Conversations were being held with Bridgwater Town Council, to ensure that there was an understanding and a clear business case with provisions in place to take everything into consideration.
- Work was ongoing with the Somerset Association of Local Councils to support the sector in taking on assets and services.

- Given the turnover of staff in local councils, taking in responsibility for services in the context of financial constraints, it was questioned how are concerns mitigated and could services and assets be returned if they were no longer viable.
- Advice to parishes on precepting had been sent indirectly through the letter from the leader of the Council
- Importance of capacity and ongoing capacity. Capacity of own Council?
- An internal working group was developing this into a programme. Workstreams needed to be developed as part of budget setting to mitigate impact of services being reduced.
- Addressing questions and queries from clerks and how they could consider this as part of the precept next year was important, in addition to setting out more information based on responses received from leader of council's letter.
- Larger devolution opportunities were likely to be offered to larger town councils.
- It was a sensible option to have a contingency fund with the transfer of services to town and parish councils. Role of LCN was a vehicle for communicating issues and progress. There was confusion with what the pathway is and talking to officers via parish meetings. Improved communication was requested.
- It was acknowledged some services could be delivered with better benefits locally with local contractors.
- Assurance was given that elected members would be consulted on in respect of asset and devolution deals.
- Asset disposals would still go through the asset disposal policy. Further assurance was given that members will be involved.
- The Committee thanked officers for the report.

The Chair thanked the officers for attending with the update for the Scrutiny Committee Corporate and Resources and concluded that the committee had considered the report and noted the information provided.

**54 Forward Plan - Agenda Item 9**

**(The meeting ended at 16.55pm)**

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**CHAIR**

Somerset Council  
Scrutiny Committee  
– Corporate and Resources 04/01/2024



## 2023/24 Budget Monitoring Report – Month 7 – End of October 2024

Lead Officer: Nicola Hix, Director of Finance & Procurement

Author: Nicola Hix, Director of Finance & Procurement

Contact Details: Details: nicola.hix@somerset.gov.uk

Executive Lead Member: Deputy Leader of the Council and Lead Member on Resources and Performance

### Summary

1. The Council is projecting an overspend of £18.3m for 2023/24, which equates to 3.7% of the net budget for the year. This is a small improvement of £0.4m from the previous forecast of £18.7m in month six.
2. The forecast overspend for year is driven by Adults Services overspend of £14.9m and Children’s Services of £13.9m. Together these total £28.8m and mask the fact that the rest of the council is forecast to be £10.5m underspent.

### Table 1: 2023/24 Budget Monitoring Report Overview of Movement in Forecast Outturn Position

Service Area	Month 6	Month 7	Movement
	Variance	Variance	
	£m	£m	£m
Adult Services	14.9	14.9	0.0
Children, Families & Education Services	12.4	13.9	1.5
Remaining Services	(8.6)	(10.5)	(1.9)
<b>Total Position</b>	<b>18.7</b>	<b>18.3</b>	<b>(0.4)</b>

3. A concerning aspect of the overspends in both Adults and Childrens services is that they are forecast to continue in the next financial year. Therefore, it is unsustainable to fund them using one-off sources, such as reserves. The services are working to reduce these pressures, but as detailed in the Medium Term Financial Plan papers a large amount of savings need to be found across the Council to create a sustainable organisation.

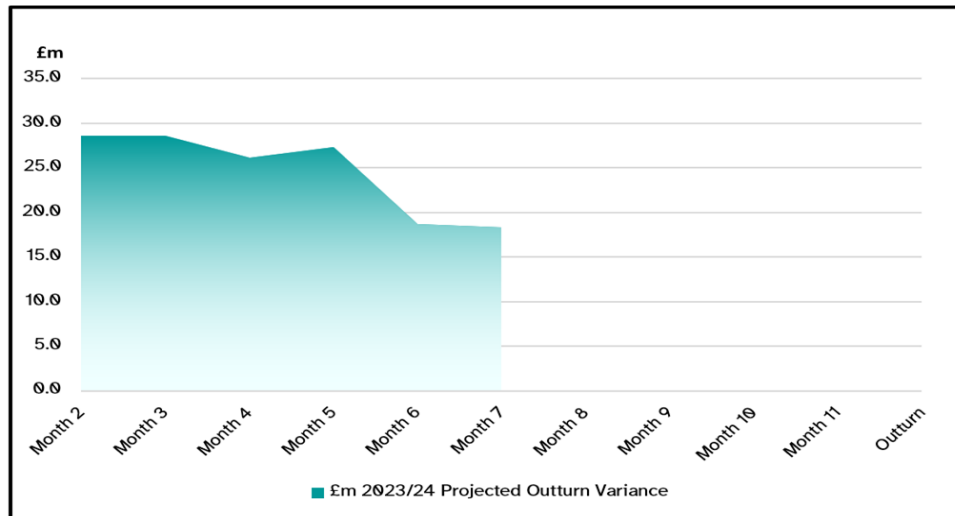
4. As reported last month, we have taken a range of actions to address the in-year budget position, such as establishing a number of daily and weekly control boards: -
  - Establishment & Recruitment Control Board - to assess all workforce requests and changes.
  - Commercial & Procurement Control Board – to review and challenge all new commissions, annual uplifts in contract and contract renewals.
  - Spend Control Board – ensuring that all purchases over £100 are reviewed and challenged to avoid any non-essential spend.
  - Adult Social Care Panel – to review and challenge placements.
  - Childrens Care Panels – various panels to review and challenge placements.
5. We are looking at how we monitor and assess the financial impact these boards are having on the projected current year outturn and will incorporate more information on this into the month nine report coming to Executive in February.
6. All boards have continued to meet at least three days a week if not meeting daily. Despite not currently being able to quantify the financial impact at present, all board are reporting that they feel they are having a positive impact on challenging the non-essential spend being undertaken across the Council.
7. The Spend Control Board meets daily and is responsible for reinforcing the Purchase Order (PO) corporate policy for all goods, services and works, which have been correctly sourced in line with the Contract Procedure Rules and Standing Orders.
8. From mid-December we have enforced the ‘No Purchase Order No Pay Policy’ onto our suppliers. This means that unless suppliers have been advised otherwise from within the Council that they are exempt from PO policy and are covered under one of the exemptions, we will be asking for purchase orders numbers to be added to all invoices. Any invoices received without a purchase order, which are not exempt, will be returned to the supplier until a purchase order number can be provided.
9. **Table 2** provides a summary of budget, projections, and variances on a service-by-service basis as at the end of October 2023. This table has been updated to include ‘actuals’ and ‘further forecasts’ to calculate the full year projection for the year. This is the first month of reporting this level of detail.
10. In term of the overall full year forecast overspend, further details and mitigations being undertaken by the responsible director are outlined in the appendices of this report. After taking into account all service expenditure and contingencies the projected outturn position is £510.4m against a net budget of £492.1m, resulting in a net forecast overspend of £18.3m.

Table 2: 2023/24 Budget Monitoring Report as at the end of October 2023 (Month 7)

Service Area	Original Budget £m	Current Budget £m	Full Year Projection £m	Month 7 Variance £m	A/(F)	RAG Status	Movement From Month 6 £m
<b>Adult Services</b>							
Adult Social Care Operations - Physical Disability/Sensory Loss/65 Plus	111.9	114.2	119.5	5.3	A	Red	0.0
Adult Social Care Operations - Mental Health	26.5	23.6	24.6	1.0	A	Red	0.0
Adult Social Care Operations - Learning Disabilities	110.4	109.8	117.3	7.5	A	Red	0.0
Commissioning	(62.2)	(62.2)	(61.1)	1.1	A	Red	0.0
<b>Adult Services Total</b>	<b>186.6</b>	<b>185.4</b>	<b>200.3</b>	<b>14.9</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Children, Families &amp; Education Services</b>							
Children & Families	81.8	82.1	94.1	12.0	A	Red	1.3
Commissioning and Performance	10.5	10.5	10.4	(0.1)	(F)	Green	0.2
Inclusion	12.6	15.4	17.5	2.1	A	Red	0.4
Education, Partnerships and Skills	17.4	14.1	14.1	0.0	-	Green	(0.3)
Childrens Services	0.7	0.7	0.6	(0.1)	(F)	Green	0.0
<b>Children, Family &amp; Education Services Total</b>	<b>123.0</b>	<b>122.8</b>	<b>136.7</b>	<b>13.9</b>	<b>A</b>	<b>Red</b>	<b>1.5</b>
<b>Community Services</b>							
Housing	5.9	6.1	6.1	0.0	-	Green	0.0
Customer Services	7.0	5.4	5.4	0.0	-	Green	0.0
Cultural Services	9.3	8.5	8.5	0.0	-	Green	(0.4)
Regulatory & Operational Services	12.4	12.4	12.4	0.0	-	Green	(0.9)
<b>Community Services Total</b>	<b>34.6</b>	<b>32.4</b>	<b>32.4</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>(1.3)</b>
<b>Climate &amp; Place</b>							
Climate, Environment & Sustainability	54.6	55.2	55.8	0.6	A	Red	0.0
Infrastructure & Transport	22.5	22.4	23.4	1.0	A	Red	(0.1)
Economy, Employment & Planning	10.6	10.5	10.5	0.0	-	Green	0.0
Accountable Bodies	3.7	3.5	(3.5)	(7.0)	(F)	Green	0.0
<b>Climate &amp; Place Total</b>	<b>91.4</b>	<b>91.6</b>	<b>86.2</b>	<b>(5.4)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.1)</b>
<b>Strategy, Workforce &amp; Localities</b>							
Partnership & Localities	0.8	2.8	2.8	0.0	-	Green	0.0
Strategy & Performance	3.2	4.5	4.5	0.0	-	Green	0.0
Workforce	6.0	5.9	5.4	(0.5)	(F)	Green	(0.1)
Governance, Democratic & Legal Services	10.2	9.3	10.7	1.4	A	Red	0.1
<b>Strategy, Workforce &amp; Localities Total</b>	<b>20.2</b>	<b>22.5</b>	<b>23.4</b>	<b>0.9</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Resources &amp; Corporate Services</b>							
Finance	11.9	13.2	11.8	(1.4)	(F)	Green	0.0
Strategic Asset Management	(9.2)	(9.5)	(9.4)	0.1	A	Amber	(0.3)
Information Communication Technology	17.8	17.3	15.8	(1.5)	(F)	Green	(0.3)
<b>Resources &amp; Corporate Services Total</b>	<b>20.5</b>	<b>21.0</b>	<b>18.2</b>	<b>(2.8)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.6)</b>
<b>Public Health</b>	<b>1.2</b>	<b>1.0</b>	<b>1.0</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Non-Service</b>	<b>9.8</b>	<b>9.7</b>	<b>6.2</b>	<b>(3.5)</b>	<b>(F)</b>	<b>Green</b>	<b>0.1</b>
<b>Traded Services</b>							
Dillington	0.0	0	0.3	0.3	A	Red	0.0
<b>Traded Services Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Total Service Position</b>	<b>487.3</b>	<b>486.4</b>	<b>504.7</b>	<b>18.3</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>
Corporate Contingency	6.0	5.7	5.7	0.0	-	Green	0.0
<b>Total After Contingencies</b>	<b>493.3</b>	<b>492.1</b>	<b>510.4</b>	<b>18.3</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>
Reserves	(19.9)	(19.6)	(19.6)	0.0	-	Green	0.0
Transfers to Schools	0.0	0.9	0.9	0.0	-	Green	0.0
Council Tax	(345.4)	(345.4)	(345.4)	0.0	-	Green	0.0
Business Rates	(116.1)	(116.1)	(116.1)	0.0	-	Green	0.0
Revenue Support Grant	(7.9)	(7.9)	(7.9)	0.0	-	Green	0.0
Flexible Use of Capital Receipts	(4.0)	(4.0)	(4.0)	0.0	-	Green	0.0
<b>Total Position</b>	<b>0.0</b>	<b>0.0</b>	<b>18.3</b>	<b>18.3</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>

**Chart 1** shows how the forecast outturn variance has moved month by month.

**Chart 1: Month on Month Projected Outturn Variance**



11. The Finance team are working closely with directorate management teams to challenge the financial assumptions which are being forecast. Everyone is fully engaged in understanding the reasons behind the assumptions and also working together as a team to mitigate overspends were possible.
12. The next budget monitoring report, month eight (up to the end of November 2023) was scheduled to come to the Executive in February 2024. Given the Christmas holidays and the deadlines for production of the report for publication, we are proposing to not bring the month eight report to you in February, but instead bring month nine (end of December). This will require a much tighter turnaround of budget monitoring by the Finance Team and the services but will mean Members get a much more up to date information.
13. As the new authority evolves work is being completed realign services and ensure budgets are in the most appropriate place. The changes will mainly affect the non-service area. These amendments have been shown in the MTFP Budget Update paper going to January's Executive meeting and will be reflected in the month nine budget monitoring report.

### **Recommendations**

14. This report is being presented to the Executive Committee on 15 January 2024 where they will be asked to:

- a) Note the forecast overspend of £18.4m (3.7%) for the year and the recovery action being taken and mitigations put in place to address this.
- b) Note the next report to be received by the Executive on Revenue Budget Monitoring will be the month nine report in February 2024.

### **Reasons for recommendations**

15. To ensure that the Council continues to maintain tight financial control over its budget.

### **Other options considered**

16. No other options were considered as continuing to monitor the budget on a monthly basis is considered best practice.

### **Links to Council Plan and Medium-Term Financial Plan**

17. The 2023/24 Budget was approved by Council in February 2023 as part of the Medium-Term Financial Plan (MTFP) and is the financial resourcing plan to deliver the Council Plan.

### **Financial and Risk Implications**

18. There are two relevant Strategic Risk which are ORG0070 Budget Overspend in the current financial year and ORG0057 Sustainable Medium Term Financial Plan. For both of these risks the current scores are:

<b>Likelihood</b>	<b>5</b>	<b>Impact</b>	<b>5</b>	<b>Risk Score</b>	<b>25</b>
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19. The financial impact of an overspend of £18.4m in the current financial would result in a reduction in the level of General Reserves from £49.8m to £30.7m. This remains above the £30m minimum risk-based assessment of the reserves approved by Council in February 2023.
20. The variances causing the net overspend are a mixture of on-going and once-off items, and the on-going items will have a financial impact upon 2024/25 if they are not addressed.

### **Legal Implications**

21. There are no specific legal implications arising from this report.

### **HR Implications**

22. There are no specific HR implications arising from this report.

### **Other Implications:**

### **Equalities Implications**

23. There are no specific equalities implications arising from this report.

### **Community Safety Implications**

24. There are no community safety implications arising from this report.

### **Climate Change and Sustainability Implications**

25. There are no climate change and sustainability implications arising from this report.

### **Health and Safety Implications**

26. There are no health and safety implications arising from this report.

### **Health and Wellbeing Implications**

27. There are no health and wellbeing implications arising from this report.

### **Social Value**

28. There are no Social Value implications arising from this report.

### **Background**

29. The Full Council approved the 2023/24 Budget in February 2023, the first budget for Somerset Council. Budget monitoring is delegated to Executive and Scrutiny and revenue service reports will be presented monthly with a full overview of revenue, capital, and reserves quarterly. This report outlines the forecast year-end position of services against the 2023/24 budget of £492.1m as at the end of October 2023.

30. **Table 1** (paragraph four) provides a summary of each service budget, with projections and variances for the year shown against these. Further details and mitigations being



taken by the responsible director are outlined in appendices 1 -8. The significant variances at month seven are:

- Adult Services has a £14.9m adverse variance against their budget (8% of service budget). This variance is mainly in the Adult Social Care and Learning Disabilities budget areas due to fee levels being high than anticipated.
- Children’s Services have a £13.9m adverse variance against their budget (11.3% of service budget), an unfavourable movement of £1.5m from month six. The overspend and movement mainly relate to the External Placements and Fieldwork (support for Children at Home) budgets.
- Climate and Place have a favourable variance of £5.4m against their budget. This is a reduction of £0.1m since month six. The underspend mainly relates to income received via Connecting Devon and Somerset. The balance received has been reduced due to overspends in Waste Services, and Highways.
- Strategy, Workforce and Localities have a £0.9m adverse variance (4% of service budget). The overspend relates to external legal costs where specific expertise is required. This overspend is offset by vacancies and Learning and Development reducing costs by focusing on e-learning, statutory and mandatory training.
- Resources and Corporate have a £2.8m favourable variance (13.3% of service budget). The majority of the favourable variance is seen in Finance and Information Communication Technology Services and relates to the holding of vacant posts and additional grant income.
- Non-Services have a favourable variance of £3.5m due once off in year favourable treasury management activities. Together with careful management of the Council’s cashflow, which has at times seen and higher than anticipated cashflow levels.

### **2023/24 Budget & Forecast Outturn Position**

31. The 2023/24 budget was put together using the information from the five predecessor councils before the full officer structure was finalised. Each council recorded things in different ways, therefore there is still some alignment of budgets to take place which will require budget virements. Service Directors are currently developing their service structures which will require further adjustments to the budget in order to reflect the new staffing establishment.

32. After accounting for all service expenditure and contingencies the projected outturn position at month seven is £510.4m against a net budget of £492.1m. This gives a £18.4m adverse variance which represents a variance of 3.7%.
33. With the financial challenges outlined in this paper the Council needs to move at pace to deal with the difficult financial situation that the council now faces. Further information for each service is shown in appendices 1 to 8, along with details on movements, actions to be taken, future risks and opportunities.

### **Background Papers**

34. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023
35. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council February 2023
36. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive November 2023

### **Appendices**

- Appendix 1: Adults Services
- Appendix 2: Children, Families & Education Services
- Appendix 3: Community Services
- Appendix 4: Climate and Place (including Accountable Bodies)
- Appendix 5: Strategy, Workforce and Localities
- Appendix 6: Resources and Corporate Services
- Appendix 7: Public Health
- Appendix 8: Other service areas

## Appendix 1 – Adult Services

Lead Member for Adult Services: Cllr Dean Ruddle

Executive Director: Mel Lock

Service Directors

- Adult Social Care Operations: Emily Fulbrook
- Adult Social Care Commissioning: Paul Coles
- Adult Social Care Transformation: Nikki Shaw

**Table 1: Adult Services as at the end of October 2023 (Month 7)**

- 2023/24 net budget £185.5m, projected adverse variance £14.9m, no movement from month six.
- 2022/23 net budget £160.7m, outturn adverse variance £15.4m

Service Area	Current Budget	Full Year Projection	Month 7 Variance	A/(F)	RAG Status	Movement From Month 6
	£m	£m	£m			£m
<b>Adult Social Care Operations - Physical Disability/Sensory Loss/65 Plus</b>						
PD/SL/65P Residential & Nursing	58.0	58.9	0.9	A	Red	0.0
Home Care	28.2	31.0	2.8	A	Red	0.0
Direct Payments	12.5	14.2	1.7	A	Red	0.0
Staffing Costs	12.4	11.4	(1.0)	(F)	Green	0.0
Transport, Daycare & Other	3.1	4.0	0.9	A	Red	0.0
<b>sub total</b>	<b>114.2</b>	<b>119.5</b>	<b>5.3</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Adult Social Care Operations - Mental Health</b>						
MH Residential & Nursing	14.7	14.6	(0.1)	(F)	Green	0.0
Home Care/Supported Living	5.7	6.9	1.2	A	Red	0.0
Staffing/Deprivation of Liberty, Safeguards	1.4	1.4	0.0	-	Green	0.0
Direct Payments, Day Care & Transport	1.8	1.7	(0.1)	(F)	Green	0.0
<b>sub total</b>	<b>23.6</b>	<b>24.6</b>	<b>1.0</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Adult Social Care Operations - Learning Disabilities</b>						
LD Residential & Nursing	23.8	25.3	1.5	A	Red	0.0
Supported Living/Home Care	33.6	38.4	4.8	A	Red	0.0
Direct Payments/In Control	10.7	9.7	(1.0)	(F)	Green	0.0
Day Care	6.4	6.9	0.5	A	Red	0.0
Discovery	30.5	30.9	0.4	A	Red	0.0
Transport, Shared Lives & Other	2.4	2.6	0.2	A	Red	0.0
Central & Salaries	2.4	3.5	1.1	A	Red	0.0
<b>sub total</b>	<b>109.8</b>	<b>117.3</b>	<b>7.5</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Commissioning</b>						
Commissioning	(62.2)	(61.1)	1.1	A	Red	0.0
<b>sub total</b>	<b>(62.2)</b>	<b>(61.1)</b>	<b>1.1</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Total</b>	<b>185.4</b>	<b>200.3</b>	<b>14.9</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>

### Adult Services - key explanations, actions & mitigating controls

Adult Services overspend is £24.2m due to increase in both fee levels for care home placements and delivery of home care, offset by a number of in year mitigations to reduce it to £14.9m.

Since 2020/21 we have seen an increase of 41% in residential placements and this significant increase can be seen across all care home placement types. In October 2022, the unmet needs list was around 150 people waiting for homecare, the number current waiting is two people, this increased in delivery is now showing as a full year effect in the table above.

To offset the overspend a number of in year mitigations and funding have been identified including the market sustainability funding - workforce grant of £3.8m, in year mitigations of £3m including reviewing all 1:1 with a view to reducing hours required and £2.5m NHS monies.

### **Adult Social Care - Physical Disability/Sensory Loss/65 Plus**

This area of Adults is currently projecting to be £5.3m overspent. As in previous years, we continue to see pressure within residential and nursing placements, with pressure on the weekly costs, as well as the number of people receiving support. Historically the authority has paid low fee rates within this sector. The increase in fee levels for 23/24 are still not stabilising the market, due to the increase in inflation and cost of living.

There continue to be a number of interim placements as the service works with the NHS trusts to ensure a timely discharge for people from hospital. These placements are currently projected to cost £1.8m.

We continue to deliver more homecare, to allow people to remain in their own homes for as long as possible to help reduce the overreliance on beds, as well as it being the best place for them. This has led to reported overspends of £2.8m for home care.

As we continue to offer choice and have a varied market that includes micro-providers, we have seen an increase in the use of direct payments, resulting in a projected overspend of £1.7m.

### **Mental Health**

This budget includes individuals who have a diagnosis of dementia. The budget continues to be an area of growth for the past few years, and this has continued in 2023/24. We are currently projecting an overspend of £1m mainly within home care and supported living. Residential and nursing continues to be a pressure for the service due to a combination of increasing numbers and high unit costs.

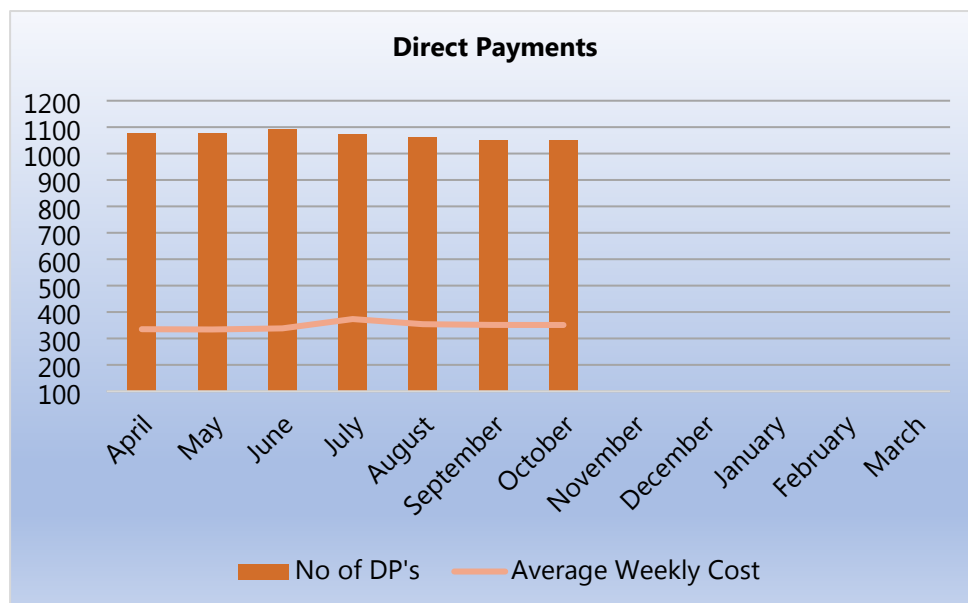
### **Learning Disabilities**

Overall, the cost of Learning Disabilities is projected to overspend by £7.5m. Since outturn we have seen a number of high costs placements come through, either via transitions or due to other forms of funding coming to an end. The four main pressure areas continue to be residential & nursing £1.5m, supported living and homecare £4.8m and day care £0.5m due to market sustainability. Supported Living is in the best interest of people but is an area where unit costs can be high.

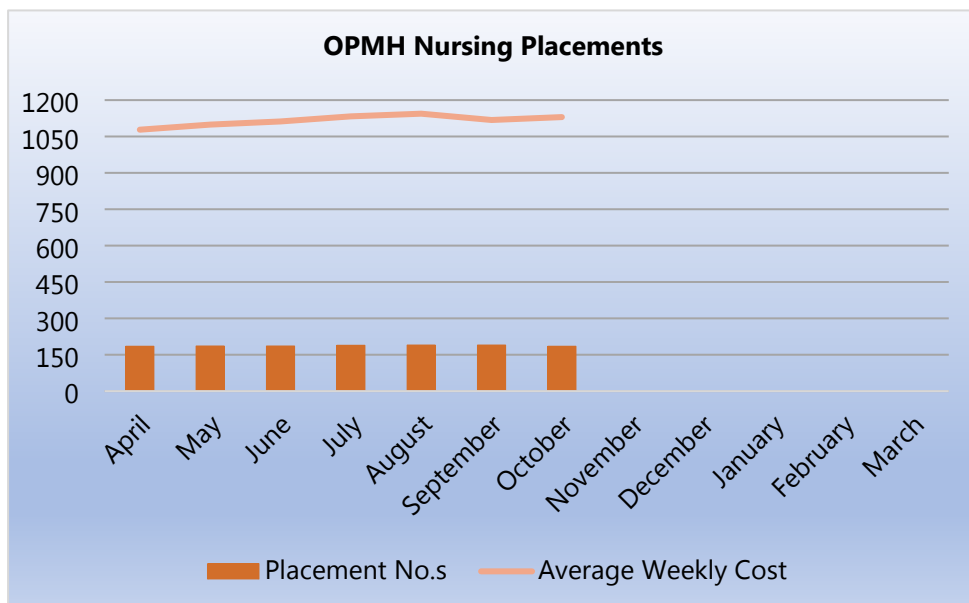
### Commissioning

Commissioning is currently projecting to overspend by £1.3m, as the Adults transformation 'my life, my future' will not achieve the full £5m saving.

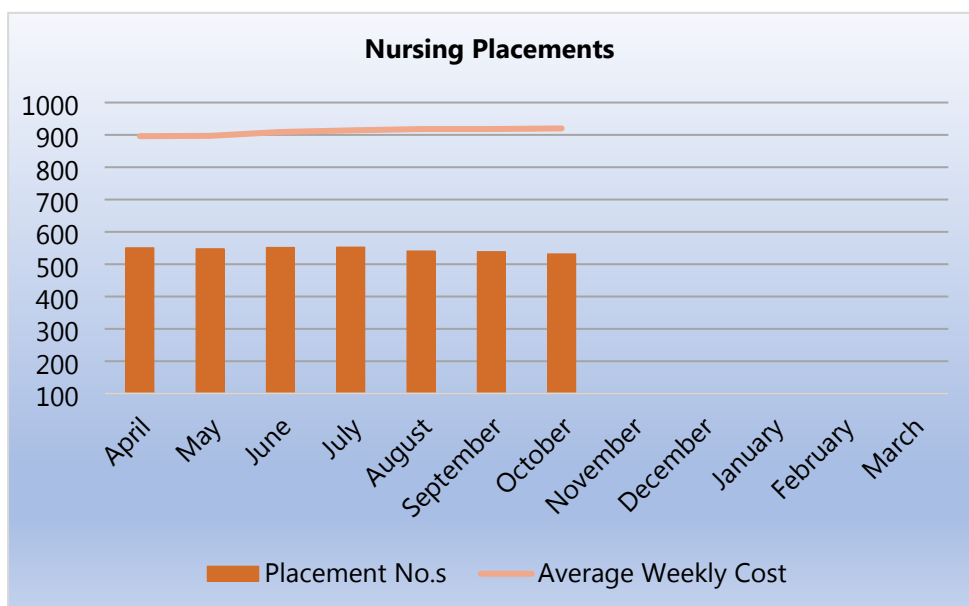
### Adult Services - key performance cost drivers



Since the beginning of the financial year, we have seen the number of people receiving a Direct Payment within ASC decrease from 1,077 to 1050 packages. The current weekly average cost of an ASC Direct Payment is £351 per package.



The number of Older People Mental Health (OPMH) Nursing placements has remained stable at 185 placements since April. The current weekly average cost for OPMH Nursing is £1,130 per placement.



Nursing placements decreased by nineteen since April from 551 to 532. The current weekly average cost for Nursing is £920 per placement.

**Adult Services - key risks, future issues & opportunities**

90% of the ASC budget is spent on individual placements purchased through the market via block and spot placements. Therefore, there is a significant risk that this

budget will continue to overspend. This is due to increased demand, the cost-of-living rise, particularly the increases in petrol, gas, electric, and food.

We have a number of mitigations that are not currently reflected in the financial position above but across the financial year we will start to see the impact:

- Enhanced Peer Forum – Robust financial and operating challenge
- Reviewing Interim Placements – This review will identify those who should be self-funding/contributing towards their long-term care.
- My life, my future – reduce the overreliance on bed placements and redesign the reablement service.
- Review all high cost/complex placements.
- Review void costs.

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## Appendix 2 – Children, Families & Education Services

### Children & Family Services

Lead Member for Children, Families and Education: Cllr Tessa Munt

Executive Director: Claire Winter

Service Directors:

- Children and Families: Jayne Shelbourn-Barrow
- Commissioning and Performance: Richard Selwyn
- Inclusion: Rob Hart
- Education, Partnerships and Skills: Amelia Walker

**Table 1: 2023/24 Children & Family Services as at the end of October 2023  
(Month 7)**

- 2023/24 net budget £123.1m, projected adverse variance £13.9m, adverse movement £1.5m from month six
- 2022/23 net budget £107.1m, outturn adverse variance £21.2m

Service Area	Current Budget	Full Year Projection	Month 7 Variance	A/(F)	RAG Status	Movement From Month 6
	£m	£m	£m			£m
<b>Children &amp; Families</b>						
Prevention Services	5.7	5.7	0.0	-	Green	(0.1)
Fostering & Permanence	13.3	12.6	(0.7)	(F)	Green	(0.0)
External Placements	38.4	49.3	10.9	A	Red	0.5
Fieldwork	9.1	10.4	1.3	A	Red	0.4
Disabilities	6.8	6.3	(0.5)	(F)	Green	0.0
Partnership, Audit & Quality	2.7	2.7	0.0	-	Green	0.0
Children Looked After	4.8	4.9	0.1	A	Red	(0.1)
Leaving Care	2.2	2.5	0.3	A	Red	0.0
CSC Management	(0.9)	(0.3)	0.6	A	Red	0.6
C&F Apportionments	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>82.1</b>	<b>94.1</b>	<b>12.0</b>	<b>A</b>	<b>Red</b>	<b>1.3</b>
<b>Commissioning and Performance</b>						
C&P Commissioning	2.0	2.0	0.0	-	Green	0.0
Performance and Transformation	4.4	4.3	(0.1)	(F)	Green	(0.0)
Business Support	4.1	4.1	0.0	-	Green	0.0
Children, Families & Education Team	0.0	0.0	0.0	-	Green	0.2
Early Help Services	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>10.5</b>	<b>10.4</b>	<b>(0.1)</b>	<b>(F)</b>	<b>Green</b>	<b>0.2</b>
<b>Inclusion</b>						
Special Educational Needs and Disabilities	2.7	2.7	0.0	-	Green	0.0
Vulnerable Learners	0.2	0.0	(0.2)	(F)	Green	(0.2)
Educational Psychology	2.1	2.2	0.1	A	Red	0.1
Inclusion Transformation and Partnerships	0.1	0.4	0.3	A	Red	0.3
SEND Transport	10.1	12.1	2.0	A	Red	0.3
Inclusion Strategic Management	0.2	0.1	(0.1)	(F)	Green	(0.1)
<b>sub total</b>	<b>15.4</b>	<b>17.5</b>	<b>2.1</b>	<b>A</b>	<b>Red</b>	<b>0.4</b>
<b>Education, Partnerships and Skills</b>						
Education Leadership	0.1	(0.3)	(0.4)	(F)	Green	(0.2)
Education Operations	(0.1)	(0.3)	(0.2)	(F)	Green	0.0
Curriculum and Literacy	(0.1)	0.1	0.2	A	Red	(0.3)
Education Places	0.6	0.7	0.1	A	Red	0.0
Home to School Transport	12.9	12.6	(0.3)	(F)	Green	(0.3)
EPS Management	0.7	1.3	0.6	A	Red	0.5
<b>sub total</b>	<b>14.1</b>	<b>14.1</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>(0.3)</b>
<b>Childrens Services</b>						
Childrens Directorate	0.7	0.6	(0.1)	(F)	Green	(0.1)
<b>sub total</b>	<b>0.7</b>	<b>0.6</b>	<b>(0.1)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.1)</b>
<b>Children, Families &amp; Education Services Total</b>	<b>122.8</b>	<b>136.7</b>	<b>13.9</b>	<b>A</b>	<b>Red</b>	<b>1.5</b>

## **Children & Family Services - key explanations, actions, and mitigating controls**

### **External Placements**

The external placements budget is forecasting a total overspend of £11m, an adverse movement of £0.5m from month six.

Of this overall variance, the unregistered placement overspend is £3.5m an increase of £0.1m from month six and the residential overspend is £5.1m an increase of £0.6m.

The service has been able to move children from out of unregistered placements, however, due to complexity of their need, these children have moved to residential care placements, which although less expensive than unregistered placements have increased the pressure on residential care budgets. We anticipate that all unregistered placements will end by the end of January, with the majority of these children able to move to Homes and Horizons residential homes.

### **Fieldwork (Support for Children at Home)**

In emergencies and when ordered to do so by the court, the service has provided 24/7 supervision of families in their own home. This is an expensive and usually externalised service. We are challenging the validity of this expenditure in the High Court.

The high number of 24/7 support at home packages has resulted in an overspend against the Fieldwork (section 17) budget with an increase to this pressure from month six of £0.4m.

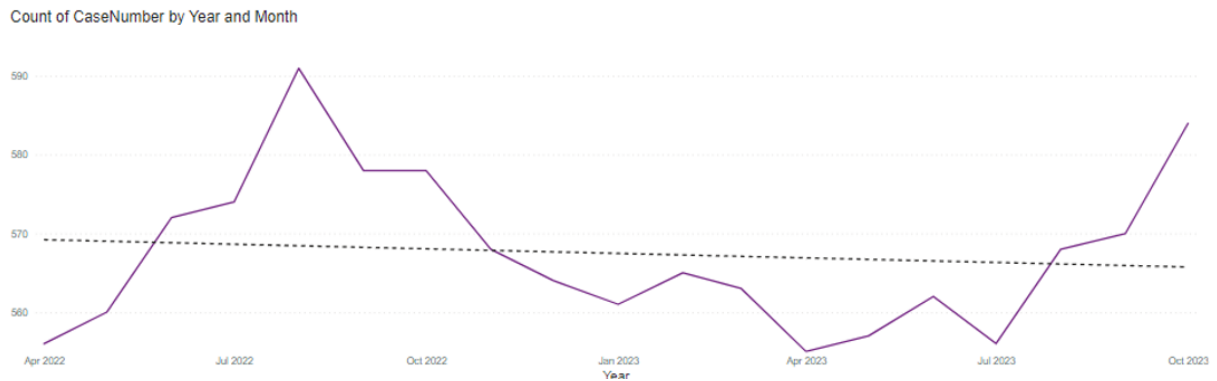
### **CSC Management**

IMPOWER have been engaged to undertake a rapid financial diagnostic of Children's Social Care Services with the aim of identifying and quantifying opportunities for sustainable cost savings over and above those already identified by the Council. These fees are resulting in a pressure in this area of £0.6m.

### **Children & Family Services – key performance cost drivers**

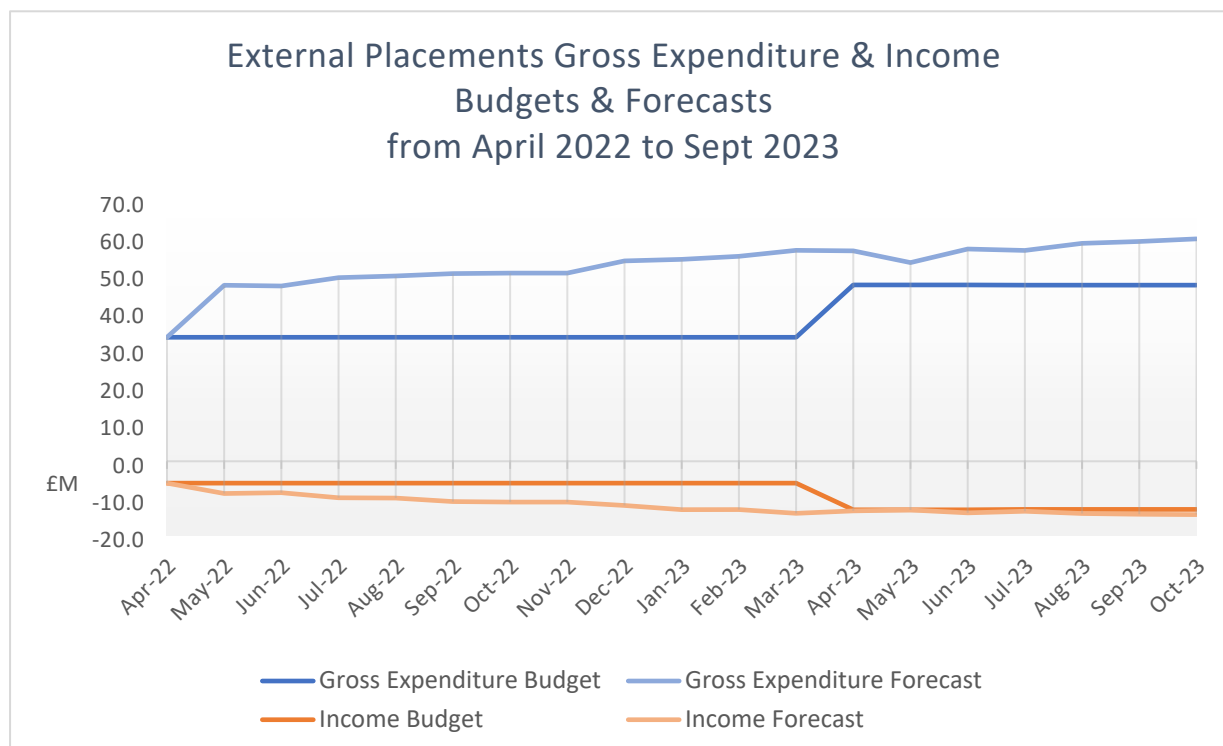
The number of children in care had remained relatively stable for a significant period with an unexpected spike in the summer of 2022. This spike was largely children in their teenage years with complex needs. This has had an impact on the number of

children in external placements and costs for these children were also higher than expected due to the complexity of their needs and the lack of sufficiency in foster placements.



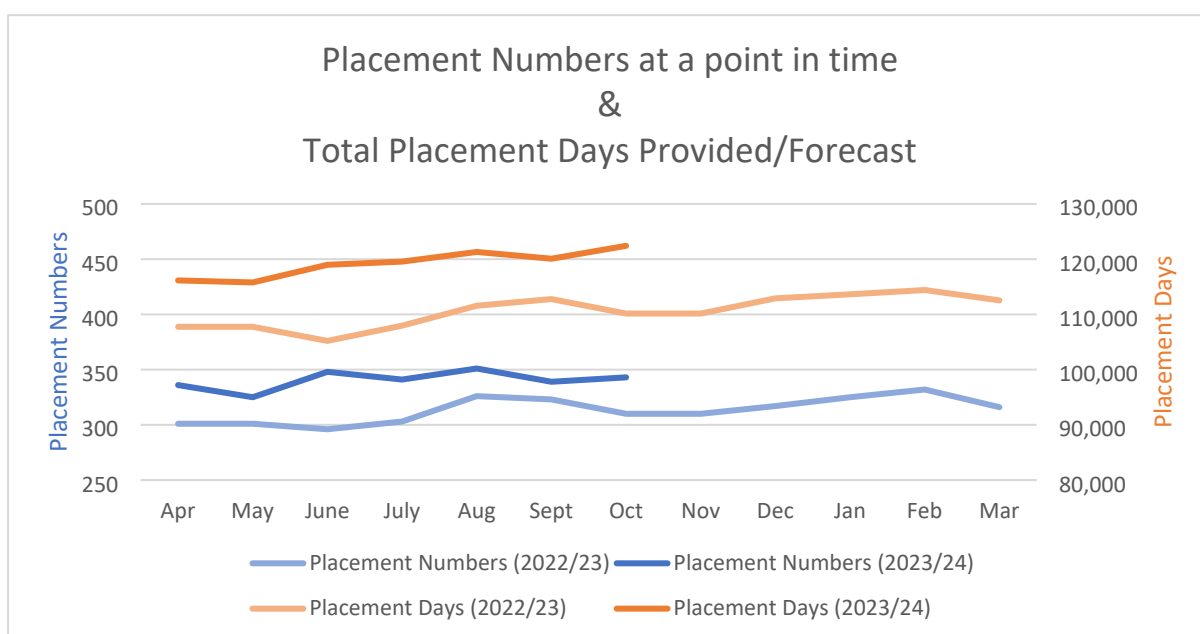
The number of children in care has increased by approximately 30 since July 2023. This largely relates to sibling groups where a non-accidental injury has occurred with the majority of these children being placed in foster care during court proceedings.

The external placements gross expenditure base budget for 2023/24 increased by £14.0m to £47.3m in 2023/24. The forecast gross expenditure for 2023/24 is £59.6m, resulting in a net forecast overspend of £11m due to the pressure being partly offset by NHS and DSG contributions.

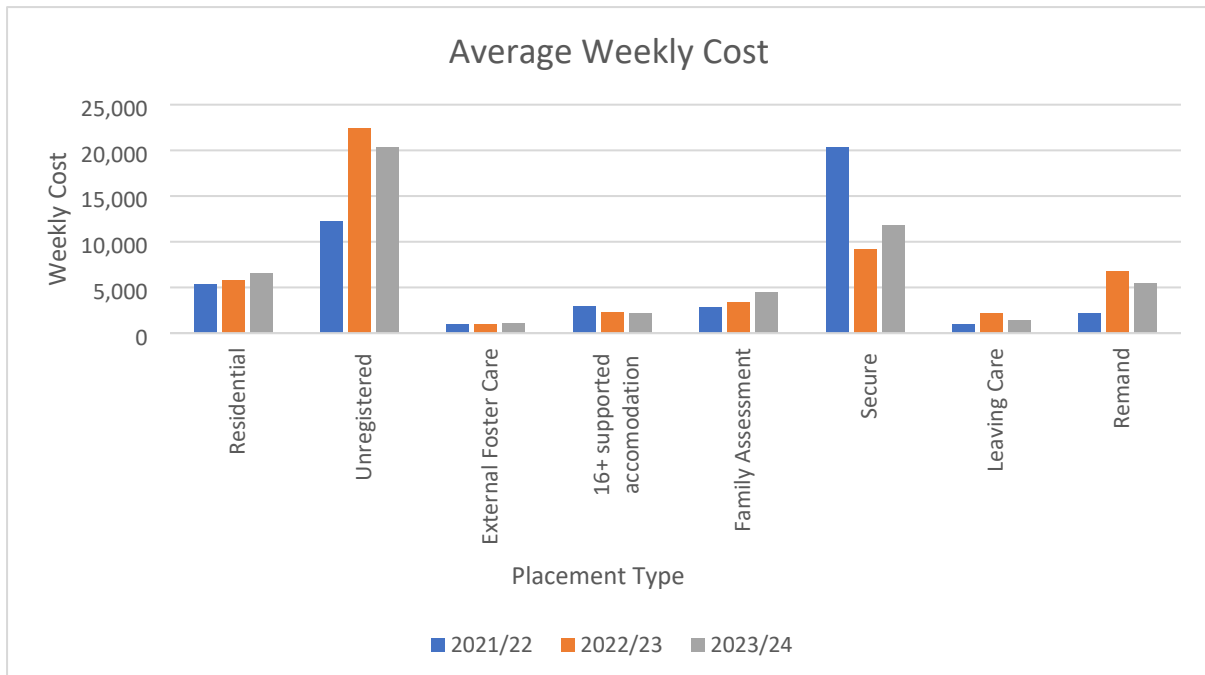


Placement numbers and the forecast number of placement days has increased compared to October last year, mainly due to:

- Increases in placements for Unaccompanied Asylum-Seeking Children (UASC), largely from the National Transfer Scheme, from a low base, which are only partly funded from the UASC Grant.
- Increases in residential placements due to both complexity of children and lack of sufficiency within the fostering sector.
- Increases in bespoke 16+ supported accommodation placements due to complexity of need.
- Reduction in external fostering placements.



The average weekly cost of unregistered placements continues to reduce and is now £20.3k, a 9% reduction on last year’s average weekly cost. The average weekly cost of residential placements has increased by 12%.



### **Children & Family Services - key risks, future issues, and opportunities**

A County Council Network and Society of County Treasurers report published on the 31 October 23 identified that, despite an increase in children service’s budgets, county and large unitary authorities are predicting significant overspends in 23/24 in this area, due to rising demand and high care placement costs in a broken market.

As outlined above, there is significant increase in demand in Somerset particularly for placements for complex teenagers at high cost. An insufficiency of fostering provision compounds this as it does in many other local authorities nationally.

In parallel, there is a risk that the cost-of-living crisis and reducing budgets in partner organisations will have a significant impact on demand in children’s social care including the number of children requiring support, and therefore the cost of services. Demand is already rising and has been doing so since the beginning of the pandemic. This is not levelling out.

### **Education Partnership and Skills (EPS) (medium risk)**

EPS has a gross expenditure of £29.7m and is dependent on schools and academies buying the traded service.

Somerset schools are significantly underperforming, and the Council has initiated a five-year strategy in April 2023 to improve educational outcomes. The financial health of the education support services provided to schools and early years settings, and of the schools and settings themselves, is of concern, particularly in 2023/24 due to inflation.

The traded income assumptions continue to be updated in the financial model. Should schools (maintained and academies) choose to buy less than the trading assumptions this would result in a loss of income. The buy back for the following financial year will be calculated mid-year every year and services are resized accordingly.

As of month seven, the EPS service is forecasting to be on budget for the year end (month six forecast was an overall overspend of £0.3m). Most of the movement from month six relates to reductions in spend because of controls put in place during the financial emergency, and the reallocation of funding to Home to School transport for children in Somerset from Ukraine.

### **Home to Schools Transport for Mainstream and SEN (high risk)**

In 2022/23, the overall cost of mainstream passenger transport had risen by 50% since 2018 despite static demand, while demand for SEND transport has doubled in the same period, with per passenger costs increasing by 10% (See table below). A significant factor in the rise in demand for SEND transport was a rise in number of children with EHCPs.

	Demand Number of Passengers		Costs £m		Cost per passenger £/annum	
	SEN	Mainstream	SEN	Mainstream	SEN	Mainstream
<b>Mar-23</b>	1,252	8,212	8.9	12.3	7,109	1,498
<b>Mar-22</b>	1,112	7,825	7.0	9.9	6,316	1,269
<b>Mar-21</b>	885	8,003	5.4	9.7	6,052	1,217
<b>Mar-20</b>	857	8,074	5.3	9.4	6,209	1,168
<b>Mar-19</b>	758	8,347	4.6	9.8	6,073	1,175
<b>Mar-18</b>	674	8,400	4.4	8.1	6,468	968

Another driver of increased cost has been the increasing cost of contracted supply. Suppliers have been bidding higher for tenders and in addition to a 2% fuel allowance which was given to reflect inflation, this has driven up unit costs. The average annual cost of providing transport for every SEN child has risen from £6,468

in 2018 to £7,109 in 2023 (10% increase) and the average annual cost of providing transport to mainstream children has risen from £968 in 2018 to £1,498 in 2023, a 54% increase.

An additional £5.6m in relation to these demand and inflationary increases is included in the 2023/24 budget for mainstream and SEN transport. Forecasting future costs and demand is challenging. Edge Public Solutions were commissioned to conduct a deep dive review of Home to Schools Transport earlier this year, following unprecedented growth in demand and costs. Due to continued pressure from inflation and the increased number of SEND children being placed in special school settings, it is forecast that there will be an overspend of £2.0m in SEN transport as of month seven.

In April 2023 Edge produced a report that summarised the review findings, detailed opportunities and made recommendations to make financial and service improvements. A Transport Board and various working groups are now in place and addressing the issues identified in the review, to reduce financial pressures through efficiencies.

### **Opportunities**

Our transformation programme includes the following, which taken together change the model of children's services in Somerset to improve the efficiency and effectiveness of how we use our limited resources. The transformation programme is drawing in a wide all-age partnership across health, care, and education, including:

- **Sufficiency strategy including edge of care** – describing emerging needs and response. The strategy will inform a children looked after transformation plan, overseen by the new CLA Outcomes Transformation Board.
- **Homes and Horizons** – a strategic partnership with the charity, the Shaw Trust, to deliver up to ten homes for children, up to 20 foster homes and therapeutic education provision for the most complex children in our care. This aligns with the political ambition to ensure that children from Somerset in our care have a home in the county and allows us to bring children who have been placed elsewhere home to their communities.

- **Education for Life strategy** – with the ambition and confidence to improve outcomes for children in both our maintained and academised sector schools over the next five years. This is a central pillar of the Council’s work.
- **Our SEND strategy** – focussing with our partners on ensuring that our children with SEND are included with their peers in their schools and communities and well supported in all aspects of their lives. Two key elements of this that will help to address financial challenges are a focus on early identification and support to reduce demand for statutory support, and the focus on developing more inclusive mainstream education provision and specialist provision for children with social, emotional, and mental health needs.
- **Connect Somerset** – an early help partnership between the Council, the NHS, schools, the voluntary sector, and our communities, ensuring that professionals and communities work together to help families and residents to improve their lives. This work is integrated with the Neighbourhoods, Local Community Networks and Primary Care networks.

### **Transformation, Savings, and Income Generation**

Children’s Services revenue budget includes £4.6m of MTFP transformation and other savings.

**Homes to Inspire/Strategic Partnership (on track)** – The first five 'Homes and Horizons' children's homes have opened. Our first nine young people are settling in well, with a strong partnership approach currently supporting the transition of two further children into new homes from unregistered provision. The programme continues at pace with home 6 (due to open February 24). Planning work continues for the first annexes (for crisis provision) and pods (for Staying Close provision) and for the establishment of the registered Therapeutic Education Provision, and these aspects of the programme are the most at risk currently. Unless delivered on time this will impact on 2023-24 financial year savings. As reported to Children's Scrutiny Committee, the programme is on course to deliver system savings of £2m (of which £1.2m relates to Children’s Social Care, primarily by reducing the number of children in unregistered provision where costs would otherwise be significantly higher).

**Family Safeguarding saving (on track)** – this saving is about preventing children coming into care. The savings target, set in early 2020, relates to reduced numbers of children coming into care. The impact of the pandemic, which led to more children



coming into care, could not be anticipated. In the 2022/23 national return in relation to children in care, Somerset's increase in children in care was 1% below the average for our statistical neighbours. This equates to 5.5 children fewer than could have been anticipated. This significant cost avoidance is due to the amount of prevention work undertaken as part of the family safeguarding model.

**Increased staff turnover (on track)** – the £0.5m saving in 2023/24 increases the total turnover saving to £1m per year which is currently on track to be achieved across Children's Services.

There is approximately £1.8m of MTFP savings at risk:

**Diagnostic Review of Children's Services (high risk)** – the Impower report identifies potential savings which deliver approximately 6 to 8 step downs from residential to in house fostering, but there is a risk that not all savings will be delivered in 2023/24 due to the unknown timescale to drive significant change in in-house fostering services.

## Children, Families and Education Service– Dedicated Schools Grant (DSG)

### **Dedicated Schools Grant - key explanations, actions, and mitigating controls**

The DSG is a ring-fenced grant which is allocated in four blocks:

- **Schools** funds the Individual Schools’ Budgets of Academies and Local Authority Maintained schools.
- **Early Years** funds the provision of education for children from age three up to age five and for qualifying two-year olds.
- **High Needs** funds the place budgets at special schools, Enhanced Resource schools and Pupil Referral Units within the local authority’s geographical boundary and other expenditure required to support children and young people with additional educational needs.
- **Central Schools Services** funds limited central expenditure on behalf of all schools and academies plus historic commitments that have been agreed by the Schools’ Forum

**Table 2: DSG forecast at the end of October 2023 (Month 7)**

The DSG is monitored monthly, and the table below shows the 2023/24 full year forecast as of month seven, with a comparative position showing the movement to month six.

DSG Block	Current budget	Full year projection	Month 7 Variance	A/(F)	RAG Status	Movement from Month 6 A/(F)
Schools	2.5	2.9	0.4	A	Red	-
Central Schools	5.0	5.0	-	F	Green	-
Early Years	31.1	31.1	-	F	Green	-
High Needs	73.5	89.1	15.6	A	Red	0.5
<b>Total</b>	<b>112.1</b>	<b>128.1</b>	<b>16.0</b>		<b>Red</b>	<b>0.5</b>

**Table 3: DSG Allocations 2023/24**

The final gross DSG funding allocation for 2023/24 amounted to £491.8m. From this final allocation, the amounts shown in the table below have been allocated to Mainstream and Special School Academies and Local Authority Maintained Schools. The amounts allocated to Academies shown below are recouped by the Department for Education prior to payment to the Local Authority. The remaining balance is the funding available for services for 2023/24. The £2.5m on the Schools Block represents the Growth Fund allocation for the year.

In year allocations	Gross DSG funding allocation			2023/24
	2023/24	Allocated to Academies	Allocated to LA Schools	Funding available for services
Schools	372.0	(245.1)	(124.4)	2.5
Central Schools	5.0	-	-	5.0
Early Years	31.1	-	-	31.1
High Needs	83.6	(9.5)	(0.7)	73.5
<b>Total</b>	<b>491.8</b>	<b>(254.6)</b>	<b>(125.1)</b>	<b>112.1</b>

**Table 4: High Needs Block budget 2023/24**

As set out in Table 2, the main risk area for the DSG Block continues to be within the High Needs Block. A detailed summary of the High Needs Block budget and the forecast position at October 2023 (month 7) is set out below:

	Current Budget	Month 7 Forecast	Variance A/ (F)	Month 6 forecast	A/(F)	Movement from Month 6 A/(F)
<b>High Needs Block</b>						
INMS	20.7	25.4	4.7	25.4	A	-
Special Schools	21.9	22.1	0.2	22.1	A	-
Mainstream Schools & Academies	10.9	12.4	1.5	12.4	A	-
Pupil Referral Units & Learning Partnerships	7.9	8.4	0.5	7.9	A	0.5
Post 16	6.0	6.7	0.7	6.7	A	-
CLA Pre 16	5.1	6.2	1.1	6.1	A	0.1
SEND Advisory Services	3.6	3.5	(0.1)	3.6	F	(0.1)
ASD Bases	2.2	2.2	-	2.2	-	-
Other	2.2	2.2	-	2.2	-	-
	80.5	89.1	8.6	88.6		0.5
Budget in Year pressure	(5.5)	-	5.5	-	A	-
Transfer from Schools Block	(1.5)	-	1.5	-	A	-
<b>Total</b>	<b>73.5</b>	<b>89.1</b>	<b>15.6</b>	<b>88.6</b>		<b>0.5</b>

The main areas (variances over £0.5m) contributing to the adverse forecast variance of £15.6m in the High Needs Block are:

1. Planned in year budget pressure (£5.5m adverse variance, no movement from month 6)

The planned budget allocation for 2023/24 included a forecast in-year pressure on the High Needs Block of £5.5 million. Largely this is due to two related factors: year-on-year growth in the number of children and young people with an EHCP (education, health, and care plan), (93% increase from 2019 to 2022) and a lack of sufficient provision within Somerset's maintained sector for children with social, emotional, and mental health needs.

2. Contribution from Growth Fund (£1.5m adverse variance, no change from month 6)

The budgeted contribution from the Schools Block to the High Needs Block budget of £1.5m was removed in month five. This transfer has been removed because the Schools Block is now forecast to not have sufficient surplus to allow it to take place.

Because it is a movement of funds between two blocks within the DSG, this transfer does not have any net effect on the overall DSG deficit.

3. Independent & Non-Maintained Schools (INMS) and Independent Post 16 Schools (£5.4m adverse variance, no change from month six, variance amended to match corrected detailed table above)

The effect of the significant increase in the number and cost of new INMS placements agreed through the LA's Placement and Travel (PAT) Panel or ordered by the SEND Tribunal continued in the first six months of 2023/24. In part, this has been due to insufficient availability of maintained specialist provision for pupils with social, emotional, and mental health needs.

4. Mainstream Schools & Academies (£1.5m adverse variance, no movement from month 6)

Forecast additional increases in the number, complexity, and cost of new and extended EHCPs and related costed packages were not anticipated within the budget. The service is reviewing packages to limit the overspend.

5. Children Looked After (CLA) (£1.2m adverse variance, an adverse movement of £0.1m from Month 6)

The average complexity and therefore, cost of CLA placements resulting in a contribution from education has increased above the budgeted assumptions. The adverse movement in Month 5 has resulted from further children moving into external placements during the month requiring educational contributions.

6. Pupil Referral Units and Learning Partnerships (£0.5m adverse variance, and adverse movement of £0.5m from Month 6)

The HNB budget included an amount of £0.9m of income anticipated to be received from Pupil Referral Units for work with Mainstream Schools. However, there is limited capacity to undertake this work due to the high workload on school exclusions. This is expected to reduce the amount of income that can be achieved in 2023/24. The forecast has therefore been reduced to £0.4m, and this work will be monitored by the Inclusion team in the coming months.

### Schools Block monitoring

The £0.4m adverse movement on the Schools Block represents unplanned expenditure on asylum seeking children of £0.4m. This is unchanged from Month 6.

### DSG forecast deficit on 31 March 2024

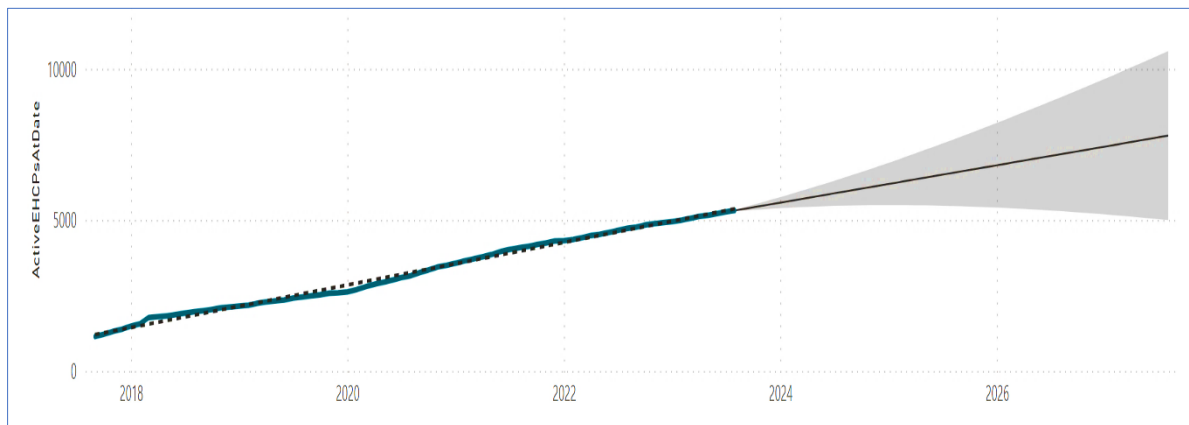
	Balance b/fwd at 1 Apr 2023 surplus/ (deficit)	NFF drawn from growth fund	Forecast in- year variance surplus/ (deficit)	Forecast carry forward 31 Mar 2024
Forecast deficit carry forward				
Schools	2.6	(1.2)	(0.4)	1.0
Central Schools	5.6	-	-	5.6
Early Years	0.9	-	-	0.9
High Needs	(29.8)	-	(15.6)	(45.4)
<b>Total</b>	<b>(20.7)</b>	<b>(1.2)</b>	<b>(16.0)</b>	<b>(38.0)</b>

The DSG is forecast to have an in-year deficit of £16.0m in 2023/24 (an adverse movement of £0.5m from Month 6) giving a carried forward cumulative deficit of £38.0m when added to the brought forward balance of £20.7m. In order to fully adopt the National Funding Formula for Schools for 2023/24 it was agreed in January 2023 at Schools Forum that £1.2m would be drawn from the Growth Fund. The main area for concern continues to be the High Needs Block with a forecast in-year deficit of £15.6m.

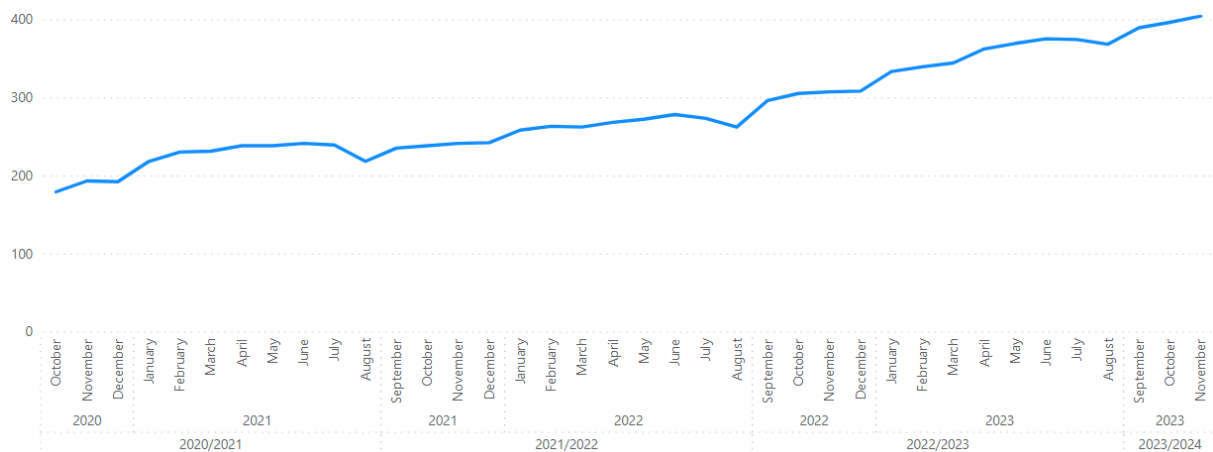
## Dedicated Schools Grant - key performance cost drivers

Since 2018, Somerset has experienced a steady growth in the number of children with Education Health & Care (EHC) plans as shown below. Previously, Somerset was an outlier, nationally, with extremely low numbers of children with EHC plans, as there was a policy of allocating high needs funding to mainstream schools to support children. This policy was changed in 2018 to ensure there was better oversight and accountability for use of high needs funding. From 2018 to 2023 there was an increase nationally in the proportion of school pupils from 2.9% to 4.3%. Somerset is now slightly above the national level at 4.6% of pupils with an EHC plan. Projections show that the numbers are expected to continue to increase in future years.

**Total Number of EHC Plans**



The graph below shows the growth in the number of children (x axis) accessing independent non-maintained specialist (INMS) schools. INMS schools are significantly more costly (Approx £55k per pupil per year) than placements in maintained specialist schools. These placements are only made where there is no viable alternative placement available in a maintained setting, so the growth is a result of not having sufficient maintained provision in Somerset to meet the range of needs.



## Dedicated Schools Grant - key risks, future issues, and opportunities

The key issues relating to the DSG Reserves are:

1. The projected future overspends in the High Needs Block will continue to create increasing deficits within that block and hence within the overall DSG Reserves position. This is discussed further in the High Needs Block sections below.
2. The DSG had an overall cumulative deficit of £20.7m at 31 March 2023. The statutory override that allows the separation of DSG deficits from the local authority's wider finances is due to expire in March 2026 whereupon the DSG deficit will need to be recognised within the local authority's overall level of reserves.

The key risks in the High Needs Block are:

1. Increased demand for education, health, and care plans (EHCP)

The key driver for increases in high needs spending is increased demand for EHC plans. Having had one of the lowest rates of EHC plans nationally in 2018, Somerset has seen a continued increase in rates of EHC plans and the current rate of 4.6%, is now just above the national average of 4.3% (2022/23 figures). Although most children with EHC plans are educated in mainstream schools, there has been a gradual movement of children from mainstream settings into specialist settings, with demand for places exceeding the growth in the provision of specialist settings.



£10.1m of DfE capital funding was made available in 2022 allowing the development of a new phase of the capital programme, which focuses on special school satellites, enhanced learning provision across the county and new therapeutic education capacity, to enable more children to access inclusive provision close to where they live. In addition, service transformation activity linked to the national Delivering Better Value (DBV) programme focuses on improving interventions and support at an early stage to prevent the need for so many EHC plans.

## 2. Sufficiency of provision of Social, Emotional and Mental Health (SEMH) support

There is currently insufficient SEMH provision in Somerset with the only provider currently operating significantly below capacity. This has been caused by a poor Ofsted rating for this provider. In addition, the opening of a new special SEMH free school in South Somerset has been delayed from September 2022 to September 2024. These issues result in SEMH needs being met by higher cost INMS providers. In 2022 the Council successfully applied for another SEMH special free school in the Wells area, which will cater for 64 children. However, this is not expected to be delivered until 2027. These will help to address the current lack of SEMH provision.

## **Transformation, Savings, and Income Generation**

There have been two key programmes of work to address the ongoing challenges in the high needs block. The specialist capital programme began in 2019, supported by investment from the local authority, to expand and improve Somerset's specialist estate. This has resulted in an increase of 361 additional places in specialist SEND provision across the county to date. In 2022, the Council received a £10.1 million DfE high needs capital grant, which is being used to fund further increases in specialist SEND capacity, through development of special school satellites, enhanced learning provisions in mainstream settings, and therapeutic education provision. In addition, the Council has successfully bid for two new Special Free Schools, which the DfE is responsible for delivering. The first was due to open in September 2022, but has been delayed and is now expected to open in September 2024. This will ultimately provide 120 new places. The second is due to open in 2027 and will provide a further 64 places.

Since April 2022, the service has been working with IMPOWER Consulting to identify further opportunities to improve outcomes for children and reduce pressures on high needs budgets. This work has focused on improving early identification and support and led to the set-up of a dedicated advice line for schools to support earlier intervention, as well as a trial of the Somerset Inclusion Tool (Valuing SEND) to improve planning around transitions for children with SEND. This is helping to identify children who can remain in mainstream settings with the right support, who might otherwise have moved into more specialist settings.

Following on from this, in summer 2022, Somerset was invited to participate in the DfE-led Delivering Better Value programme. This is aimed at 55 local authorities with significant high needs deficits, but not the 20 areas with the biggest deficits (who access a different “safety valve” programme). During autumn 2022 the service worked with Newton Europe and CIPFA to develop an improved understanding of our demand and financial trajectories in relation to high needs, as well as identify opportunity areas where improvements and efficiencies could be made. This has resulted in the award of a £1m grant from DfE to support transformation and test and learn activity.

Newton’s analysis has suggested that there are opportunities for reducing high needs expenditure, which could realise a £1m benefit by the end of 2024/25, and a cumulative benefit of around £8m by the end of 2027/28. However, based on Newton’s model, it is still expected that the cumulative deficit will continue to grow each year, unless there were to be significant changes to SEND policy or funding at a national level. Newton have reported that in each of the local authorities they have worked with, they are projecting that deficits will continue to grow, so Somerset is in line with other areas in this respect.

The Department for Education still requires the Local Authority to produce a DSG Deficit Management Plan to evidence how it will reduce the in-year deficit to zero by 31st March 2026 when the statutory override expires. The activities and opportunities identified through the work with IMPOWER Consulting and the DBV SEND programme are included in Somerset’s DSG Deficit Management Plan with further mitigating actions being developed.



## **Children and Family Services – Local Authority (LA) Maintained Schools Revenue Reserves**

### **LA Maintained Schools - key explanations, actions, and mitigating controls**

These reserves are regarded as being under the control of the individual schools and not the local authority and are therefore not included in the calculation of the overall DSG reserves.

The overall revenue reserves of the 133 local authority's maintained schools were £19.8m at 31 March 2023. Projections for 2023/24 indicate a sharp downturn in the forecast for most schools, with overall revenue reserves expected to decrease by around £8m during the year and move into overall deficit during 2024/25.

- At the beginning of the year, seven schools shared a cumulative deficit position of £1.9m and 126 schools shared a cumulative surplus of £21.7m.
- Budget plans submitted by schools for 2023/24 show significant budgetary pressures with 102 of 122 plans submitted indicating projected in year deficits totalling £7.7m.
- Those schools with projected overall deficits and high in year deficits were invited to attend working groups this term to discuss their financial position. These meetings have now concluded, and action plans are being produced for individual schools to capture common themes causing problems for schools.
- One school, Wadham Secondary, had a cumulative deficit of £1.5m at 31 March 2023 and does not have an agreed recovery plan. The underlying problems have now been addressed by an area restructure, but the historic deficit is too large to be recovered solely by this school. A proposal has been developed to manage down this deficit over a 5-to-10-year period. There is a risk that the local authority may be required to fund the deficit if the school is required to convert to an academy due to underperformance.

### **LA Maintained Schools - key risks, future issues, and opportunities**

Somerset's education system as whole (both the academised and maintained sectors) is underperforming and the 2022 assessment outcomes showed a trajectory of decline. While funding and finance issues are significant factors contributing to school performance, they do not determine educational outcomes. However, a weakened support infrastructure around schools has been strongly associated with that decline and financial stability is necessary for strong and reliable support services. Ensuring that financial uncertainty does not

disrupt the focus on improvement and the benefit of improvement for children is therefore a priority for the local authority.

Key stakeholders, including Schools and the Local Authority are currently being consulted on proposals that are designed to mitigate risks and provide clarity and stability in relation to financial measures associated with a change of status from local authority maintained to academy status.

These proposals have been considered by Scrutiny and were agreed on 2 August by the Executive:

- a) Change the approach to managing Core Offer contracts when a school converts to academy status.
- b) Update the Council's academy charge for schools electing to convert to academy status.
- c) Apply Department for Education guidance when dealing with surplus and deficit balances on conversion to academy status.
- d) Implement the proposal at (c) in relation to surplus and deficit balances effective from the date of decision (2 August 2023)

There are currently 13 schools with an academy order and a further ten that have notified of an intention to academise. Five of the schools with orders have directive academy orders due to underperformance which means that costs cannot be recouped but any surplus would be retained.

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## **Appendix 3 – Community Services**

Lead Member for Communities, Housing and Culture: Cllr Federica Smith-Roberts

Executive Director: Chris Hall

Service Directors:

- Housing: Chris Brown
- Culture: Elizabeth Dawson
- Customers: Jan Stafford
- Regulatory and Operational: Sarah Dowden

**Table 1: 2023/24 Community Services as at the end of September 2023  
(Month 7)**

- 2023/24 net budget £32.4m, nil variance projected, favourable movement £1.3m.

Service Area	Current Budget £m	Full Year Projection £m	Month 7 Variance £m	A/(F)	RAG Status	Movement From Month 6 £m
<b>Housing</b>						
Housing	0.0	0.0	0.0	-	Green	0.0
Housing Enabling	0.5	0.5	0.0	-	Green	0.0
Housing Strategic	1.1	1.1	0.0	-	Green	0.0
Homelessness	4.3	4.3	0.0	-	Green	0.0
Arms-Length Management Organisation (ALMO)	0.0	0.0	0.0	-	Green	0.0
Somerset Independent Plus	0.2	0.2	0.0	-	Green	0.0
<b>sub total</b>	<b>6.1</b>	<b>6.1</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Customer Services</b>						
Customers & Communities	5.4	5.4	0.0	-	Green	0.0
<b>sub total</b>	<b>5.4</b>	<b>5.4</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Cultural Services</b>						
Library Service	3.8	3.8	0.0	-	Green	0.0
Heritage Service	1.7	1.7	0.0	-	Green	0.0
Leisure - Sports Centre	1.8	1.8	0.0	-	Green	(0.4)
Museums	0.0	0.0	0.0	-	Green	0.0
Theatres	0.9	0.9	0.0	-	Green	0.0
Visitor Centres	0.2	0.2	0.0	-	Green	0.0
Tourism	0.1	0.1	0.0	-	Green	0.0
(wellbeing) Community Grants	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>8.5</b>	<b>8.5</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>(0.4)</b>
<b>Regulatory &amp; Operational Services</b>						
Registration	(0.2)	(0.2)	0.0	-	Green	0.0
Environmental Health	3.5	3.5	0.0	-	Green	0.0
Bereavement Services	(1.3)	(1.3)	0.0	-	Green	0.0
Harbours	0.0	0.0	0.0	-	Green	0.0
Ports	0.1	0.1	0.0	-	Green	0.0
Street Cleansing	4.7	4.7	0.0	-	Green	0.0
Open Spaces	3.2	3.2	0.0	-	Green	(0.9)
(wellbeing) Community Safety	0.0	0.0	0.0	-	Green	0.0
CCTV	0.7	0.7	0.0	-	Green	0.0
Licensing	(0.4)	(0.4)	0.0	-	Green	0.0
Resorts	0.2	0.2	0.0	-	Green	0.0
Coroners	1.3	1.3	0.0	-	Green	0.0
Operational Support	0.6	0.6	0.0	-	Green	0.0
<b>sub total</b>	<b>12.4</b>	<b>12.4</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>(0.9)</b>
<b>Community Services Total</b>	<b>32.4</b>	<b>32.4</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>(1.3)</b>

## **Community Services - key explanations, actions & mitigating controls**

The directorate is seeing pressures on budgets, the majority of which are in respect of errors identified when the budgets for the five councils were brought together.

The budget errors cannot be corrected in year.

Service Directors are working to ensure that these pressures are managed in the remaining part of the financial year. It is anticipated that the recovery plans being implemented will result in no variance at year end.

## **Housing Services**

There is a pressure in respect of homelessness, with the expenditure in respect of Bed & Breakfast accommodation anticipated to exceed the budget.

A Bed & Breakfast taskforce and recovery plan is being implemented which will put actions in place to reduce the forecasted overspend.

## **Cultural Services**

There are pressures in respect of income due from the contracted schedule of payments in 2023/24 due to changes in Somerset Council business rate policy, and contractor pension contribution liabilities. There are also utility benchmarking clauses for which the council has some liability. The service is continuing to work with the contractor to find solutions to reduce the impact to the Council.

## **Regulation & Operations:**

Open Spaces functions were previously carried out by the district councils, these include services such as ground maintenance. The in year pressure relates to a reduction in budgeted income associated with the grounds maintenance contract provided by the council to an external client.

This contract ended in 2021/22. The service expenditure budget was reduced as part of the budget setting process, but the income budget was not reduced to reflect this change. Therefore, the income receivable is anticipated to be less than the target. A growth bid has been submitted to amend this income budget estimate going forwards and additional work is underway in year to reduce the impact of this, we anticipate the loss of income to be covered by underspends on other budgets in this area.



In addition, three of the districts delivered the Open Spaces service in-house, whereas Mendip District Council had an external contractor to provide this service. The service is facing an in-year pressure because the contract price increase is more than budgeted.

The service is reviewing all areas to establish in year savings that will offset the budget pressure.

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## **Appendix 4 – Climate and Place, (including Accountable Bodies)**

### **Climate and Place**

Lead Members:

- Environment and Climate Change: Cllr Dixie Darch
- Transport and Digital: Cllr Mike Rigby
- Economic Development, Planning & Assets: Cllr Ros Wyke

Executive Director: Mickey Green

Service Directors:

- Climate, Environment and Sustainability: Kirsty Larkins
- Infrastructure and Transport: David Carter
- Economy, Employment and Planning: Paul Hickson

### **Accountable Bodies**

Lead Members:

- Transport and Digital: Cllr Mike Rigby
- Economic Development, Planning & Assets: Cllr Ros Wyke
- Environment and Climate Change: Cllr Dixie Darch

Executive Director: Mickey Green

Service Directors:

- Somerset Rivers Authority: Kirsty Larkins
- Local Enterprise Partnership and Connecting Devon & Somerset: Paul Hickson

### **Table 1: 2023/24 Climate & Place (including Accountable Bodies) as at the end of October 2023 (Month 7)**

- Climate and Place (including Accountable Bodies) 2023/24 net budget £91.6m, projected favourable variance £5.4m, favourable movement £0.1m from month six.

Service Area	Current Budget £m	Full Year Projection £m	Month 7 Variance £m	A/(F)	RAG Status	Movement From Month 6 £m
<b>Climate, Environment &amp; Sustainability</b>						
Climate & Place Management	0.6	0.6	0.0	-	Green	0.0
Business Support	0.8	0.8	0.0	-	Green	0.0
Somerset Waste	49.4	50.0	0.6	A	Red	0.0
Drainage Board Levy	2.3	2.3	0.0	-	Green	0.0
Climate Change Costs	0.8	0.8	0.0	-	Green	0.0
Emergency Planning	0.0	0.0	0.0	-	Green	0.0
Flood & Water	0.8	0.8	0.0	-	Green	0.0
Countryside	0.4	0.4	0.0	-	Green	0.0
Mendips AONB	0.0	0.0	0.0	-	Green	0.0
Quantock AONB	0.1	0.1	0.0	-	Green	0.0
<b>sub total</b>	<b>55.2</b>	<b>55.8</b>	<b>0.6</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Infrastructure &amp; Transport</b>						
Highways & Transport Commissioning	1.8	1.8	0.0	-	Green	0.0
Infrastructure Programmes Group	0.4	0.4	0.0	-	Green	0.0
Highways	16.4	17.4	1.0	A	Red	(0.1)
Traffic Management	0.3	0.3	0.0	-	Green	0.0
Transporting Somerset	9.3	9.3	0.0	-	Green	0.0
Car Parks	(6.5)	(6.5)	0.0	-	Green	0.0
Fleet Management	0.7	0.7	0.0	-	Green	0.0
Community Infrastructure	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>22.4</b>	<b>23.4</b>	<b>1.0</b>	<b>A</b>	<b>Red</b>	<b>(0.1)</b>
<b>Economy, Employment &amp; Planning</b>						
Economy & Planning	0.0	0.0	0.0	-	Green	0.0
Commissioning Development	0.0	0.0	0.0	-	Green	0.0
Development Control	2.1	2.1	0.0	-	Green	0.0
Planning Policy	3.2	3.2	0.0	-	Green	0.0
Economic Development	4.7	4.7	0.0	-	Green	0.0
Building Control	0.5	0.5	0.0	-	Green	0.0
<b>sub total</b>	<b>10.5</b>	<b>10.5</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Accountable Bodies</b>						
Somerset Rivers Authority	3.0	3.0	0.0	-	Green	0.0
Local Enterprise Partnership	(0.2)	(0.2)	0.0	-	Green	0.0
Connecting Devon & Somerset (CDS)	0.7	(6.3)	(7.0)	(F)	Green	0.0
<b>sub total</b>	<b>3.5</b>	<b>(3.5)</b>	<b>(7.0)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>
<b>Climate &amp; Place Total</b>	<b>91.6</b>	<b>86.2</b>	<b>(5.4)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.1)</b>

### Climate & Place - key explanations, actions, & mitigating controls

Climate and Place is currently forecasting a favourable variance of £5.4m at outturn, a favourable movement of £0.1m since month six. The variances across Climate and Place are due to the following:

## **Climate, Environment and Sustainability**

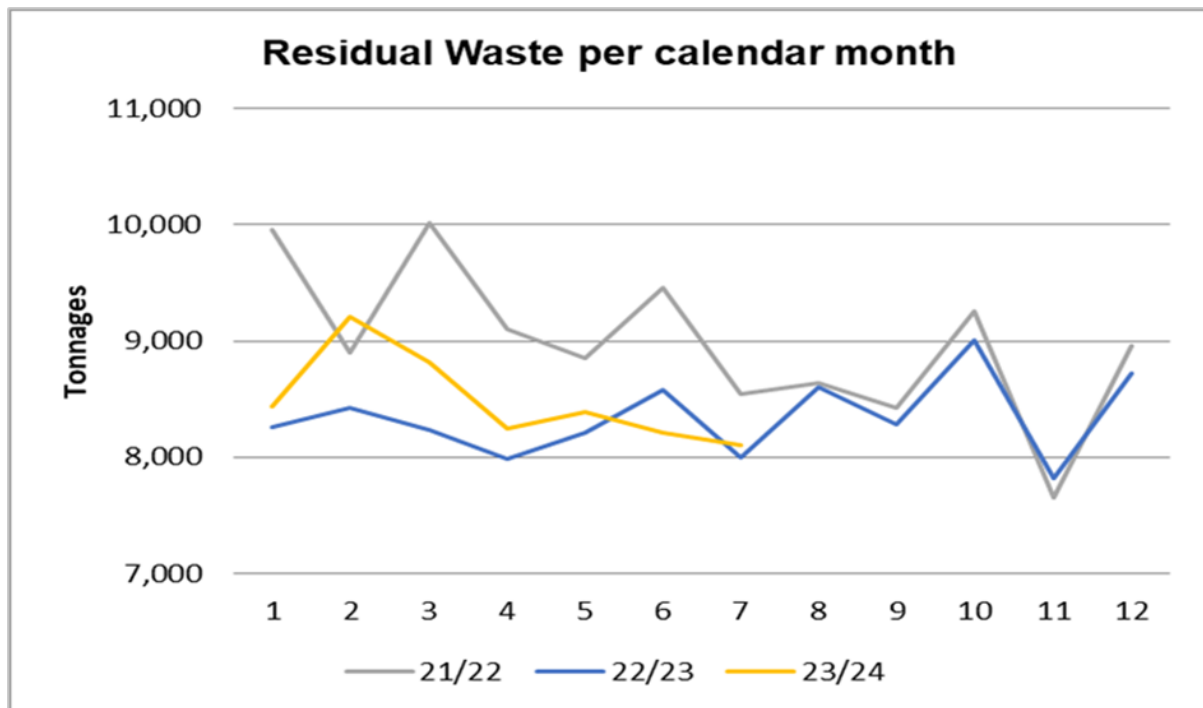
- Waste Services is forecasting an overspend of £0.6m at outturn, no variance is reported between month six and month seven. The overall overspend can be explained by the following:
  - Total waste volumes to the end of month seven shows that the increase over total period is 4.1%. This has driven by a 21% increase in garden waste tonnages and a 3% increase in residual waste tonnages. Residual tonnages have reduced but the overall tonnage growth across some waste streams remains high. This trend has been forecast to continue for the remainder of the year for budget monitoring. The impact of increased waste volumes has been partially offset by a lower than budgeted inflationary increase to contractor rates.
  - The additional bank holiday for the King's coronation, meant that there was an impact on waste collections and was not anticipated in budgets.
  - Legislation change for the treatment of POPs (persistent organic pollutants, typically fire-retardant coatings in furniture) has increased contractor costs.
  - An anticipated change of legislation due in January 2024 regarding DIY waste (removing charges at recycling centres) adds further pressures to the waste budget.
  - Waste services have been able to negotiate an improved pay award shared with Suez, however this has provided a further unbudgeted pressure within the service. This however has avoided any strike action which would have caused disrupted waste collections across the County and resulted in significant costs.

## **Infrastructure and Transport**

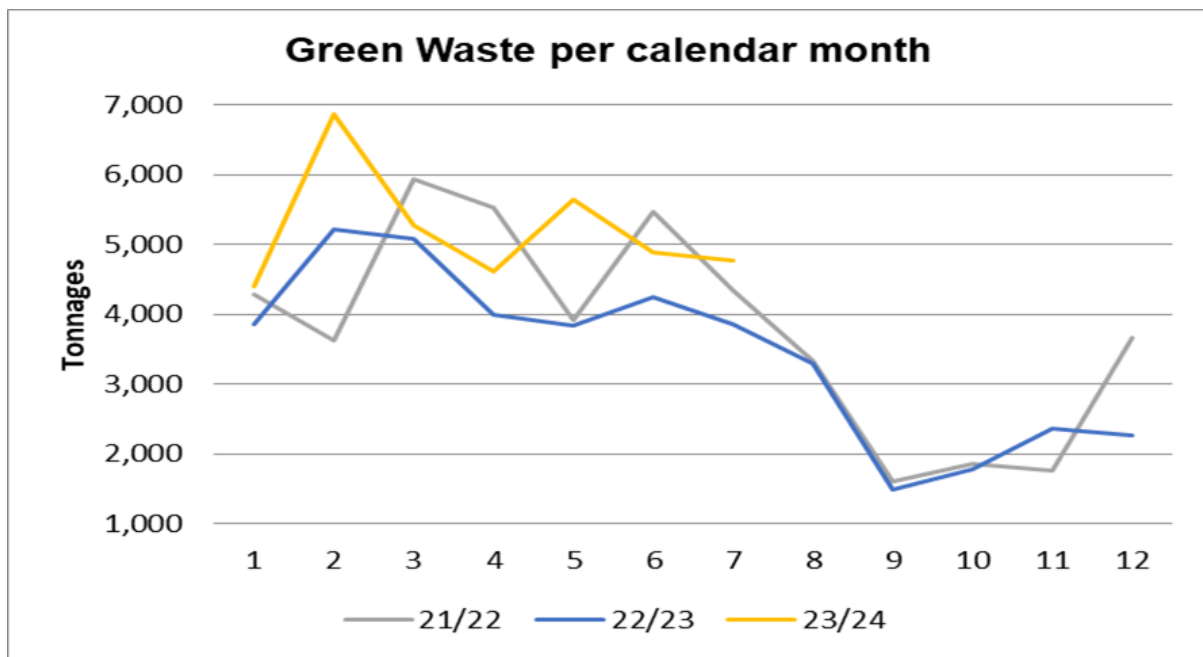
- Highways is currently forecasting an overspend of £1.0m at outturn, this is a favourable movement of £0.1m since month six. The favourable movement is due to vacant posts, one off income in Rights of Way and funding from Commuted Sums. As many authorities are finding, an increase in Safety defects across the road network is causing significant pressures on the service. The service continues to work hard to successfully complete the investigation and repair works whilst trying to manage and control the overspend. This pressure is a continuation of the situation that Somerset County Council reported in 2022/23. Although there was a favourable movement of £0.1m the first winter service treatments started in November. While this is not unusual if it follows the pattern of winter 2022/23 we can expect several other periods of sub-zero

temperatures and if mixed with milder periods with heavy rain we will likely experience a similar peak in safety defects.

### Climate & Place - key performance cost drivers



The above graph shows the residual waste (per tonnage) per month. The residual waste includes Kerbside collected waste and waste deposited at the recycling centre. The graph currently shows the reduction of waste in 2022/23 compared to 2021/22, however this highlights the unexpected increase in tonnages in the early months for 2023/24. An additional bank holiday collection due to the Kings Coronation in May and a subsequent alteration to waste collection days (that lead to a temporary relaxation inside waste policy), increased tonnage, and pressure on the Recycling Centres. Further pressures on the residual waste service during May and June arose from the disposal of flood damaged materials. Residual Waste from July to October have reduced and are more aligned to 2022 levels.



The above graph shows the green waste (per tonnage) per month. It is expected to see a downwards trend between month 6-12 (September to April) due to the seasonality of garden waste. The graph currently highlights a higher tonnage of green waste compared to 2021/22 and 2022/23 for the early months of 2023/24, this has been driven by the unusually mild, damp, weather this year propagating plant growth and increasing the moisture content of the material.

### Climate & Place - key risks, future issues & opportunities

Due to the current economic climate, there are several key risks and future issues that need to be taken into consideration:

- **Contract inflation** is applied at various times throughout the year, as the increase in contract could be led by RPI or CPI it is currently difficult to predict accurately what the impact for each contract might be. In addition, there are a number of contractual disputes which are being worked through. It is anticipated that these can be resolved in a timely matter, but in resolution may see increased costs agreed.
- **Impact of cost-of-living crisis.** As costs continue to rise, spending habits may change therefore it is possible that services across Economic and Community Infrastructure will see a decrease in income budgets.
- **Staff vacancy levels.** Difficulties in recruiting permanent staff across Climate and Place continue to impact on the ability to deliver services, where possible agencies have been used to feel critical roles. However, this has a financial

impact as generally the cost of these staff is higher than budgeted for. This reflects the national picture and is the same across a number of sectors.

- **Road Safety.** There has been an increase of killed or seriously injured accidents across the authority. The role of the Council is to educate and prevent accidents on the network, therefore with an increase of accidents it is likely that there will be some intervention needed to prevent further instances.
- **Systems and Reporting.** Finance is continuing to work with service to bring together and understand five legacy authority budgets. There is a great deal of work to do to understand, relocate and align the legacy information to make one budget for Climate and Place. This work runs alongside the implementation of the new MS Dynamics finance system and Solver budget monitoring interface. It is there important to note that this may result in unknown under or overspends for the service.

Risks can be identified due to the change in climate. It is exceedingly difficult to be able to identify financially what the impact of climate change will be year on year, but risks with a potential financial impact include:

- Icy conditions will see a high demand on the Highways service to grit primary and secondary routes.
- Increased rainfall which has raised the risk of flooding across the County. This will require input from the Emergency Planning department, Highways and Traffic Management to help ensure residents can safely navigate around the affected areas.
- The extreme changes in weather will impact the road surfaces which continues to increase the safety defects reported and increases the costs of investigation and corrective action for potholes.

## **Accountable Bodies**

### **Somerset Rivers Authority (SRA)**

Somerset Rivers Authority is currently reporting to be within budget and are not anticipating any draws from or to reserves.

### **Local Enterprise Partnership (LEP)**

LEP is currently reporting to be within budget and are not anticipating any draws from or to reserves.



### **Connecting Devon & Somerset (CDS)**

The Connecting Devon and Somerset (CDS) programme included a phase one contract with British Telecommunications plc. To meet state aid requirements that contract included provisions which allowed for "clawback" of public subsidy where take up of services exceeded the levels which the supplier had modelled. Delivery has completed and the contractual monitoring period to calculate amounts of clawback is now operational. The supplier is contracted to provide its calculation of the final clawback amount as of 31 March 2024, after which date relevant clawback funds are to be returned to CDS. The CDS collaboration will process any clawback so that collaborating public sector funders receive a proportionate return based on their original investment. At this initial stage it is estimated that the sum accruing to Somerset council is likely to be in the region of £7 million although this is subject to potential change.

### **Accountable Bodies - key risks, future issues & opportunities**

Somerset Council acts as the accountable body for the Heart of the Southwest LEP, providing a service across the core functions of the LEP and its programmes. This is in the context of an assurance framework for this programme funding meeting Government principles and expectations. In performing these functions, Somerset Council works closely with the LEP core team, and the services Somerset Council provides are specified and resourced via a service level agreement between the LEP and Somerset Council.

LEP performance is subject to periodic assessment and an annual formal review by Government – the most recent of these for 2022/23 looked positively on Somerset Council's accountable body services to the LEP.

The Government is ceasing funding of LEPs from April 2024 and expects their functions to be integrated into local authorities post that date. Somerset Council is working with the other local authorities in the Heart of the Southwest area and the LEP to plan for this transition – and integration plan is being developed as required by Government for this. The Council is also working with the LEP and partner Local Authorities to agree how residual budgets and LEP assets are apportioned at this point.

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## Appendix 5 – Strategy, Workforce and Localities

Lead Members:

- Governance and Communications: Cllr Bill Revans
- Resources and Performance: Cllr Liz Leyshon
- Transformation and Human Resources: Cllr Theo Butt Philip

Executive Director: Alyn Jones

Service Directors:

- Partnership and Localities: Sara Skirton
- Strategy and Performance: Sara Cretney
- Governance, Democratic and Legal Services: David Clark
- Workforce (interim): Dawn Bettridge

**Table 1: 2023/24 Strategy, Workforce & Localities as at the end of October 2023 (Month 7)**

- 2023/24 net budget £22.3m, projected adverse variance £0.9m, no movement from month six.

Service Area	Current Budget £m	Full Year Projection £m	Month 7 Variance £m	A/(F)	RAG Status	Movement From Month 6 £m
<b>Partnership &amp; Localities</b>						
Partnership & Localities	2.8	2.8	0.0	-	Green	0.0
Community Development	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>2.8</b>	<b>2.8</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Strategy &amp; Performance</b>						
Communications	1.2	1.2	0.0	-	Green	0.0
Transformation & Change	3.2	2.9	(0.3)	(F)	Green	(0.3)
Digital Team	0.2	0.2	0.0	-	Green	0.0
Land Charges	(0.6)	(0.6)	0.0	-	Green	0.0
Performance	0.5	0.8	0.3	A	Red	0.3
<b>sub total</b>	<b>4.5</b>	<b>4.5</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Workforce</b>						
Human Resources & Organisational Development	4.8	4.5	(0.3)	(F)	Green	(0.1)
Learning & Development	1.1	0.9	(0.2)	(F)	Green	0.0
Dillington Advertising Services	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>5.9</b>	<b>5.4</b>	<b>(0.5)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.1)</b>
<b>Governance, Democratic &amp; Legal Services</b>						
Democratic Services	3.7	3.7	0.0	-	Green	0.0
Legal Services	4.2	5.7	1.5	A	Red	0.0
Info Governance	0.5	0.5	0.0	-	Green	0.0
Elections	0.9	0.8	(0.1)	(F)	Green	0.1
<b>sub total</b>	<b>9.3</b>	<b>10.7</b>	<b>1.4</b>	<b>A</b>	<b>Red</b>	<b>0.1</b>
<b>Strategy, Workforce &amp; Localities Total</b>	<b>22.5</b>	<b>23.4</b>	<b>0.9</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>

## **Workforce**

An underspend of £0.3m is forecast within the Human Resources & Organisational Development budget in respect of employment costs. This is due to vacancies within the service.

An underspend of £0.2m is also anticipated on the Learning and Development budget, this is due to a focus on e-learning, statutory and mandatory training. The leadership and management programme across a wider learning and development framework will not be in place until 2024/25 resulting in an anticipated underspend on budgets associated with this programme.

## **Governance, Democratic & Legal Services**

The forecast £1.5m adverse variance within Legal Services is an estimate of anticipated increases in external legal costs based on the previous year's reported pressures. This is due to the continued need to place legal cases, principally in respect of childcare, with external legal experts.

An underspend of £0.1m in Elections is due to reduced expenditure and non-requirement of some budgets.

## **Appendix 6 - Resources & Corporate Services**

Lead Members:

- Economic Development, Planning & Assets: Cllr Ros Wyke
- Resources and Performance: Cllr Liz Leyshon
- Transport and Digital: Cllr Mike Rigby

Executive Director: Jason Vaughan

Service Directors:

- Finance and Procurement: Nicola Hix
- Strategic Asset Management: Ollie Woodhams
- Information, Communication, Technology: Andy Kennell

**Table 1: 2023/24 Resources & Corporate Services as at the end of October 2023 (Month 7)**

2023/24 net budget £21.0m, projected favourable variance of £2.8m, a favourable movement of £0.6m from month six.

Service Area	Current Budget £m	Full Year Projection £m	Month 7 Variance £m	A/(F)	RAG Status	Movement From Month 6 £m
<b>Finance</b>						
Finance	8.2	7.5	(0.7)	(F)	Green	0.0
Procurement	1.8	1.7	(0.1)	(F)	Green	0.0
Revenues	2.1	2.1	0.0	-	Green	0.5
Housing Benefits	1.1	0.5	(0.6)	(F)	Green	(0.5)
<b>sub total</b>	<b>13.2</b>	<b>11.8</b>	<b>(1.4)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>
<b>Strategic Asset Management</b>						
Property Services	11.1	11.2	0.1	A	Amber	(0.3)
Commercial Investment Properties	(20.6)	(20.6)	0.0	-	Green	0.0
<b>sub total</b>	<b>(9.5)</b>	<b>(9.4)</b>	<b>0.1</b>	<b>A</b>	<b>Amber</b>	<b>(0.3)</b>
<b>Information Communication Technology</b>						
Information Communication Technology	0.0	0.0	0.0	-	Green	0.0
Hardware & Software	10.1	9.4	(0.7)	(F)	Green	0.0
ICT General	6.3	5.3	(1.0)	(F)	Green	(0.3)
ICT Traded	0.0	0.1	0.1	A	Red	0.0
Telecommunications	0.9	1.0	0.1	A	Red	0.0
<b>sub total</b>	<b>17.3</b>	<b>15.8</b>	<b>(1.5)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.3)</b>
<b>Resources &amp; Corporate Services Total</b>	<b>21.0</b>	<b>18.2</b>	<b>(2.8)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.6)</b>

### **Resources & Corporate Services - key explanations, actions & mitigating controls**

#### **Finance**

- Several vacant posts across the Finance and Procurement services have resulted in an underspend on employee budgets.
- Within Revenues and Housing Benefits there has been additional spend on temporary staff due to service pressures. This additional cost has been offset

by income from Government grants and underspends on court costs, resulting in an overall underspend of £0.7m.

### **Strategic Asset Management**

- The service is holding a large number of vacancies which has resulted in a forecast underspend on employee budgets.
- There is a forecast reduction in energy costs across the estate due to improved pricing, energy efficiency measures and investment in decarbonisation projects.
- Vacant property running costs are forecast to be higher than budgeted as the service is taking on larger complex sites and properties are vacant for longer periods due to ongoing phosphates issues delaying planning.
- Tenancy changes at various properties has resulted in an anticipated shortfall of income in respect of rent receivable.
- Various other overspends anticipated on several budgets lines, including rates payable on void properties and an aborted capital scheme meaning income target not met.

Additional costs of surveying for Reinforced Autoclave Aerated Concrete (RAAC) are estimated to be around £0.3m and these unexpected costs have been funded from the Corporate Contingency budget.

Within Commercial Investment Properties it is anticipated that the income target in respect of the dividend payable from one of the Council's partly owned trading companies will not be achieved (£1.7m). Work is being undertaken to understand the factors and risks that are contributing to the non-payment of the dividend. There are adverse variances expected in respect of the rental income budgets (£1.6m), this is due to unexpected voids. The variance against the budget will be funded from the Commercial Investment risk reserve.

### **Information Communication Technology**

Additional costs have been incurred in respect of the Office365 backup costs. The cost in respect of consolidating into a single electronic payments system will be more than anticipated and the work on data centre consolidation is not achievable in this financial year meaning the budget will be exceeded. The additional costs have been offset by an underspend on employee budgets due to number of vacant posts and expenditure on several software licences being less than anticipated resulting in an underspend on the associated budget.

## **Appendix 7 - Public Health**

Lead Member for Public Health, Equalities and Diversity: Cllr Adam Dance

Executive Director: Professor Trudi Grant

Deputy Director Public Health: Lou Woolway

**Table 1: 2023/24 Public Health as at the end of October 2023 (Month 7)**

- 2023/24 Net Budget £1m, no projected variance, no movement since month six
- 2022/23 Net Budget £1.3m, no variance at outturn

<b>Service Area</b>	<b>Current Budget</b>	<b>Full Year Projection</b>	<b>Month 7 Variance</b>	<b>A/(F)</b>	<b>RAG Status</b>	<b>Movement From Month 6</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>			<b>£m</b>
Public Health Grant	22.6	22.6	0.0	-	Green	0.0
Somerset Council Budget	1.0	1.0	0.0	-	Green	0.0
Grant Income	(22.6)	(22.6)	0.0	-	Green	0.0
<b>Public Health Total</b>	<b>1.0</b>	<b>1.0</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>

### **Public Health - key explanations, actions & mitigating controls**

A number of vacant posts within the service has resulted in savings on employee budgets funded from the Public Health Grant. Contractual spend has diminished as we strive towards a new targeted operating model to improve the health of our residents across the county. The Somerset Council funding managed by Public Health is anticipated to remain on budget.

### **Public Health - key risks, future issues & opportunities**

Both the Public Health Grant and the Somerset Council funding managed by Public Health are facing significant future pressure caused by contract and pay inflationary increases. This pressure will intensify following an early indication of a 1% increase to the Public Health Grant for the 2024/25 financial year which is again significantly below inflation.

There is a systemic underfunding of public health in Somerset. The Public Health Grant is significantly below the national average being 141st out of 153 local authorities nationally. Improvements in whole population health are not achievable within the constraints of the public health budget. A new operating model for public health is underway in order to focus the activity of the Public Health Team towards influencing policy, commissioning and spend right across the Somerset system towards improving health and tackling inequalities.

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## **Appendix 8 – Other Service Areas (including Collection Fund)**

### **Non-Service**

Lead Member for Non-Service: Cllr Liz Leyshon

Executive Director: Jason Vaughan

**Table 1: 2023/24 Non-Service as at the end of October 2023 (Month 7)**

- 2023/24 net budget £9.7m, projected favourable variance £3.5m, adverse movement of £0.1m from month six.

Service Area	Current	Full Year	Month 7	A/(F)	RAG Status	Movement
	Budget	Projection	Variance			From Month 6
	£m	£m	£m			£m
Local Government Reorganisation	0.1	0.1	0.0	-	Green	0.0
Contributions	0.9	0.9	0.0	-	Green	0.0
Corporate Costs	9.2	9.2	0.0	-	Green	0.1
Financing Transactions	40.6	37.6	(3.0)	(F)	Green	0.0
Special Grants	(56.4)	(56.9)	(0.5)	(F)	Green	0.0
Pay Award	15.3	15.3	0.0	-	Green	0.0
<b>Non-Service Total</b>	<b>9.7</b>	<b>6.2</b>	<b>(3.5)</b>	<b>(F)</b>	<b>Green</b>	<b>0.1</b>

### **Non-Service - key explanations, actions, & mitigating controls**

#### Financing Transactions

The £3m favourable variance relates to the Council utilising internal borrowing in light of a higher than forecast cashflow level. This has decreased the cost of borrowing.

#### Special Grants

The favourable variance of £0.5m for Special Grants is due to receiving confirmation that the Rural Services Delivery grant and the 2023/24 Services grant will be higher than budgeted. The grant confirmation was received after the budget setting process.

## **Traded Services**

Lead Member for Traded Services: Cllr Tessa Munt

Executive Director: Claire Winter

**Table 2: 2023/24 Traded Services as at the end of October 2023  
(Month 7)**

- Traded Services are required to set a net nil budget with full costs offset by income generated.

Service Area	Current Budget	Full Year Projection	Month 7 Variance	A/(F)	RAG Status	Movement From Month 6
	£m	£m	£m			£m
Dillington	0.0	0.3	0.3	A	Red	0.0
<b>Traded Services Total</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>

### **Traded Services - key explanations, actions, & mitigating controls**

Dillington's deficit for the year is forecasted to be £0.3m, an increase of £0.1m from month five. With operating costs continuing to increase, particularly food, drink, and utility bills. Salary costs have also increased due to using agency staff whilst current employees secure alternative employment. This overspend relates solely to the operating costs, and not the related closure costs which are being funded by an earmarked reserve.

## **Contingencies**

Lead Member for Contingencies: Cllr Liz Leyshon

Executive Director: Jason Vaughan

**Table 3: 2023/24 Contingencies as at the end of October 2023 (Month 7)**

- 2023/24 allocation of £6m, £0.3m has been allocated, remaining £5.7m is committed.

Service Area	Current Budget	Full Year Projection	Month 7 Variance	A/(F)	RAG Status	Movement From Month 6
	£m	£m	£m			£m
Corporate Contingency	5.7	5.7	0.0	-	Green	0.0
<b>Contingencies Total</b>	<b>5.7</b>	<b>5.7</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>

### Contingencies – key risks, mitigations, future issues, and opportunities

£0.3m has been allocated to the Strategic Asset Management budget to cover the costs associated with work on Reinforced Autoclaved Aerated Concrete (RAAC) surveys.

The balance of the Contingency budget (£5.7m) is forecast to be fully committed to cover the additional costs of the National Pay Award over and above the 5% that was budgeted for, temporary staffing, and costs of the Financial Resilience Review. The 2023/24 pay award has now been settled and the final agreed offer of £1,925 on most scale points.

### Core Revenue Funding

Lead Member for Core Revenue Funding: Cllr Liz Leyshon

Executive Director: Jason Vaughan

**Table 4: 2023/24 Core Revenue Funding as at the end of October 2023 (Month 7)**

- 2022/23 net budget (£473.4m), no projected variance, no movement from month six.

Service Area	Current Budget	Full Year Projection	Month 7 Variance	A/(F)	Movement From Month 6	RAG Status
	£m	£m	£m			
Council Tax	(345.4)	(345.4)	0.0	-	Green	0.0
Business Rates	(116.1)	(116.1)	0.0	-	Green	0.0
Revenue Support Grant	(7.9)	(7.9)	0.0	-	Green	0.0
Flexible Use of Capital Receipts	(4.0)	(4.0)	0.0	-	Green	0.0
<b>Core Revenue Funding Total</b>	<b>(473.4)</b>	<b>(473.4)</b>	<b>0.0</b>	-	<b>Green</b>	<b>0.0</b>

### Core Revenue Funding - key explanations, actions, & mitigating controls

There is currently no variance projected for outturn.

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Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Reserve Balance after transfers '£000	Pre-Approved MTFP 23/24 Commitments '£000	New Balance '£000
1	Apprentices	Funding held to cover apprenticeship posts	Dawn Bettridge	338.2	0.0	338.2
2	Ash die back	To fund cost of ash dieback response	David Carter	643.1	0.0	643.1
3	Biodiversity	Ring Fenced funding from DEFRA for development of policy guidance	Kirsty Larkin	83.7	0.0	83.7
4	Blue Anchor Csum 60yr Covenant	Blue Anchor Commuted Sum (60 Year Covenant from 2022)	David Carter	93.9	0.0	93.9
5	Building Local Capacity	Strategic Partnership with Homes to Inspire to set up children's residential homes. This reserve is for the mobilisation and set up costs for Homes and Horizons residential homes, high needs fostering and therapeutc education.	Richard Selwyn	1,670.5	0.0	1,670.5
6	Bus Capacity Grant	Government grant given to help towards the development of Enhanced Partnership Schemes	David Carter	143.6	0.0	143.6
7	Bus Service Improvement	Government grant given to improve bus services	David Carter	2,149.2	0.0	2,149.2
8	Business Incubation Space	Ringfenced government funding, plus match funding toward town deal project	Paul Hickson	329.7	0.0	329.7
9	Business Rates Retention - County Wide	For economic development initiatives	Paul Hickson	814.4	0.0	814.4
10	Business Support System (ERP)	To support local government reorganisation new systems	Andy Kennell	3,872.7	0.0	3,872.7
11	Capital	Revenue funds set aside to fund capital projects		5,358.0	0.0	5,358.0
12	Changing Places	Ringfenced grant to provide fully accessible toilets	Paul Hickson	63.5	0.0	63.5
13	Children and Learning Commissioning	Interest on schools balances to be used within education	Ameila Walker	424.5	0.0	424.5
14	Cleaner / Greener Mendip	Part of the programme agreed in autumn 2021	Kirsty Larkin	126.5	0.0	126.5
15	Climate Emergency	Pre-committed climate change costs	Kirsty Larkin	117.6	0.0	117.6
16	Collection Fund (TIG)	Tax Income Guarantee (TIG) cost spread over 3 years to mitigate business rate losses that have also been spread over 3 years	Nicola Hix	1,526.1	0.0	1,526.1
17	Community Development Fund	Funding held for development projects		513.0	0.0	513.0
18	Community Housing Fund		Chris Brown	18.0	0.0	18.0
19	Crewkerne Car Park	Agreed retainment of funds for car park project to safeguard project (previous SSDC decision).	Sarah Dowden	413.0	0.0	413.0
20	Domestic Abuse Statutory Duty	Grant given to fund the Council's statutory duty for domestic abuse	Trudi Grant	78.0	0.0	78.0
21	Economic Development	For economic development initiatives	Paul Hickson	898.6	0.0	898.6
22	Economic Recovery	Funds set aside for economic recovery programmes	Paul Hickson	1,654.6	0.0	1,654.6
23	Elections	Funds set aside to pay for future local elections	David Clark	670.0	0.0	670.0
24	Environmental Impact Funding	Ring Fenced funding from DEFRA for development of Policy guidance	Kirsty Larkin	98.9	0.0	98.9
25	Flexible Homelessness Support Grant	Balance of grant funding	Chris Brown	161.4	0.0	161.4
26	Flood Project - EA		Kirsty Larkin	83.3	0.0	83.3
27	Flood Project - SRA		Kirsty Larkin	35.2	0.0	35.2
28	Garden Village			699.8	0.0	699.8
29	Held for infrastructure developments	Interest on Hinkley Point C s106 monies - to be recycled	Paul Hickson	3,106.1	0.0	3,106.1
30	Homeless Reduction Act	Balance of grant funding	Chris Brown	135.5	0.0	135.5
31	Homelessness	Homeless initiatives	Chris Brown	1,225.1	0.0	1,225.1
32	Homes for Ukraine	Agreed funding for supporting Ukrainian Refugees into the County.	Chris Brown	276.2	0.0	276.2
33	Housing and Homelessness		Chris Brown	593.8	0.0	593.8
34	Housing Enabling Fund		Chris Brown	52.7	0.0	52.7
35	Insurance	Funds set aside for insurance claims made against the council	Nicola Hix	8,558.1	0.0	8,558.1

Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Reserve Balance after transfers '£000	Pre-Approved MTFP 23/24 Commitments '£000	New Balance '£000
36	Investment Property Risk Reserve	Mitigates budget risk for investment net income volatility	Ollie Woodhams	8,000.0	0.0	<b>8,000.0</b>
37	Kings of Wessex Pool	To fund pool maintenance on annual basis	Liz Dawson	199.8	0.0	<b>199.8</b>
38	Land Charges Rolling Fund			161.2	0.0	<b>161.2</b>
39	LG Cyber Security Fund Grant	Government grant to fund cyber security spend	Andy Kennell	100.0	0.0	<b>100.0</b>
40	Local Government Reform	Funds set aside for costs associated with local government reorganisation		3,161.0	0.0	<b>3,161.0</b>
41	Local Plan Development and Inspection Costs	Fund for preparation of statutory plans for site allocation	Paul Hickson	125.8	0.0	<b>125.8</b>
42	MTFP Support	Funds set aside to support shortfalls in the budget	Nicola Hix	47,754.7	-10,950.0	<b>36,804.7</b>
43	NDR Section 31		Nicola Hix	6,102.2	-6,102.2	<b>0.0</b>
44	NDR Volatility	Potential shortfall in business rates income	Nicola Hix	3,854.9	0.0	<b>3,854.9</b>
45	Neighbourhood Planning Grant	Government grant given to support neighbourhood developments	Chris Brown	62.2	0.0	<b>62.2</b>
46	Other Earmarked Reserves	Various small balances below £50k	Various	151.7	0.0	<b>151.7</b>
47	Parking Services	Surplus parking funds, ringfenced to parking, transport and Highways infrastructure	David Carter	996.8	0.0	<b>996.8</b>
48	Permitting - Traffic	Surplus Streetworks funds, ringfenced to Streetworks rolling fund	David Carter	1,017.8	0.0	<b>1,017.8</b>
49	Phosphate Management Strategy	Government grant from DLUHC for nutrient work	Paul Hickson	135.0	0.0	<b>135.0</b>
50	Planning Performance Agreements		Paul Hickson	181.3	0.0	<b>181.3</b>
51	Port of Bridgwater	Funding held to cover expenditure on the port in Bridgwater	Sarah Dowden	177.1	0.0	<b>177.1</b>
52	Private Finance Initiative (PFI)	Set aside to meet future contract costs of the authorities PFI schools in Bridgwater. The reserve has been put aside by previous years underspends.		9,265.4	0.0	<b>9,265.4</b>
53	Public Health	Ringfenced Public Health Grant funding	Trudi Grant	4,537.7	-1,700.0	<b>2,837.7</b>
54	Regeneration Fund	Fund to support regeneration projects in the local area	Paul Hickson	1,017.0	0.0	<b>1,017.0</b>
55	Rough Sleepers Initiative	Balance of grant funding	Chris Brown	329.6	0.0	<b>329.6</b>
56	Saxonvale	Covers any revenue costs of the site/scheme		150.0	0.0	<b>150.0</b>
57	School Academy Conversions	Held for deficits where schools become academies	Ameila Walker	1,000.0	0.0	<b>1,000.0</b>
58	Service Carry Forwards	Mostly Children's carry forwards agreed in 2022/23	Various	505.4	0.0	<b>505.4</b>
59	Social Care Transformation	Funds set aside for transformation projects for Adults and Childrens Services	Emily Fulbrook/	2,013.1	-1,013.0	<b>1,000.1</b>
60	Somerset Building Control Partnership	3 year rolling reserve for Building control	Paul Hickson	502.5	0.0	<b>502.5</b>
61	Somerset Works (non ESF)	To fund support to young people not in employment or training	Rob Hart	801.2	0.0	<b>801.2</b>
62	Special Expenses Rate (SER)	SER levied on parishes for work done by former Mendip District Council	Nicola Hix	125.6	0.0	<b>125.6</b>
63	Steam Coast Trail	Funds for use on Steam Coast Trail Project	Paul Hickson	134.1	0.0	<b>134.1</b>
64	Strategic Housing Market Area Assessment	A community led housing approach to enable affordable housing delivery within the former Somerset West and Taunton Council area	Chris Brown	457.6	0.0	<b>457.6</b>
65	Supported Bus Service	Department for Transport funding to support service improvements	David Carter	334.6	0.0	<b>334.6</b>
66	Taunton Town Council	Funds set aside for set-up costs of Taunton Town Council	David Clark	67.7	0.0	<b>67.7</b>
67	Tenancy Hardship fund	Balance of ringfenced grant	Chris Brown	53.2	0.0	<b>53.2</b>
68	Ticket Levy Income	Levy on each ticket sold for the Octagon for use on future repairs	Liz Dawson	413.6	0.0	<b>413.6</b>
69	Toneworks Heritage Site	Historic England funding for Heritage Projects	Liz Dawson	435.3	0.0	<b>435.3</b>
70	Total Transport Pilot Fund	Department for Transport Fund for delivery of new or improved schemes	David Carter	52.9	0.0	<b>52.9</b>
71	Trading accounts	Funds held for Dillington House expenditure	Kirsty Larkin	2,976.1	0.0	<b>2,976.1</b>
72	West Somerset Employment Hub	To fund West Somerset Employment hub which helps to support people towards work.		69.5	0.0	<b>69.5</b>
73	Workforce Reserve	To cover lone working devices	Dawn Bettridge	101.5	0.0	<b>101.5</b>
	<b>Total Somerset Council Earmarked Reserves</b>			<b>134,551.3</b>	<b>-19,765.2</b>	<b>114,786.1</b>

Number Reference	Reserves Held on Behalf of Others	Description of Reserve	Service Director	Reserve Balance after transfers '£000	Pre-Approved MTFP 23/24 Commitments '£000	New Balance '£000
74	Somerset Rivers Authority	Funds held on behalf of Somerset Rivers Authority	Kirsty Larkin	5,084.0	0.0	<b>5,084.0</b>
75	Local Enterprise Partnership	Funds held on behalf of the Local Enterprise Partnership	Paul Hickson	4,134.5	0.0	<b>4,134.5</b>
76	Connecting Devon and Somerset	Funds held on behalf of Connecting Devon and Somerset	Paul Hickson	538.9	-135.4	<b>403.5</b>
77	Somerset and South West Mutual Scheme	Funds held on behalf of Somerset and South West Mutual Scheme	Nicola Hix	181.3	0.0	<b>181.3</b>
78	Somerset Association of Primary Headteachers and Officers (SAPHTO)	Funds held on behalf of SAPHTO	Ameila Walker	29.6	0.0	<b>29.6</b>
79	S256 Funding	CCG funding for transforming care	Paul Coles	97,739.3	0.0	<b>97,739.3</b>
80	Local Enterprise Partnership - Governance	Funds held on behalf of the Local Enterprise Partnership	Paul Hickson	58.0	0.0	<b>58.0</b>
81	School's Carry Forward	Funds held on behalf of Schools	Ameila Walker	22,593.7	0.0	<b>22,593.7</b>
82	YWPC Crematorium Reserve	Funds held of behalf of Yeovil Without Parish Council (YWPC)		400.4	0.0	<b>400.4</b>
83	YWPC Replace Cremator Reserve	Funds held of behalf of Yeovil Without Parish Council (YWPC)		62.0	0.0	<b>62.0</b>
84	Cemetery Reserve			231.3	0.0	<b>231.3</b>
85	Dorcas House Funds			464.0	0.0	<b>464.0</b>
86	Chard Regeneration Reserve			34.7	0.0	<b>34.7</b>
87	Internal Capital Loans Reserve			1.0	0.0	<b>1.0</b>
	<b>Total Funds Held on Behalf of Others</b>			<b>131,552.6</b>	<b>-135.4</b>	<b>131,417.2</b>
	<b>Total All Earmarked Reserves</b>			<b>266,103.9</b>	<b>-19,900.6</b>	<b>246,203.3</b>

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Somerset Council Reserves as at the 1st April 2023

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Legacy Authority	Reserve	Description of Reserve	Balance as at 31/03/2023 £'000	Transfers £'000	Pre-Approved MTFP 23/24 Commitments £'000	New Balance £'000	Notes
SWT	Investment Risk Reserve	Mitigates budget risk for investment net income volatility	4,040.1	-4,040.1	0.0	0.0	Investment Property Risk Reserve
SWT	Business Rates Smoothing Reserve	Used to mitigate risk of business rates retention income volatility and accounting timing differences	3,523.2	-3,523.2	0.0	0.0	NDR Section 31
SWT	Capital Financing Reserve	Used to fund items in the approved capital programme which have been agreed to be funded from Revenue	1,771.5	-1,771.5	0.0	0.0	Capital
SWT	COVID - S31 Business Rates TIG	Tax Income Guarantee (TIG) Cost spread over 3 years to mitigate business rate losses that have also been spread over 3 yrs	896.6	-896.6	0.0	0.0	Collection Fund (TIG)
SWT	Garden Village	Funding from Homes England specifically to support the Taunton Garden Town project	699.8	0.0	0.0	699.8	
SWT	Investment Properties Sinking Fund	Fund for landlord costs to manage investment properties	700.0	-700.0	0.0	0.0	Investment Property Risk Reserve
SWT	SWP 22-23 Year End Balances	Somerset Waste Partnership 22/23 - Partnership savings distributed to SWT to be refunded in the new year	491.7	-491.7	0.0	0.0	Deleted
SWT	Strategic Housing Market Area Assessment	A community led housing approach to enable Affordable Housing delivery within the SWT District	457.6	0.0	0.0	457.6	Community Housing Fund
SWT	Toneworks Heritage Site 2	Historic England funding for Heritage Projects	435.3	0.0	0.0	435.3	
SWT	Rough Sleepers Initiative	Ring fenced government grant for rough sleeping interventions	251.3	0.0	0.0	251.3	
SWT	Asset Management - General	Asset Maintenance - Compliance Works	214.9	-214.9	0.0	0.0	Deleted
SWT	LGR Implementation Costs	To cover costs associated with Local Government Reorganisation	215.5	-215.5	0.0	0.0	Local Government Reform
SWT	Self Insurance Fund	Used for excess payments for any claims made by the Council	200.0	-200.0	0.0	0.0	Insurance
SWT	Economic Development & Growth Initiatives	Funds to be used for Economic Development Initiatives	156.5	0.0	0.0	156.5	
SWT	Phosphate Management Strategy	Government grant from DLUHC for nutrient work	135.0	0.0	0.0	135.0	
SWT	Steam Coast Trail	Funds for use on Steam Coast Trail Project	134.1	0.0	0.0	134.1	
SWT	Local Plan Development and Inspection	Fund for preparation of statutory plans for site allocation	125.8	0.0	0.0	125.8	
SWT	LG Cyber Security Fund Grant	Government grant to fund cyber security spend	100.0	0.0	0.0	100.0	
SWT	Blue Anchor Csum 60yr Covenant	Blue Anchor Commuted Sum (60 Year Covenant from 2022)	93.9	0.0	0.0	93.9	
SWT	COVID - Council Tax Hardship Fund	Funding from Government to be spent on Council Tax Hardship (DHP)	84.4	-84.4	0.0	0.0	Deleted
SWT	Flood Project - EA	Grant received from the Environment Agency to use towards flood projects	83.3	0.0	0.0	83.3	
SWT	Coal Orchard Warrant	Coal Orchard Warranty	73.4	-73.4	0.0	0.0	Deleted
SWT	Flood Project - SRA	Grant received from the Somerset Rivers Authority to use towards flood projects	35.2	0.0	0.0	35.2	
SWT	Other Earmarked Reserves	Funds for future District elections/by elections	821.1	-179.2	0.0	641.9	
<b>Total SWTC Earmarked Reserves</b>			<b>15,740.4</b>	<b>-12,390.5</b>	<b>0.0</b>	<b>3,349.8</b>	
MDC	Budget Smoothing	Held for potential deficit arising from business rates reset	3,847.9	-3,847.9	0.0	0.0	MTFP Support
MDC	Collection Fund Reserve	s31 balances due to NDR Retail reliefs	1,566.5	-1,566.5	0.0	0.0	NDR Section 31
MDC	Maintenance for Investment Properties	Held for maintenance of commercial properties	801.3	-801.3	0.0	0.0	Investment Property Risk Reserve
MDC	Planning Policy	Held to cover additional temp / agency costs	313.1	-313.1	0.0	0.0	Deleted
MDC	Saxonvale	Covers any revenue costs of the site / scheme	274.1	-124.1	0.0	150.0	
MDC	LGR Transition	Held to cover LGR costs - programme plus MDC	248.0	-248.0	0.0	0.0	Local Government Reform
MDC	Flexible Homelessness Support Grant	Balance of grant funding	161.4	0.0	0.0	161.4	
MDC	Carry Forward Balances for 2022/23 Projects	Various carry forward balances for projects	152.6	-25.7	0.0	126.9	
MDC	Joint Working with Parish Councils	Community grants £350k spend from 2021-22 onwards	138.6	-138.6	0.0	0.0	Deleted
MDC	Homeless Reduction Act	Balance of grant funding	135.5	0.0	0.0	135.5	
MDC	District Elections	Unused elections funding carried forwards	128.3	-128.3	0.0	0.0	Elections
MDC	Cleaner/Greener Mendip	part of programme agreed in autumn 2021	126.5	0.0	0.0	126.5	
MDC	Special Expenses Rate (SER)	SER levied on parishes for work done by MDC	125.6	0.0	0.0	125.6	
MDC	COVID-19	Cover income losses etc	118.6	-118.6	0.0	0.0	Deleted
MDC	Economic Development Technical Analysis	Economic Development Initiatives	102.5	-102.5	0.0	0.0	Deleted
MDC	Environmental Impact Funding	Climate Change Initiatives - BNG Funding	98.9	0.0	0.0	98.9	Deleted
MDC	Mendip Rough Sleeper Initiative	Balance of grant funding	78.3	0.0	0.0	78.3	
MDC	Tenancy Hardship Fund	Balance of ring-fenced grant	53.2	0.0	0.0	53.2	
MDC	Climate Change	Climate Change Initiatives	51.6	0.0	0.0	51.6	
MDC	Total of Small Reserves less than £50k each	Various small reserve balances under £50k e.g. balance of ringfenced grants, partnership funding, Corporate Priorities	171.2	-68.5	0.0	102.7	
<b>Total MDC Earmarked Reserves</b>			<b>8,693.7</b>	<b>-7,483.1</b>	<b>0.0</b>	<b>1,210.5</b>	

Legacy Authority	Reserve	Description of Reserve	Balance as at 31/03/2023 £'000	Transfers £'000	Pre-Approved MTFP 23/24 Commitments £'000	New Balance £'000	Notes
SDC	Apprentices	Funding held to cover SDC apprenticeship posts	338.2	0.0	0.0	338.2	
SDC	Business Incubation Space	ringfenced government funding plus match funding toward town deal project	329.7	0.0	0.0	329.7	
SDC	Business Rates Retention	Held for potential deficit or reset of Business Rates	5,375.4	-5,375.4	0.0	0.0	NDR Section 31
SDC	CCTV equipment TDBC	Maintenance of CCTV equipment for SWT	28.9	-28.9	0.0	0.0	Deleted
SDC	Commercial Property	Fund for landlord costs to manage investment properties	684.7	-684.7	0.0	0.0	Investment Property Risk Reserve
SDC	Community Development Fund	Funding held for development projects	2,860.0	-2,347.0	0.0	513.0	
SDC	Corporate buildings	Fund for landlord costs to manage investment properties	285.7	-285.7	0.0	0.0	Deleted
SDC	Homelessness	Homeless initiatives	1,225.1	0.0	0.0	1,225.1	
SDC	Housing Improvement	Surplus housing funds to be used on improvements to housing	545.7	-545.7	0.0	0.0	Deleted
SDC	Insurance fund	Used for insurance claims made against the council	86.4	-86.4	0.0	0.0	Insurance
SDC	IT equipment replacement	Funds held for ICT equipment replacements	467.1	-467.1	0.0	0.0	Deleted
SDC	Kings of Wessex Pool	to fund pool maintenance on annual basis	199.8	0.0	0.0	199.8	
SDC	Medium Term Managed use of Balances	Funds held to support the budget for shortfalls	9,417.6	-9,417.6	0.0	0.0	MTFP Support
SDC	New Burdens	Government grant funding held for New Burdens	577.7	-577.7	0.0	0.0	Deleted
SDC	Somerset Building Control Partnership	3 year rolling reserve for Building control	502.5	0.0	0.0	502.5	
SDC	Succession Planning	Underspends on training set aside to fund professional qualifications	88.4	-88.4	0.0	0.0	Deleted
SDC	Port of Bridgwater	Funding held to cover expenditure on the Port in Bridgwater	177.1	0.0	0.0	177.1	
SDC	Covid 19 contingency	Held to pay for the collection fund deficit spreading due to COVID-19	444.5	-444.5	0.0	0.0	Collection Fund (TIG)
SDC	Other	Smaller earmarked reserve balances e.g. elections, planning, biodiversity etc.	558.8	-342.2	0.0	216.6	
<b>Total SDC Earmarked Reserves</b>			<b>24,193.2</b>	<b>-20,691.2</b>	<b>0.0</b>	<b>3,502.0</b>	
SSDC	Capital Fund	Revenue funds held to fund capital projects.	226.1	-226.1	0.0	0.0	Capital
SSDC	Cremator Replacement Reserve	Held to cover the cost of replacing the cremator	549.0	-549.0	0.0	0.0	Deleted
SSDC	Elections Reserve	Held for future elections	295.0	-295.0	0.0	0.0	Elections
SSDC	Sports Facilities Reserve	Maintenance reserve for Sports Facilities	10.0	-10.0	0.0	0.0	Deleted
SSDC	Yeovil Athletics Track Repairs	Replace track - end of life	212.4	-212.4	0.0	0.0	Deleted
SSDC	IT Replacement Reserve	Funds set aside to replace IT equipment	10.0	-10.0	0.0	0.0	Deleted
SSDC	Treasury Management Reserve	Funds held for shortfall in investment income	750.0	-750.0	0.0	0.0	Deleted
SSDC	Revenue Grant Reserve	Various revenue grants received for future use.	295.8	-295.8	0.0	0.0	Deleted
SSDC	MTFP Support Fund	Funds held to support shortfalls in the budget	7,557.1	-7,557.1	0.0	0.0	MTFP Support
SSDC	CTAX/Housing Benefits Reserve	Funds held from external grants specific to service, used to support service pressures	1,136.3	-1,136.3	0.0	0.0	Deleted
SSDC	Artificial Grass Pitch Reserve	Yeovil Rec Ground - maintenance	189.6	-189.6	0.0	0.0	Deleted
SSDC	Business Support Scheme (flooding)	Funding set aside to cover the cost associated with the River Parrett trail	70.5	-70.5	0.0	0.0	Deleted
SSDC	Regeneration Fund	Pooling Gains arising from SSDC being in the Somerset Business Rates Pool are transferred into the Fund. Transfers out are to fund the revenue costs of the Regeneration Programme (e.g. project management costs).	3,969.5	-2,952.5	0.0	1,017.0	Deleted
SSDC	Ticket Levy Income	Levy on each ticket sold for the Octogan for use on future repairs	413.6	0.0	0.0	413.6	
SSDC	Community Housing Fund		18.0	0.0	0.0	18.0	
SSDC	Community Safety Reserve		25.0	-25.0	0.0	0.0	Deleted
SSDC	Housing and Homelessness Reserve	To fund statutory homelessness function	593.8	0.0	0.0	593.8	
SSDC	Commercial Investment Reserve	Fund for landlord costs to manage investment properties	6,719.2	-6,719.2	0.0	0.0	Investment Property Risk Reserve
SSDC	Spatial Policy Reserve	Funding for Local Plans	133.9	-133.9	0.0	0.0	
SSDC	YIC Maintenance Reserve	Maintenance reserve for Yeovil Innovation Centre	72.0	-72.0	0.0	0.0	Deleted
SSDC	Climate Change Fund	Funds set aside for use on climate change initiatives	61.5	0.0	0.0	61.5	Climate Emergency
SSDC	Community Resilience Reserve		49.3	-49.3	0.0	0.0	Deleted
SSDC	NNDR S31 Grant Coll. Fund	This reserve holds the S31 grant provided by Government to compensate the Council for the reduced business rates income following the introduction of Retail Discount Relief	1,190.3	-1,190.3	0.0	0.0	NDR Section 31
SSDC	Area East Reserve	Previous area committee reserve	47.4	-47.4	0.0	0.0	Deleted
SSDC	Area North Reserve	Previous area committee reserve	23.9	-23.9	0.0	0.0	Deleted
SSDC	Area West Reserve	Previous area committee reserve	40.2	-40.2	0.0	0.0	Deleted
SSDC	Somerset LGR Reserve	Funds held to support local government reorganisation	720.0	-720.0	0.0	0.0	Local Government Reform
SSDC	COVID Recovery Reserve	Funds for use towards covid recovery	-134.3	134.3	0.0	0.0	Deleted
SSDC	MRP Reserve	Funds set aside for the required minimum revenue provision	443.7	-443.7	0.0	0.0	Deleted
SSDC	YWPC Crematorium Reserve	Funds held on behalf of others - previously treated as off-balance sheet at SSDC	400.4	0.0	0.0	400.4	
SSDC	YWPC Replace Cremator Reserve	Funds held on behalf of others - previously treated as off-balance sheet at SSDC	62.0	0.0	0.0	62.0	
SSDC	Cemetery Reserve	Funds held on behalf of others - previously treated as off-balance sheet at SSDC	231.3	0.0	0.0	231.3	
SSDC	Dorcas House Funds	Funds held on behalf of others - previously treated as off-balance sheet at SSDC	464.0	0.0	0.0	464.0	
SSDC	Chard Regeneration Reserve	Funds held on behalf of others - previously treated as off-balance sheet at SSDC	34.7	0.0	0.0	34.7	
SSDC	Internal Capital Loans Reserve	Funds held on behalf of others - previously treated as off-balance sheet at SSDC	1.0	0.0	0.0	1.0	
<b>Total SSDC Earmarked Reserves</b>			<b>26,882.1</b>	<b>-23,584.8</b>	<b>0.0</b>	<b>3,297.2</b>	

Legacy Authority	Reserve	Description of Reserve	Balance as at 31/03/2023 £'000	Transfers £'000	Pre-Approved MTFP 23/24 Commitments £'000	New Balance £'000	Notes
SCC	Ash die back	To fund cost of ash die back	643.1	0.0	0.0	643.1	
SCC	BSF Bridgwater - Equalisation Reserve	Set aside to meet future contract costs of the authorities PFI schools in Bridgwater. The reserve has been put aside by previous years underspends.	9,265.4	0.0	0.0	9,265.4	
SCC	Budget Equalisation Reserve	To fund shortfalls in the MTFP	2,445.9	-2,445.9	0.0	0.0	MTFP Support
SCC	Business Support System (ERP)	To support local government reorganisation new systems	3,872.7	0.0	0.0	3,872.7	
SCC	Capital Fund	Revenue funds set aside to fund capital projects	9.9	-9.9	0.0	0.0	Deleted
SCC	Climate Emergency	Reserve holding funds for Climate Change resources and projects	447.5	-447.5	0.0	0.0	Deleted
SCC	Collection Fund Compensation	Year-end surplus/deficits on the collection fund	479.6	-479.6	0.0	0.0	NDR Section 31
SCC	Corporate Priorities	Funds to be used towards Council priorities	4,913.6	-4,913.6	0.0	0.0	Deleted
SCC	Economic Development	Funds set aside to deliver specific economic growth (i.e. enterprise zones)	742.1	0.0	0.0	742.1	
SCC	Economic Recovery	Funds set aside for Economic Recovery Programmes	4,354.6	-2,700.0	0.0	1,654.6	
SCC	Elections	Funds set aside to smooth the cost of 4 year elections	117.4	-117.4	0.0	0.0	Elections
SCC	Funding Volatility	Funds set aside to cover shortfalls in funding for the council	6,772.6	-6,772.6	0.0	0.0	MTFP Support
SCC	Held for Infrastructure Developments	Interest on Hinkley Point C s106 monies - to be recycled	3,056.1	-3,056.1	0.0	0.0	S106
SCC	Improving Lives Programme	For funding transformation projects for improving lives in Somerset	111.0	-111.0	0.0	0.0	Deleted
SCC	Insurance	Funds set aside for insurance claims made against the council	8,255.6	-8,255.6	0.0	0.0	Insurance
SCC	Invest to Save	To cover expenditure in projects that will later provide savings	40.8	-40.8	0.0	0.0	Deleted
SCC	Local Government Reorganisation	Funds set aside to cover costs associated with local government reorganisation	10,664.1	-10,664.1	0.0	0.0	Local Government Reform
SCC	Other CDW	Funding for ICT projects	111.0	-111.0	0.0	0.0	Deleted
SCC	Other Children's Services	Interest on Schools Balances	2,095.3	-0.4	0.0	2,094.9	
SCC	Other ECI	Mainly various grant funding pots, specific to service e.g. bus service improvement	6,667.7	-1,123.9	0.0	5,543.7	
SCC	Prevention Fund	Funding for preventative work, including local impacts.	349.6	-349.6	0.0	0.0	Deleted
SCC	Property Repairs & Maintenance	Funds set aside for Property Repairs and Maintenance	283.4	-283.4	0.0	0.0	Deleted
SCC	Public Health	Ringfenced Public Health Grant Funding	4,787.7	0.0	-1,700.0	3,087.7	
SCC	Service Carry Forwards	Childrens Carry forward from 2022/23 for use in 2023/24	478.5	-100.0	0.0	378.5	
SCC	Short Life Asset Fund	To fund capital items with a short life span (ICT equipment, Fleet vehicles)	827.6	-827.6	0.0	0.0	Deleted
SCC	Social Care Transformation	Funds set aside for transformation projects for Adults and Childrens	2,013.1	0.0	-1,013.0	1,000.1	
SCC	Social Care Volatility Reserves	For potential shortfalls in social care funding	4,790.1	-4,790.1	0.0	0.0	Deleted
SCC	Trading Accounts	Funds held for Dillington House expenditure	2,976.1	0.0	0.0	2,976.1	
SCC	Workforce Reserve	To provide resilience to the Council for workforce pressures	850.0	-748.6	0.0	101.5	
<b>Total SCC</b>	<b>Earmarked Reserves</b>		<b>82,422.1</b>	<b>-48,348.8</b>	<b>-2,713.0</b>	<b>31,360.3</b>	

Legacy Authority	Reserve	Description of Reserve	Balance as at 31/03/2023 £'000	Transfers £'000	Pre-Approved MTFP 23/24 Commitments £'000	New Balance £'000	Notes
<b>New Somerset Council Reserves</b>							
SC	School Academy Conversions	Held for deficits where schools become academies	0.0	1,000.0	0.0	1,000.0	
SC	Collection Fund (TIG)	Tax Income Guarantee (TIG) Cost spread over 3 years to mitigate business rate losses that have also been spread over 3 yrs	0.0	1,526.1	0.0	1,526.1	
SC	NDR Volatility	For shortfalls in non-domestic rates	0.0	3,854.9	0.0	3,854.9	
SC	Crewkerne Car Park	Agreed retention of funds for car park project to safeguard project (previous SSDC decision).	0.0	413.0	0.0	413.0	
<b>Total SC</b>	<b>Earmarked Reserves</b>		<b>0.0</b>	<b>6,794.0</b>	<b>0.0</b>	<b>6,794.0</b>	
<b>Amalgamated Somerset Council Reserves</b>							
SC	Elections	Funds set aside to pay for future local elections	0.0	670.0	0.0	670.0	
SC	Local Government Reform	Funds set aside for costs associated with local government reorganisation	0.0	3,161.0	0.0	3,161.0	
SC	Investment Property Risk Reserve	Mitigates budget risk for investment net income volatility	0.0	8,000.0	0.0	8,000.0	
SC	MTFP Support	Funds set aside to support shortfalls in the budget	0.0	47,754.7	-10,950.0	36,804.7	
SC	Insurance	Funds set aside for insurance claims made against the council	0.0	8,558.1	0.0	8,558.1	
SC	Capital	Revenue funding set aside to fund capital	0.0	5,358.0	0.0	5,358.0	
SC	NDR Section 31	Used to hold any s31 grants that relate to the Collection Fund. Timing issues mean grants are not always received in the correct financial year.	0.0	6,102.2	-6,102.2	0.0	
SC	S106	Interest earned on S106 monies, funding capital projects or either paid back to the develop	0.0	3,106.1	0.0	3,106.1	
SC	Business Rates Retention - County Wide	Retained business rates to fund economic initiatives	0.0	814.4	0.0	814.4	Now Somerset Council Reserve
<b>Total SC</b>	<b>Earmarked Reserves</b>		<b>0.0</b>	<b>83,524.5</b>	<b>-17,052.2</b>	<b>66,472.3</b>	
<b>Total Somerset Council Reserves</b>			<b>157,931.3</b>	<b>-22,179.9</b>	<b>-19,765.2</b>	<b>115,986.2</b>	
<b>Reserves Held on Behalf of Others</b>							
SCC	Somerset Rivers Authority	Funds held on behalf of Somerset Rivers Authority	5,077.2	0.0	0.0	5,077.2	
SCC	Local Enterprise Partnership	Funds held on behalf of the Local Enterprise Partnership	4,134.5	0.0	0.0	4,134.5	
SCC	Connecting Devon and Somerset	Funds held on behalf of Connecting Devon and Somerset	538.9	0.0	-135.4	403.5	
SCC	Somerset and South West Mutual Scheme	Funds held on behalf of Somerset and South West Mutual Scheme	181.3	0.0	0.0	181.3	
SCC	Somerset Association of Primary Headteachers and	Funds held on behalf of SAPHTO	29.6	0.0	0.0	29.6	
SCC	S256 Funding	CCG funding for transforming care	97,739.3	0.0	0.0	97,739.3	
SCC	Local Enterprise Partnership - Governance	Funds held on behalf of the Local Enterprise Partnership	58.0	0.0	0.0	58.0	
SCC	School's Carry Forward	Funds held on behalf of Schools	22,593.7	0.0	0.0	22,593.7	
SCC	Business Rates Retention - County Wide	Funds held on behalf of all legacy authorities which are now Somerset Council funds	872.4	-872.4	0.0	0.0	Now Somerset Council Reserve
<b>Total Reserves Held on Behalf of Others</b>			<b>131,224.8</b>	<b>-872.4</b>	<b>-135.4</b>	<b>130,217.0</b>	
<b>All Authorities Earmarked Reserves</b>			<b>289,156.1</b>	<b>-23,052.3</b>	<b>-19,900.6</b>	<b>246,203.3</b>	
<b>Total of All Somerset Council Reserves held</b>			<b>289,156.1</b>	<b>-23,052.3</b>	<b>-19,900.6</b>	<b>246,203.3</b>	

Somerset Council  
Scrutiny Committee – Corporate and Resources  
4 January 2024



## **Business Process System for Finance – Implementation Review**

Lead Officer: Nicola Hix, Finance and Procurement Service Director

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Executive Lead Member: Deputy Leader of the Council and Lead Member for Resources and Performance

Division / Local Member: n/a

### **1. Summary**

- 1.1.** At its meeting on 16 March 2022, the former Somerset County Council's Cabinet approved the business case for Somerset County Council and the district councils of Sedgemoor, South Somerset, Somerset West & Taunton and Mendip to migrate their respective Finance, HR, payroll, and transactional procurement functions to Microsoft Dynamics to establish a single business process system for Somerset Council. The then Cabinet agreed *'the Director of Finance and Governance is authorised to enter into a contract with the preferred SI [System Implementation] partner to implement MS Dynamics, subject to the County Solicitor's confirmation that the agreement appropriately manages the risks'*, together with a number of associated recommendations.
- 1.2.** This report provides Scrutiny – Corporate and Resources with an update on the project for the implementation of the new system and the current position, with the aim of giving assurance that the finance system has the capability to provide sufficient control and reporting to support effective financial governance and management for Somerset Council.

### **2. Issues for consideration / Recommendations**

- 2.1.** Scrutiny – Corporate and Resources notes;
  - a. the progress made on the implementation of Phase One of the Dynamics system for finance and transactional procurement;

- b. the financial control, oversight and subsequent assurance the system currently provides;
- c. that Phase Two of the project, HR and payroll, is on hold and will be considered as part of the Council's wider programme of Transformation activity due to the financial emergency.

### **3. Background**

- 3.1.** Prior to vesting day, there were four different finance system solutions across the five legacy councils in Somerset and the former County's support contract for their finance system was coming to the end of its life. As such, a single solution was required for Somerset Council. Given the timescales between March 2022 and vesting day, 1 April 2023, it was recognised that there were risks with the project, primarily associated with the timescales and resource availability, particularly whilst Local Government Reorganisation was taking place. On balance the risks were considered greater if the Council were to do nothing at that time as in that instance Somerset Council would be negatively impacted from a lack of robust financial reporting and monitoring mechanisms at Day One.
- 3.2.** The project was not without its challenges, primarily from the complexities of five authorities working together and less from working with a system that was relatively new to the local authority market. Lean, effective project management was put in place to enable quick decision making and problem solving, keeping the project on track which could easily have been de-railed by scope-creep and delayed decision making, and whilst having an immovable Go Live date on 1 April 2023 provided challenges, it also focused efforts to complete the finance system set up, migration of legacy system data and create the interfaces with other systems. The management and oversight included clear levels of governance and decisions making, from a Strategic Board to a detailed design authority.
- 3.3.** A key principle that was applied was 'adopt not adapt' in other words to make use of the standard system functionality as far as possible, instead of trying to change the system to meet individual needs that are 'nice to haves' but can significantly impact a project of this nature in a negative way. That said some areas were adapted where specific functionality had to be tailored to meet Somerset's requirements, and the design authority was the forum for considering the issues, options and making a decision. A drawback of adopt can be that a new system functions quite differently to the ones that individuals have previously used, but with four in place across the legacy councils there was always going to be a high degree of change involved and as this was a new system this impacted all staff who make use of financial management and reporting.
- 3.4.** From the outset, the services of an independent partner were sought to review our preparedness for the implementation of Dynamics. These services were procured from an external organisation with expertise in this area, who had access to all aspects of the project and reported monthly to the Strategic Board on progress. This provided important challenge and insight to the work of the

project team and reassurance regarding project management and progress against the programme of work.

- 3.5.** It was never anticipated that all elements of the new Finance system would be available from day one, instead the initial focus was on a minimal viable product (MVP), a single general ledger. However, through the discovery process in early 2022 it was identified that more could be delivered for vesting day but not the fully functional system from Day One.
- 3.6.** For 'Go Live', functionality included Accounts Payable, Purchase Orders, Good Receipt Notices, Invoice capture and payment approval, sales ledger and customer invoicing. Since that time developments have continued to a point where the system is now considered to be fully functional (except for fixed assets which was an additional feature always planned to be developed in due course). See appendix one which illustrates the development since 'Go Live'.
- 3.7.** Somerset Council has recently benchmarked the timescales for implementation against industry averages and found that Somerset's progress from procurement to fully functional (stable) system, which is where we are now at, aligns well with the average. See appendix two for a graphical representation.
- 3.8.** The main challenges encountered that were not identified at project inception were interfaces and data cleansing. The issues came from 'five authorities into one' with the scale of interfaces starting at over 100 but was reduced down to 51, all of which needed to be built and tested. For data, in some instances there was a wealth of historic data that was not required or out of date and if there had been the opportunity to undertake robust data cleansing in each system some time in advance of the project that would have been preferable. This was not possible due to range of factors including short project lead in time and the sovereignty of each council system prior to vesting day.
- 3.9.** As per the report to Executive on 6 December entitled 2024/25 General Fund Revenue Budget & Capital Programme update, Somerset's transition to a single council has identified 'substantial weaknesses which have been inherited from all five legacy councils. It is clear that some of our organisational approaches, including our cross-organisational responsibility for financial management, have not been good enough'. This has contributed to the challenge of integrating the system to the new organisation's needs, particularly in changing people's ways of working.
- 3.10.** In anticipation of the impact of change and help prepare all former five authorities for working with a new system, a programme of change management and training was delivered in parallel with the finance system. A range of solutions including train the trainer and super users were put in place. In March 2023, all staff had the opportunity to attend familiarisation sessions



based on what aspects of the system they would mostly use; attendance ranged from 60-200 individuals per session across 16 sessions.

- 3.11.** Post 'Go live', twenty-four bitesize sessions have been offered to all staff during June and July of this year, attendance at which ranged from 10-90 individuals per session, which were then provided again in August. Daily 'drop-in' sessions were held between 20th July and 7th August and then held fortnightly until October. Invitations were sent to all system users for these sessions and helped address the queries that were arising, mostly down to the system not having all functions from day one (although this had been regularly communicated) and from adapting to a new system.
- 3.12.** As well as the training, the Super user/Change Champion Network held daily support calls from Go Live, with the cohort helping staff and providing feedback. The Super User group will continue permanently and currently comprises 92 people across the council, but we would like to continue to expand the group. A generic mailbox for email enquiries was established with contacts dealt with daily and the Halo Resolve (IT support) group monitored Halo tickets daily, managed via daily triage calls.
- 3.13.** For online resources, the Learning hub was created with step-by-step guides and recordings made available to all staff. This repository of information continues to be maintained and developed, for example process flows are currently being compiled to provide further guidance.
- 3.14.** Development of financial management capability
- 3.15.** Accurate financial reporting and controls are essential requirements. Built into Dynamics are a range of measures that provide this for Somerset Council. From Go-Live, none of the controls were rated as 'lacking or inadequate' but ranged from 'standard/adequate controls with identified strengthening actions' or 'controls strong'. Therefore, from Day One, whilst the functionality was not yet fully realised sufficient controls were in place.
- 3.16.** Since Go-Live, additional business control processes have been put in place for finance, these include;

**Accounts receivable**

- Approval for customer refunds / write offs are made outside of the system

**Accounts payable**

- Scanned invoice values are manually checked prior to posting on supplier accounts
- High value payments are validated back to the invoice on daily BACs processing
- Budget spend approval user access has a second sign-off from the relevant Finance Business Support manager

### **General Ledger**

- Prior to access being granted to input journals, mandatory training is delivered by corporate finance on the appropriateness of the input (including authorisation and evidence) for journals

### **Budget reporting**

- The capture form for virement processing evidence and authorisation is held outside of the system

### **Interfaces**

- Interface posting validations are completed manually on a daily basis.

The system and associated processes that we now have provide the functionality and the capability for effective financial control and oversight and, as such, assurance of financial management for Somerset Council.

- 3.17.** Developments and improvements will continue to be made to the system and processes where they realise benefits. December 2023 included development of an aged debt template for internal reporting and the final stages of first reminders for debt recovery were issued. Plans for further developments in 2024 include. Further plans for 2024 include;

### **Accounts payable**

- Enforcement of the ‘No Po No Pay’ policy
- Review of the potential for automated invoice scanning

### **General Ledger**

- Follow-up coding from standard reconciliations for balance sheets and bank accounts
- Allocation of cash suspense to service budgets
- Loading of 22/23 closing balances – pending audit completions

### **Budget reporting**

- Continued Revenue budget alignment and validation reviews of actual charges
- Capital budgets and forecasting data to be loaded into the system
- PowerBI developments to allow budget holders direct access to financial data (currently provided via Finance Business Partner)

### **Fixed Assets**

- Continued development of the newly designed Fixed Asset Module.

- 3.18.** Deliverables compared to the business case

- 3.19.** The 2022 business case identified areas where Somerset Council would benefit from adopting the Dynamics system, in some cases wider than the phase one finance implementation. These were;

- **ERP as the preferred solution** – to achieve digital modernisation and organisational results for the unitary authority, rather than a best in breed or legacy solution
- **Microsoft as the preferred vendor** - aligns with Somerset's existing 'Microsoft first' strategy and provides a range of functionalities and benefits for financial management and decision making
- **Integration and innovation benefits** - Microsoft Dynamics Finance can integrate with the unitary authority's operational backbone and digital business platform with multiple systems and data and fosters innovation, data analysis, solution building, process automation and chatbot deployment
- **Data-driven decision-making benefit** - provide real-time monitoring, prediction and data-driven decisions for financial operations, cash flow, customer payments, budget proposals, supplier invoices, credit risks, collections and business intelligence
- **User experience and productivity benefits**
  - Enable faster and simpler financial management and reporting
  - Adapt to changing regulatory requirements
  - Develop standard user interfaces and single log on for users across the unitary authority.

**3.20.** As the system has only recently reached full functionality for finance, it is too early in the project to detail how these benefits have been realised and a workstream has been established to monitor and record progress over time for future reporting. So far, the early benefits being experienced include;

- **ERP as the preferred solution** - in-house successful implementation of a new version of Dynamics since Go Live with the next upgrade planned for January 2024, providing frequent system development and improvement
- **Microsoft as the preferred vendor** - Power BI and Power Apps are being utilised for integration and reporting. The data lake is providing data for reporting and in-house development resources are being utilised for process improvements
- **Integration and innovation benefits**- support for Dynamics is in-house, and work has begun on utilising the Microsoft tools already in use across the authority (Power BI, Data Lake, automation and low code development)
- **Data-driven decision-making benefits** – systems and tools including PowerBI are being utilised by Finance Business Partners for reporting purposes
- **User experience and productivity benefits** - improvements and enhancements in response to staff feedback have already been delivered by the in-house support team.

**3.21.** Plans to continue to develop the system beyond the finance functionality include;

- **ERP as the preferred solution** - the second phase (HR and Payroll) is on hold due to financial emergency and will comprise part of the Transformation programme but there remains the potential for further phases of development
- **Microsoft as the preferred vendor** - further integration with Microsoft Teams and Outlook and use of Copilot (AI technology designed to accomplish tasks and activities faster and more efficiently)
- **Integration and innovation benefits** - support provided from Microsoft to develop the automation and AI capabilities within Dynamics
- **Data-driven decision-making benefits** - Copilot, Power BI, AI and automation to enable greater insight in Finance data and link to other data sources with the data lake available to budget holders
- **User experience and productivity benefits** - in-house team to implement regular updates and work closely with Microsoft around suitability of new functionality with future Dynamics releases as well as exploring automation to remove repetitive task and reduce administrative- heavy tasks.

**3.22.** As per Recommendation 2.1 e) of the March 2022 Cabinet report, the Budget Equalisation Reserve of £7.662m was repurposed to fund the cost of the project, for Phase One (finance and transactional procurement) and Phase Two (HR and payroll). Contained in the confidential appendix 4 of that report were details of the budget for Phase One and against that sum the reported outturn at year end 2022/23 was an underspend of £192,751.

#### **4. Consultations undertaken**

**4.1.** No consultation has been undertaken as this report is for information.

#### **5. Implications**

**5.1.** There are no implications arising as this report is for information.

#### **6. Background papers**

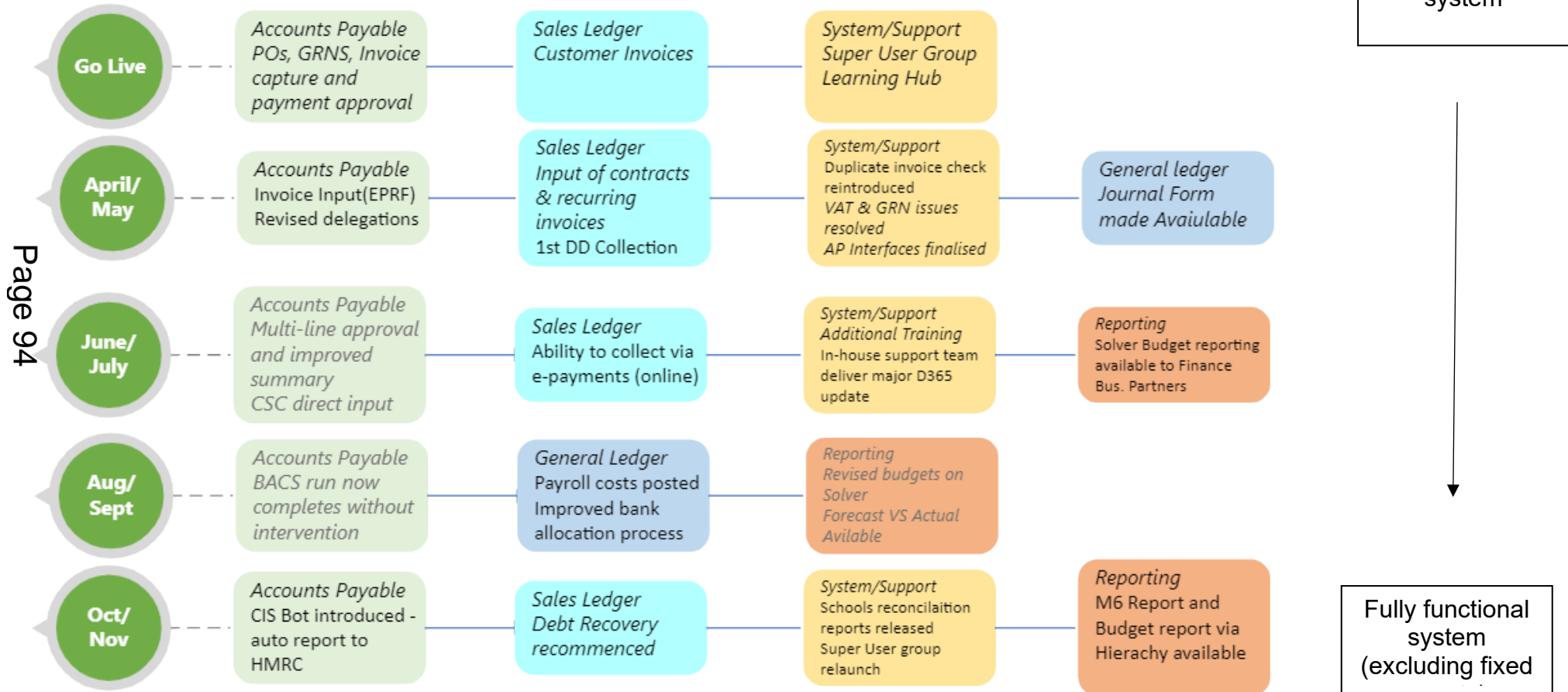
**6.1.** Report to Somerset County Council Cabinet, Forward Plan reference FP/22/01/07 'Future Business Process System - Findings of the Discovery Phase', 16 March 2022.

**Note For** sight of individual background papers please contact the report author

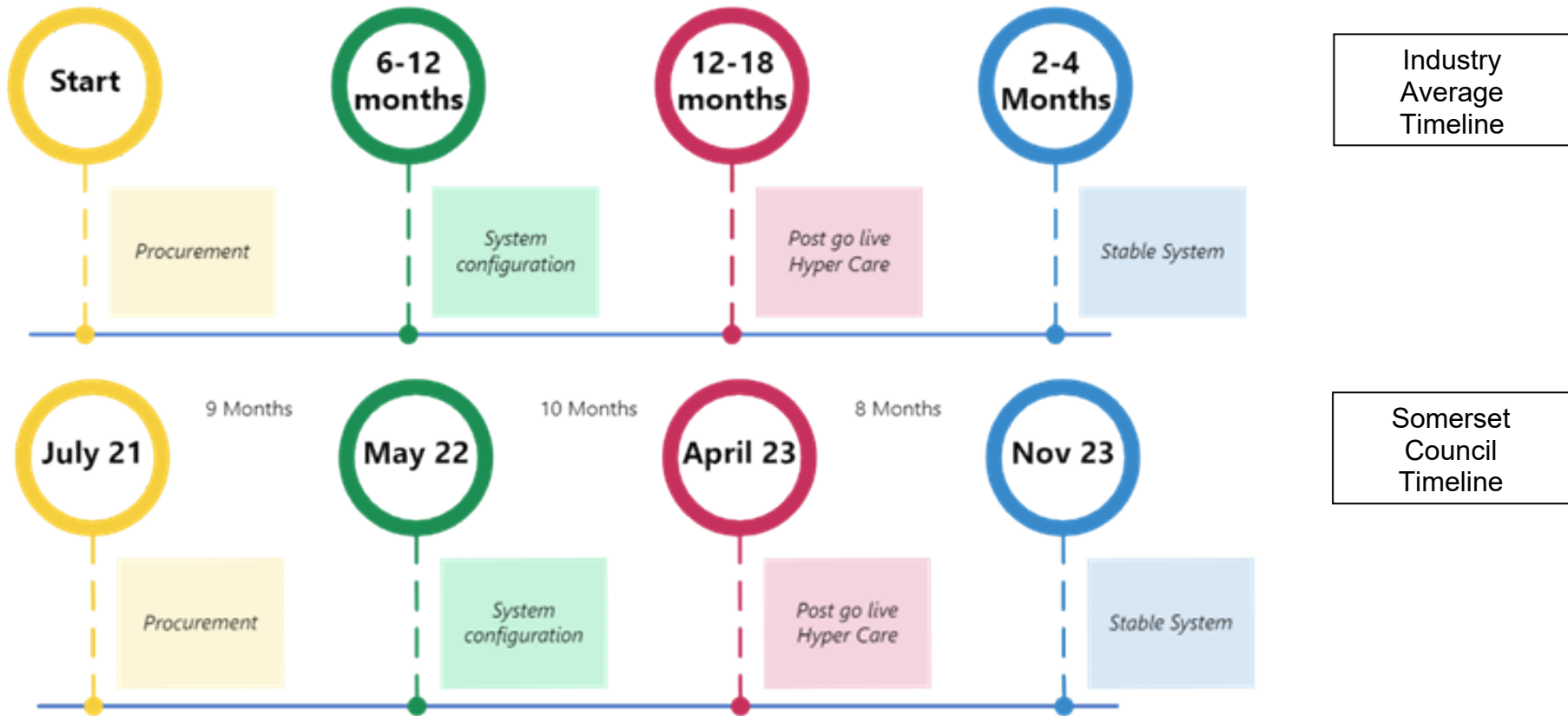
## **7. Appendices**

- 7.1.**
- Appendix One - D365 Finance Post Go Live High-Level Activity
  - Appendix Two - Project Timescales Compared to Industry Average

**D365 Finance Post Go Live High-Level Activity**



Project Timescales Compared to Industry Average



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# Finance System Update

Scrutiny Committee – Corporate and Resources

4 January 2024



**Somerset**  
Council

# D365 Finance Day-1 Functionality

## Record to Report

General Ledger	Budgeting	Cash and Bank	Tax
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<b>General Ledger</b>	
Manage Financial Calendars, Periods & Y/E	
Manage Foreign Currency and Exchange Rates	
Manage Currencies & Exchange Rates	
Maintain Chart of Accounts, Structures and Dimensions	
Non-Financial Data	
Maintain Advanced Rules	
Create and Process Journals	MVP system. ISV – controlled input form
Process Accruals and Prepayments	
Royalties	
<b>Period Close</b>	
Manage Period and Y/E Close Activities	
Transfer Closing Balances To New Financial Year	
<b>Processing VAT</b>	
Setup and Maintain VAT	
Run VAT100 and Settlement Reports	
Posting to General Ledger	
Making Tax Digital – Submission	
Intrastat & EC Sales List	

## Status for Go-live:.



<b>Budgeting Setup and maintenance</b>	ISV – Solver see notes
Define Financial Dimensions For Budgeting	
Create a Budget Model and Budget Codes	
Create, Transfer, Approve and Consolidate Original/Revised Budget	
Manage Control Frameworks	

<b>Cash and Bank Management</b>	
Create, Maintain and Reconcile Bank Accounts	
Transfer funds between bank accounts	
Payment methods - inbound & outbound	
Foreign Exchange	
Reporting requirements	
Financial Instruments	
Cash Allocations	

<b>Inquiries &amp; Reports</b>	See Notes
View a Voucher Transaction and Audit Trail	
Generate a Trial Balance	MVP system. ISV – Solver, see notes
Generate a Management reporting pack	

### Note:

- **Inquiries & Reports / Generate Debtor days reports** are included in a suite of reports under development, system standard & PowerBI
- **Budget Setup and maintenance** will utilise Solver and is not required until after Go-Live (June 2023)

# D365 Finance Day-1 Functionality

## Procure to Pay

Procurement and Sourcing

Purchase Ledger

### Manage Purchase Orders

Create PO for Stock / Non-Stock Products

Confirm and Receive POs

Manage Delivery Schedules and Charges

### Manage purchase agreement

Create Purchase Agreement (Call off order)

Create Release Order

### Manage Workflow Approval

Setup Workflow Approval / Delegations

Approve / Reject POs

MVP = multiline

Manage Escalation

### Manage Purchase Requisitions

Create, Submit and Approve Purchase Requisitions

Release and Confirm POs

### Manage changes

Amend / Cancel POs

Cancel Remaining Delivery on a PO

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## Status for Go-live:



### Process Supplier Returns

Create Return PO lines and Return Good to Supplier

Process credit note

### Create & Maintain a Supplier Account

MVP – see notes

Create Supplier Record and Supplier Groups

Manage Payment Terms and Method of Payments

Amend / Put On-Hold Suppliers

### Manage Procurement Category

MVP = 1-2-1 for budget coding

### Processing Purchase Invoice via PO

ISV - Bottomline

Registering an Invoice

3-Way Invoice Matching and Error Handling

Process a Credit Note For Price / Quantity Discrepancies

Invoice approval workflow

### Processing Non-PO Invoices

### Processing Supplier Payments

Process a Manual / Bulk / Proforma / BACS Payment

Allocate Payments on Account

### Detect/ prevent duplicate

ISV – FISCAL Tech software

### Month End and Reporting

Reconcile Supplier Balance Report to General Ledger

Generate unallocated cash report

Accrued purchases report

Remittance advice

Order detail reports and dashboard

### Construction Industry Scheme

See Notes

## Note:

- **Construction Industry Scheme** development complete, requires testing. Uses bot for reporting
- **Process Customer Invoicing / Dunning** are pending completion of document outputs and website e-payment development.

# D365 Finance Day-1 Functionality

Order to Cash	
Sales Ledger	Credit Control
<b>Create and Maintain Customer Records</b>	See Notes
Create / Amend a Customer / Customer Groups	
Manage Payment Terms and Method of Payments	
Maintaining Credit Limits	
Invoice Type	
<b>Process customer invoicing</b>	MVP = See Notes
Processing Free Text Invoices	
Processing Credit Notes	
Processing Proforma invoices	
<b>Process Customer Payments</b>	See Notes
Create a Customer Payment	
Allocating Payments Against Invoices	
Collect customer payments with Direct Debits	
<b>Credit Control</b>	
Place a Customer On Credit Hold	
Mark Invoices In Dispute	
Dunning Letters	See Notes
Write Off Bad Debts	
Generate Customer Statements	
<b>Month End and Reporting</b>	
Generate Unallocated cash report	
Reconcile Customer Balance Report to General Ledger	
<b>Generate Debtor days reports</b>	See Notes
Generate Customer Ageing Report	
Open Customer Transactions Without Totals Report	

## Status for Go-live:



### Note:

- **Process Customer Invoicing / Dunning** are pending completion of document outputs and website e-payment development.
- **Process Customer Payments** are pending UAT of integrations INF008 and INF096

# D365 Finance Day-1 Functionality

## Status for Go-live:.



## Acquire to Dispose

### Fixed Assets

Create a Fixed Asset	See Notes
Setup Fixed asset groups	
Setup Fixed asset Service life	
Setup depreciation method	
Acquire a Fixed Asset	
Acquire an Asset From a Journal / PO / Investment Project	
Fixed assets - basic info requirements	
Specific rules for Fixed asset acquisitions	
Recording Fixed Asset Transactions	
Depreciate a Fixed Asset	
Adjust The Value of a Fixed Asset	
Sell / Scrap a Fixed Asset	
Transaction reversal	
Revaluation of Investment Properties	
Financial Reporting of Fixed Assets	
Legal entities for Fixed Assets	
Fixed Assets & depreciation - chart of accounts and financial dimensions	
Fixed Asset reporting	

## System Administration

### System Admin & Organisation Structure

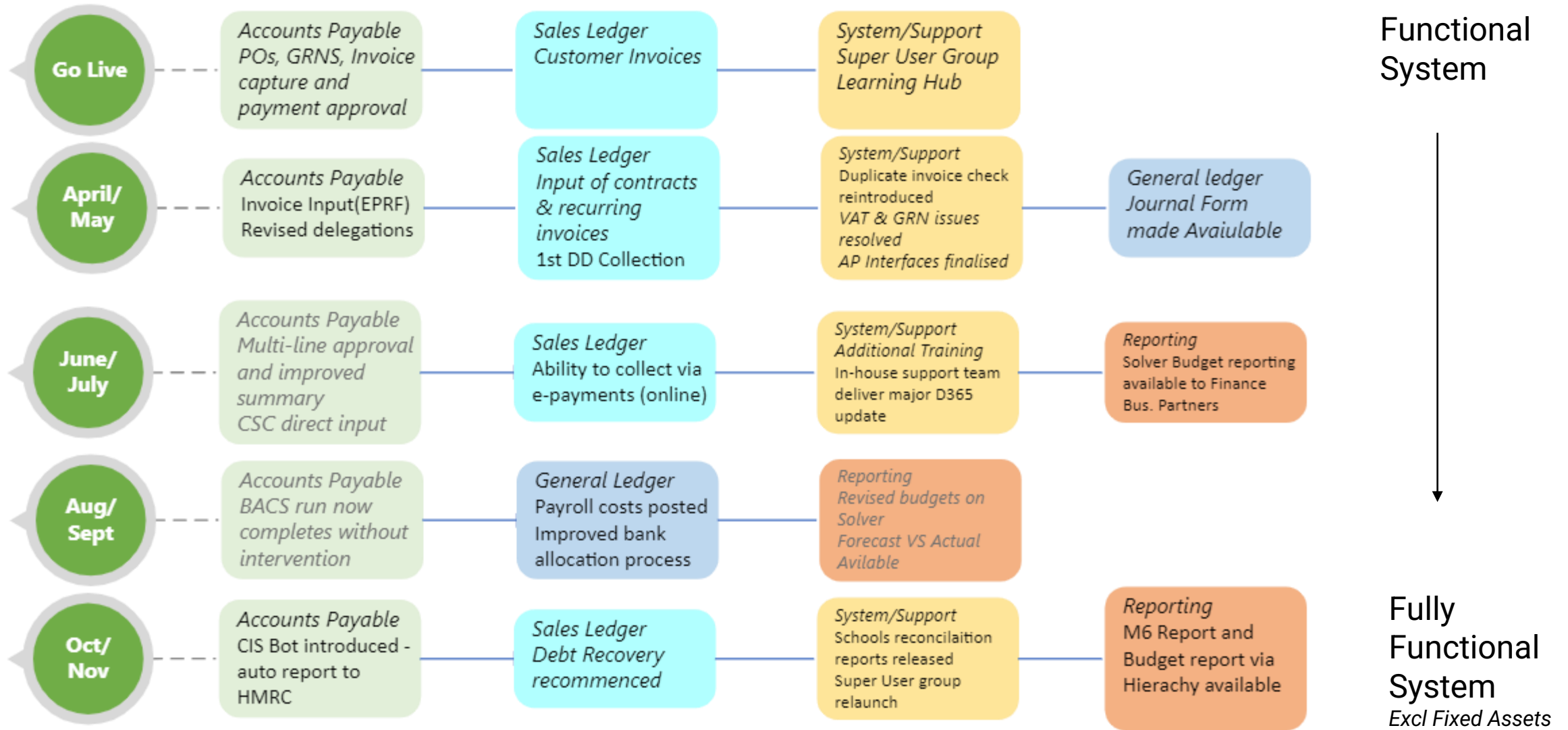
Maintain Organisation Structure	See Notes
Create and maintain security roles	MVP – system standard
Create and maintain new user	
Maintain system batch jobs	

## Note:

- **Process Customer Invoicing / Dunning** are pending completion of document outputs and website e-payment development.
- **Process Customer Payments** are pending UAT of integrations INF008 and INF096

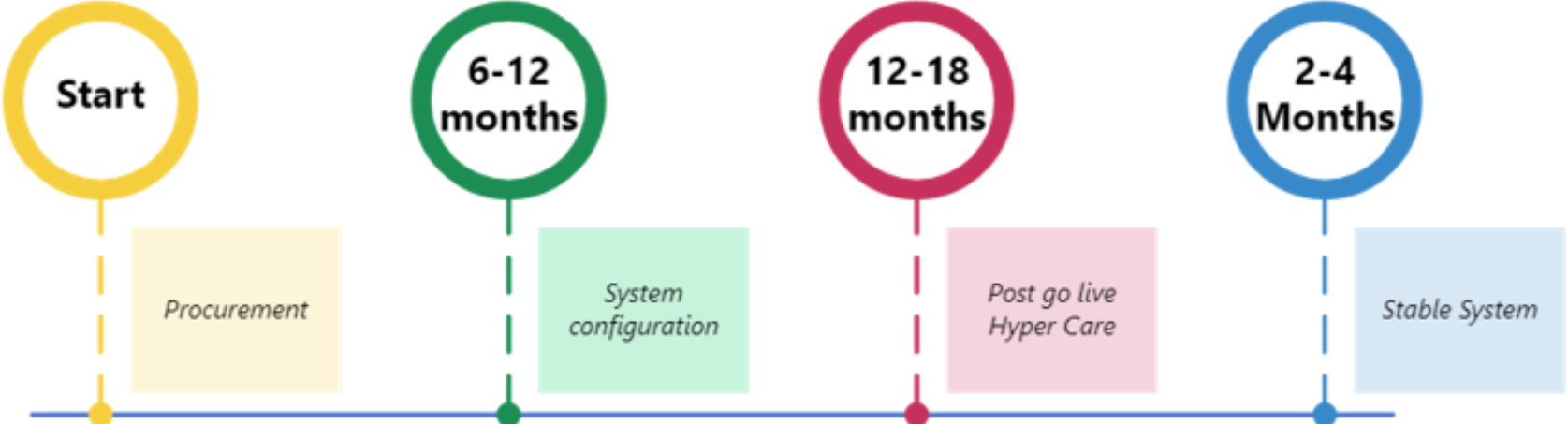
# D365 Finance Post Go Live High Level Activity

Page 102



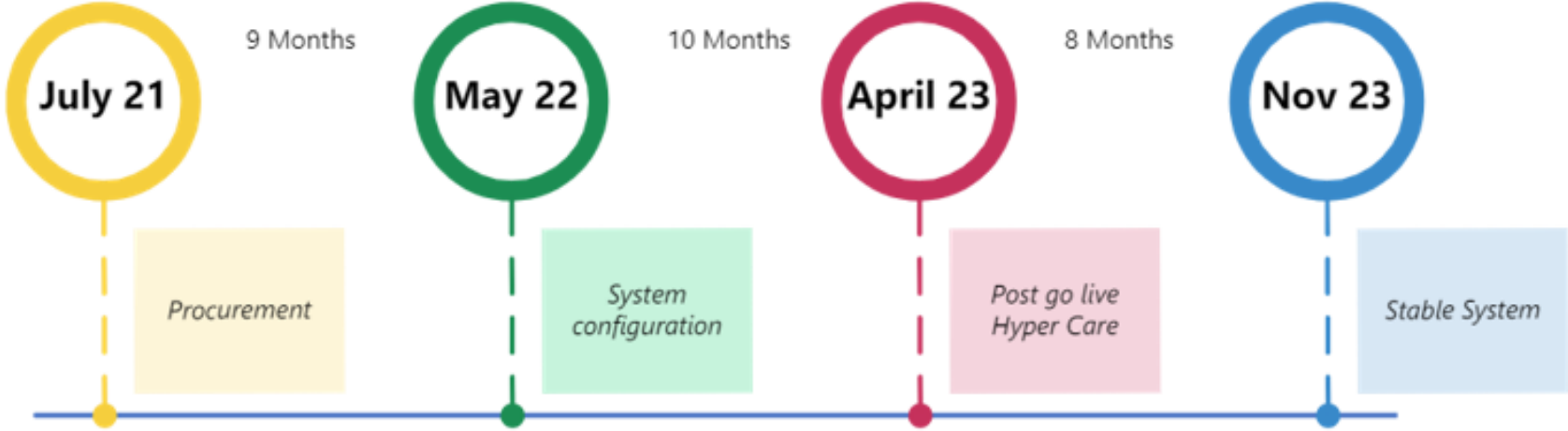
# How do we compare?

Gartner Average project timescales for single system ERP replacement



Industry Average Timeline

Page 103



Somerset Council Timeline

# D365 Change /Training Support

## Pre Go live Training

- EY provided TTT to key project leads involved in iteration workshops and some super users leading up to go live
- **Super users** attended their functional end to end process training session ahead of go live- held beg of March. **Functional leads provided training.**
- **All staff** had the opportunity to attend familiarisation sessions based on overview /functional end to end processes -**attendance** ranged from **60-200** per session – held Mid March. **Total number of sessions - 16**

## Post Go live Training

- **24 All staff Bitesize sessions** - held June to July -**attendance** ranged from **10-90** per session. Followed by a **Rerun of Bitesize sessions**- held August - **attendance** ranged from **10-37** per session.
- **57 All staff daily drop in sessions** were held, 20<sup>th</sup> July to 7<sup>th</sup> August. Moved to fortnightly until October. **Attendance** varied from **100-60 people**. Most of which were the same people that attended each session. Invites were sent to all system users

## Hypercare Support

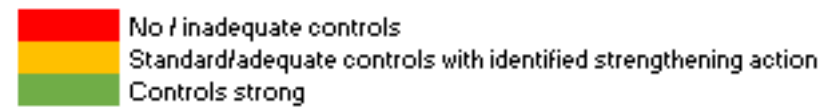
- **Super user/Change Champion Network 'Go Live' daily support calls** were held. Super Users and CCN were there to help staff and provide feedback into the daily calls –**36 calls** held 17<sup>th</sup> April to 7<sup>th</sup> July, attendance varied from **60-20 super users/CCN**. **Further training** was given on these calls to help SU
- The **Super User** group is currently being revamped to cover all areas. We now have **92 super users across the council** - we still have 42 gaps to fill
- **Dynamics mailbox** was monitored throughout the day, every day
- **Halo Resolve group** monitored Halo tickets on a daily basis, these were managed via daily triage calls

## Documentation /Learning hub

- [Learning hub](#) was created with all step by step guides and recordings. Documentation continues to be worked on and updated where needed
- **Personas lights out** documentation was sent to **system users based on roles** ahead of the switchover from legacy systems to Dynamics. [Switchover plan to D365.pptx](#)
- **Personas/Process flows** are currently being worked on to help staff going forward.
- **Communication** was regularly sent throughout the project, particular after go live which mostly contained of step by step guides to help staff



# System Controls



IT	Current key controls	Improvement
Environment controls	<ul style="list-style-type: none"> <li>*Environments aligned - monthly refresh</li> <li>*Data copy back every 15 mins with 7 days archive retention</li> <li>*Restricted admin roles in place</li> </ul>	<ul style="list-style-type: none"> <li>*Review end to end process documentation with post go live updates</li> <li>*Retention to extend to 30 days</li> </ul>
Web access controls	<ul style="list-style-type: none"> <li>*Access is directly linked to Active Directory (AD)</li> </ul>	
Interfaces	<ul style="list-style-type: none"> <li>*Go Live interfaces in production</li> <li>*Halo notification of posting error</li> </ul>	<ul style="list-style-type: none"> <li>*Automated reporting dashboard - confirming staging success</li> </ul>
Finance	Current key controls	Improvement
Security roles	<ul style="list-style-type: none"> <li>*Standard D365 roles</li> </ul>	<ul style="list-style-type: none"> <li>*Planned workshop day with Microsoft workshop, target customising roles with aim of reducing licence costs.</li> </ul>
Role maintenance	<ul style="list-style-type: none"> <li>*Halo logged requests with approval</li> <li>*Deletions linked to leavers form</li> </ul>	<ul style="list-style-type: none"> <li>*Review of current access against evolving restructure</li> </ul>
Page 105 & Budget	<ul style="list-style-type: none"> <li>*Period Controls</li> <li>*Chart of Accounts coding controls</li> <li>*Journal form access and posting controls</li> <li>*Budget movement access and posting controls</li> </ul>	
AP	<ul style="list-style-type: none"> <li>*Spend Approval</li> <li>*Processing segregations</li> <li>*Potential duplicate payment detections</li> <li>*Supplier maintenance segregations</li> </ul>	<ul style="list-style-type: none"> <li>*Follow up action from completed creditors reconciliations</li> <li>*Review of potential improvements to invoice scanning</li> </ul>
AR	<ul style="list-style-type: none"> <li>*Customer maintenance segregations</li> </ul>	
Banking	<ul style="list-style-type: none"> <li>*Bank statements loaded daily</li> <li>*Cash files posted via interfaces</li> <li>*Posting reconciliations underway</li> </ul>	
Sub module account reconciliations	<ul style="list-style-type: none"> <li>*Regular system model reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>*Awaiting trial balance loads from finalised 22/23 accounts</li> </ul>
Documented process	<ul style="list-style-type: none"> <li>*Learning hub</li> <li>*Super User network</li> </ul>	<ul style="list-style-type: none"> <li>*Review of system vs process maps underway and to be fully documented</li> </ul>

# Additional Business Controls

## Accounts receivable

- Customer refunds / write offs, approval held off system

## Accounts payable

- Scanned invoice values manual checked prior to posting on supplier account.
- High value payments validated back to invoice on daily BACs processing.
- Budget spend approval user access has second sign off from relevant Finance Business Support manager

## General Ledger

- Prior to access being granted to input journals, mandatory training delivered by corporate finance on appropriateness of input (including authorisation and evidence) for journals

## Budget reporting

- Virement processing evidence and authorisation capture form, held of system

## Interfaces

- Interface posting validations, done manually daily

# Reporting capabilities

Being an MS product allows the integration to self-write reports and design to business needs.

- D365 inquiries
  - System user activity
  - Transactional - *journal, customer, supplier or cost centre*
  - Sub ledger integrity
  - Standard audit reporting – *limited enabled*
- Solver – general ledger reporting (currently limited to finance role only)
  - Revenue budgets – *full suite available and used since month 6*
  - Capital budgets – *standard reports built; waiting on reporting structure and budget data load*
  - Annual accounts and other statutory reports – *planned developments Jan – Mar 20 24*
- PowerBI – mass/structured transactional reporting
  - Aged debt – *report developed, business sign off eta 08/11*
  - PO activity – *final stages of development*
  - Interface monitoring dashboard – *in development, first draft due 22/12*
  - Spend over £500 transparency – *to automate the below*
  - Ability to connect to Solver – *new year development for publishing to direct for budget holders*
- Direct off the data lake
  - Spend over £500 transparency – *live and published on Council internet*

# Finance Next steps

## Accounts payable

- Cash balances validated. Follow up action regarding posted coding
- Enforcement of No Po No Pay policy
- Review potential invoice scanning automation development

## General Ledger

- Follow up required coding from standard reconciliations for balance sheet and bank accounts
- Allocation of cash suspense to service budgets
- Loading of 22/23 closing balances – pending audit completions

## Budget reporting

- Continued Revenue budget alignment and validation reviews of actual charges
- Capital budgets and forecasting data to be loaded into the system
- PowerBI developments to allow budget holders direct access financial data (currently provided via Finance Business Partner)

## Fixed Assets

- Continued development of newly designed Fixed Asset Module

# Scrutiny – Corporate and Resources

## Strategic Asset Management – Building maintenance and compliance (non-schools)

4<sup>th</sup> January 2024



# Building Compliance

## What do we mean by compliance?

Compliance duties dictated either by statutory requirements (i.e. the Health and Safety at Work Act 1974) and/or by Council Policy, key examples include:

- **Gas safety inspections**
- **Lift servicing**
- **Electrical Safety Certificates**
- **Emergency Lighting inspections**
- **Fire safety systems, risk assessments**
- **Legionella checks and risk assessments**
- **Fire and evacuation procedures**
- **Asbestos management and condition surveys**
- **Tree surveys**
- **Radon monitoring**
- **Implementing recommended actions following inspection, to make systems compliant**

# Building Compliance

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## How is compliance currently managed?

- **Legacy Facilities Management / Property Teams continuing to be responsible for respective areas**
- **Varying arrangements but working together through FM workstream to align processes**
  - **Facilities Management Teams – weekly/monthly Health & Safety tours**
  - **In-house Property Maintenance Team (SCC / SSSDC / MDC)**
  - **In-house Asbestos Team**
  - **Use of contractors**
  - **Annual declaration process / escalation procedures**
  - **(Education Property Team – supporting Schools/Headteachers & Governors)**

# Building Compliance

## Reporting

- Moving towards unified reporting through use of Civica Property Management System
- Interim collation of separate data through various FM teams:

Page 112

Key Performance Indicators	What is good performance high or low	Target	Tolerance	Outturns 2023/2024		
				Q1	Q2	Q3
An average for all building compliance across Somerset Council	High	100%	TBC	76%	78%	TBC



# Use of Civica Property...

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## ...to underpin compliance and reporting

- **Consistent approach to managing and reporting compliance across the whole Estate  
- Schools and non-Schools**
- **Single source of the truth**
- **Proactively monitor/manage compliance to ensure statutory requirements are met**
- **Manage and track progress of remedial actions through the system**
- **Automatic notifications to relevant stakeholders of overdue inspections and outstanding actions**

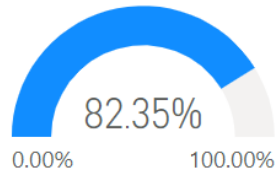
# Use of Civica Property...

Portfolio: Multiple selections | FM Team: All | Site Description: Glastonbury Library/Office Hub | Inspection Owner: All

Overdue Inspections: 3 | Overdue Fire Actions: 7 | Overdue Gen. Actions: (Blank) | Overdue Help Calls: 2

Click for tables

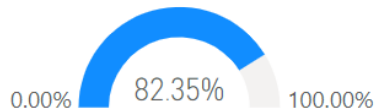
Compliance (Inspections CLOSED)



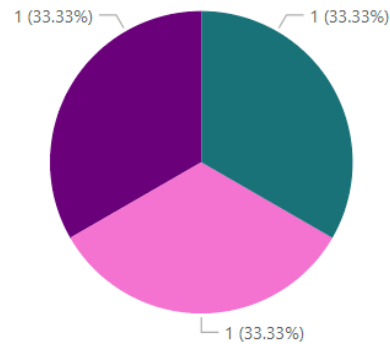
Distinct Types of Non-Compliant Inspections

3

Compliance (Inspections Complete)



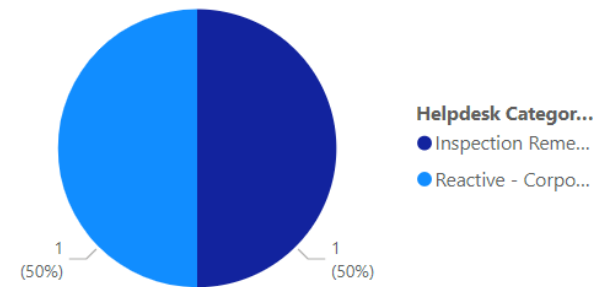
Overdue Inspections



Type Description

- 42-01 - PAT / In Servi...
- Display Energy Certifi...
- Fire Awareness Traini...

Overdue Help Calls



Helpdesk Categor...

- Inspection Reme...
- Reactive - Corpo...

Data refreshed daily at around 9:30am

# Building Condition Data

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- **Developing a plan to assess and collate consistent building condition data for the corporate estate (subject to resourcing)**
- **Record and collate condition data in Civica Property**
- **Intelligence fed into Civica Property through in-house maintenance operatives (servicing observations etc)**
- **Use of drone technology to survey buildings**
- **Data informs prioritised maintenance plans**
  - **Focus spend on buildings identified for retention/strategic use**
  - **Address urgent/high priority items**
  - **Quality data informs MTFP / capital funding request process**
  - **Agree plans for buildings which may be identified for disposal**



# Update on Corporate Building Condition Programme

SITE	PROPOSED PROJECTS (BEING TENDERED / TO BE TENDERED)		Completion date
County Hall, Block A, Taunton	Rectify roof defects		28/02/2024
Taunton Library	Boiler & pumps		30/04/2024
Dunster Pre School	Cladding and Roof works		30/04/2024
Shape Mendip, Shepton Mallet	Roofing and drainage		30/04/2024
Goldenstones Leisure Centre, Yeovil	New fire alarm system		30/09/2024
Court Fields Nursery, Wellington	Drainage repairs, external building fabric works, new rainwater goods		31/01/2024
Olive Tree nursery, Bridgwater	Heating System and External building fabric works		31/03/2024
Langport Library	External Building Fabric works and window replacements		31/05/2024
Nursery at Frome College	Building structure works		31/05/2024
Wells Library	Window replacements, external building fabric works		31/05/2024
Bridgwater Library	Roof renewal/replacement works		31/07/2024
Orchard multi-storey car park, Taunton	Concrete repairs		31/08/2024
County Hall, Taunton	Improve uneven paths, slabs, steps and poor site lighting (H&S)		Under review
Chard Library	External building fabric works, windows, doors, rainwater goods, entrance canopy		TBC
Crewkerne Library	Building structure works, external building fabric works, windows and doors		TBC
Ilminster Library	External building fabric works, windows and doors		TBC
Bouncy Bears Nursery, Wellington	Renew floor and install new ventilation		TBC
Cornhill, Bridgwater	Roof renewal / replacement (initial phase – site surveys and investigations)		TBC
Dunball Area Highways office	Demolition of modular building		TBC
<b>Total Anticipated Costs</b>	(individual project figures excluded for commercial sensitivity)	<b>£1,840,807</b>	

# Time for Questions



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## **Update on Surplus Assets Review**

Lead Officer: Oliver Woodhams, Service Director Strategic Asset Management

Author: Oliver Woodhams

Contact Details: oliver.woodhams@somerset.gov.uk

Executive Lead Member: Cllr Ros Wyke, Lead Member for Economic Development, Planning and Assets

Division / Local Member: n/a

### **1. Summary**

**1.1** The purpose of this report is for the Scrutiny Committee to review the progress on surplus assets : -

- a) To note the estimated range of values of capital receipts potentially deliverable before 31<sup>st</sup> March 2025 through the sale of assets that have been declared surplus by the Asset Management Group to date, as set out in paragraph 4.1 below.
- b) To note the further work planned to review assets and add to the pipeline of assets already declared surplus.
- c) To note the target for the sales from in-flight disposals is in the range £15m-£20m for the financial years 2023/24 and 2024/25 which will feed in the Medium Term Financial Plan.

**1.2** At the Scrutiny Committee on the 7th of September 2023, Members approved to set up a Task and Finish Group to consider the disposal of assets. It is proposed that this group of members considers the list of assets that have been declared surplus by the Asset Management Group which are currently in-flight for disposal.

**1.3** Somerset Council's Asset Management Group is responsible for the overseeing the implementation of the Council's adopted Asset Management Plan, agreeing when land and property assets are surplus to the Council's operational use, and for agreeing the approach and strategy for asset disposals as a pre-cursor to formal decisions under the Council's decision-making framework. The Asset Management Group is also responsible for the development and oversight of

related asset management policies. The group is not a formal committee of the Council and does not have decision making powers. The scope of the Asset Management Group's oversight includes all land and property assets with the exception of assets held within the Housing Revenue Account, and investment assets held for the sole purpose of yielding income.

- 1.4** The disposal of the commercial investment portfolio is outside of the scope of the work of the Asset Management Group and is not considered in this update report. This report also excludes Housing Revenue Account Assets, Academy Conversions (leases to Academy Trusts and statutory transfers), Community Asset Transfers and any asset that has been identified as eligible for the proposed Service and Asset Devolution policy to City/Town and Parish Councils.

## **2. Background**

- 2.2** Somerset Council has c. 1,300 material individual land and property assets, as well as a large number of much smaller parcels of utility land. This figure includes a large number of assets which cannot be disposed of in the short or medium term - for example, schools, libraries, and a range of other assets supporting the council's statutory operational functions. It also includes a wide variety of income-generating assets (for example, car parks, crematoria, and assets leased to tenants including the council's investment property portfolio) where any decision to dispose of an asset could have an adverse impact on the revenue budget position which could increase the council's medium term budget gap. Finally, some of the land and property assets held by the council are subject to overage, grant clawback or other legal constraints which make the disposal of these assets more difficult or financially unviable - this group includes a number of building assets funded by specific government or European grant funding, land subject to Homes England grant funding conditions, and assets acquired through compulsory purchase.

- 2.3** Somerset Council's Asset Management Strategy and Plan were approved by the Council on the 22<sup>nd</sup> of February 2023. The document sets out the Council's strategic objectives for property asset management, the approach the Council will take to managing its property assets, and a series of high-level commitments to guide property asset management decisions and policy making. The Asset Management Strategy sets out an objective to ensure that the council's estate is financially sustainable, efficient, and effective; the financial challenges facing Somerset Council bring this objective into focus.

- 2.4** The main opportunities being explored to dispose of assets in the short to medium term relate to: -

- **Non-operational assets** that are leased out at relatively low yield, assets formerly leased out which are currently void or vacant, or assets leased



out at higher yields where there are particular reasons to consider disposal. This group includes a range of non-operational property acquired historically by the five previous district and county councils, or in some cases the pre-1974 district or borough councils.

- **Operational assets** where there are opportunities to rationalise and reduce the amount of space used to support operations. Currently the main focus in this area is the council's office estate, as well as other specific assets that are no longer required for service use. In due course as services are aligned and transformed in the new unitary authority there will be opportunities to rationalise depot sites and work has started on a review of this area. Further opportunities to dispose of assets in this category will also arise if the scope of the council's operational requirements changes as a result of savings proposals put forward by service areas, or as a result of wider organisational transformation.
- **Land held for development.** This covers sites originally acquired for regeneration purposes as well as land already subject to various option or promotion agreements.
- **Small parcels of surplus land** with development potential or hope value. We have an ongoing programme reviewing small amenity land parcels with limited strategic or operational value.

**2.5** Asset Management Group will continue to identify further options for asset disposal across all of the categories set out in paragraph 2.4 above, with a view to declaring further groups of assets as surplus at their regular meetings.

### **3. Consultations undertaken**

**3.1** The Council's Policy for the Disposal of Assets was brought to this Scrutiny Committee on the 7<sup>th</sup> of September 2023 and the policy was approved by the Executive on the 8<sup>th</sup> of November 2023. This policy has been published and is available on the Council's website. Where an asset has been declared surplus by Asset Management Group there will be engagement with local councillors at an early stage, as well as discussions with City, Town, and Parish Councils where appropriate.

### **4. Implications**

**4.1** The timing and value of capital receipts is very hard to predict, particularly where sale agreements are subject to planning consents, which in turn are often dependent on phosphate mitigation solutions. Conditional asset disposals of larger, more complicated sites may take a number of years to progress to

completion. The table below sets out a forecast range of sales for the current financial year (including sales already completed) and 2024/25, to provide an indication of capital receipts that may be available from the assets that have been declared surplus to date.

<b>Low / Medium risk pipeline:</b>	
Sales achieved to date in 2023/24	£4.7m
Further potential sales achievable in 2023/24	£2.9m
Further potential sales achievable in 2024/25	£8.5m
<b>Total</b>	<b>£16.5m</b>
<b>Higher risk pipeline:</b>	
	<b>£5.6m</b>

Whilst £15m-£20m might be achieved from the current pipeline of surplus assets, there is significant uncertainty even at the lower end of this range and financial planning assumptions need to mitigate against the risk of a considerable shortfall against this best estimate.

- 4.2** A significant risk to the programme of asset disposals relates to the achievability of capital receipts and reductions to revenue running costs. Progress in the delivery of capital receipts will be monitored by the Asset Management Group and reductions to revenue running costs will be monitored through the council's regular budget monitoring process.
- 4.3** The legal work to progress the land and property disposals will be conducted through the Council's in-house Legal Services team who will draft the necessary legal documentation for the proposed disposal and will provide legal advice and support to ensure that the Council's interests in respect of the same are protected. Where required supplemental external legal support may be brought in to provide additional capacity to progress sales transactions.
- 4.4** The Council is at risk of a Section 114 notice. There is a risk that if a Section 114 notice is issued, the Council may be forced to cede local control over decisions on asset disposals, with the risk that the Council's strategic and asset management objectives may not be achieved. Stepping up our disposal programme is an important part of mitigating that risk.

## **5. Background papers**

Asset Management Strategy and Plan and Policy for the Disposal of Assets

<https://www.somerset.gov.uk/planning-buildings-and-land/council-buildings/>

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Somerset Council  
Scrutiny Committee – Corporate and Resources  
– 4<sup>th</sup> January 2023



## **Report of the Task and Finish Group for Commercial Investment Asset Realisation – November 2023**

Lead Officer: Jamie Jackson, Governance Manager Scrutiny

Author: Stephanie Gold, Democratic Services Officer, and Cllr Peter Sieb, Chair of the Task and Finish Group.

Contact details: stephanie.gold@somerset.gov.uk

### **1. Summary**

**1.1** To provide a progress update on the Scrutiny committee – Corporate and Resources Task and Finish Group on Commercial Investment Asset Realisation.

### **2. Issues for consideration/recommendations**

**2.1** That the Committee consider and comment on the update.

### **3. Task and Finish Group membership**

**3.1** Members: Cllr Peter Seib (Chair), Cllr Martin Lovell, Cllr Lucy Trimnell, Cllr Nick Cottle, Cllr Richard Wilkins.

**3.2** Officers: Robert Orrett Commercial Property Land Development Manager, Ollie Woodhams Service Manager Strategic Asset Management, Brendan Fisher, Jamie Jackson Governance Manager Scrutiny, Stephanie Gold Democratic Services Officer.

### **4. Background**

**4.1** At the meeting of the Scrutiny Corporate and Resources committee held on Thursday 6<sup>th</sup> July 2023, under item 12 Introduction to Strategic Asset Management members heard that: -

“The Council’s Investment and Commercial Assets were being reviewed. Values have slumped at present and any new leases are being assessed and reviewed before continuing or setting up. It was noted that the Audit process had changed

and there was a much more robust approach towards the operational buildings and valuations”.

And that: -

“It was agreed that the committee would have a proactive role in the programme and that 2 areas that could be considered in the near future would be Commercial Assets and rationalisation, also assessment and disposal of assets, this could be via working groups or task & finish groups”.

- 4.2** Subsequently, at the meeting of the Executive held on Wednesday 8<sup>th</sup> November 2023, under Item 7 Financial Strategy Update the Executive agreed to a number of actions in response to the financial emergency facing Somerset Council including.
- d.** To approve the disposal of the commercial investment portfolio, delegated the appointment of external agents to the Director of Strategic Asset Management in conjunction with the Lead Member for Economic Development, Planning and Assets, and uses the Property & Investment Executive sub-committee to oversee the disposal programme.
- 4.3** Although the start point for this Task and Finish Group was overtaken by events (the Executive Decision to dispose of Commercial Assets held principally for return), members pivoted to scrutinise the asset portfolio, the factors driving disposal value and the work being done to prepare for sale.
- 4.4** Members noted that the present market environment and the nature of SC’s portfolio mean that individual property values may be being adversely influenced by temporary factors, and that in some cases further work (or planned timing) will improve yields. Any work would have to be carried out alongside business as usual.
- 4.5** Once disposal is committed, some parts of the market expect a very short turnaround for exchange and completion. Sale under these conditions involves significant additional preparatory effort (Title Deeds located, EPCs, legal searches, planning searches, etc.) which is complicated by legacy of five previous Councils’ record keeping and archives. These accelerated timescales are a challenge for any democratic process, and achieving best value may require delegated decisions.
- 4.8** To enable a safe delegation, even with member involvement, members recommend a comprehensive Disposal Strategy to clarify the specific aims (is it to maximise individual yield or to achieve a specific total return profile against budget?) and the leeway for deferring certain disposals (e.g. assets with regeneration potential, where disposal would harm the MTFP or where there are special circumstances such as a wrapper lease).

**4.8** Recognising these complexities and the limited capacity of SC's existing Property Management team, members recognise the advantage of appointing specialist external advisors to progress sales (within the Strategy).

**4.9** I would like to thank all of the participating members for their contributions and the Officers who supported this Task and Finish Group.

## **5. Consultations undertaken**

**5.1** Members of the Task and Finish Group met with specialist Somerset Council Officers on three occasions throughout the course of the review -

<b>Meeting Number</b>	<b>Date</b>	<b>Area of focus</b>
One	8 <sup>th</sup> November	Introduction to Commercial Investment Asset Portfolio
Two	16 <sup>th</sup> November	Market issues and categorisation of commercial investment assets
Three	22 <sup>nd</sup> November	What should we do first?

## **6. Implications**

**6.1** None

## **7. Background papers**

**7.1** Due to the commercially sensitive nature of Commercial Investment Asset Management, the Powerpoint presentations and background papers associated with this Scrutiny Task and Finish work are strictly private and confidential.

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**Scrutiny Corporate & Resources Work Programme 2023-2024**

<b>Meeting date</b>	<b>Agenda item</b>	<b>Report Author/Officer attending</b>	<b>Service Area</b>
Thursday 4 January 2024 at 10am Venue TBC	Surplus Assets Review	Ollie Woodhams	
	Property Rationalisation & Ways of Working (change to March meeting?)	Ollie Woodhams/Sara Kelly	Strategic Asset Management
	Business Process Update (Replacement of SAP HR/Payroll not included in Dynamics)	Louise Routley	Procurement & Financial Governance
	Asset and Service Devolution Framework (change to March meeting?)	Sara Skirton	Partnerships & Localities
	Property maintenance and compliance	Ollie Woodhams/Andrew Wilson	Strategic Asset Management
	Financial Updates	Jason Vaughan	
Thursday 1 February 2024	Q3 Budget Monitoring & MTFP proposals for 2024/25 (confirmed)	Jason Vaughan/Leah Green	Finance
	Housing Rents & Service charges (confirmed) to be transferred to March meeting?	Shari Hallett	Housing Performance Manager

Thursday 7 March 2024 at 10am Venue TBC	Early Careers Strategy – <b>CONFIRMED</b>  Draft Business Plan <b>(Confirmed)</b>  Council Business Plan	Misha Liddiatt  Julie Jackson/Alistair Higton  Paul Harding	Performance & Improvement
9 <sup>th</sup> May 2024			

**Scrutiny Corporate & Resources committee briefings and/or Task and Finish workshops**

Title	Description	Date	Service Area and Lead Officer
Asset Review	List of Assets declared surplus; reasons & grounds for disposal – Leading to Draft Disposals Policy	November 2023	Wendy Kerlake/Sally Stark
Assets for Yield	Disposal of specific asset?	November 2023	Robert Orrett/Brendon Fisher/Harvey Gardner

**Other issues for consideration**

- Major building construction projects - summary of delivery programme and overview of process
- Estate decarbonisation & energy management

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