

Decision Report - Executive Decision

Forward Plan Reference: FP/23/09/09

Decision Date – 8 November 2023

Key Decision – No



2023/24 Budget Monitoring Report – Month 5 – End of August 2023

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

Local Member(s) and Division: All

Lead Officer: Nicola Hix, Director of Finance & Procurement

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Summary

1. The Council is projecting an overspend for 2023/24 of £27.3m, the majority of which relates to Adults and Children's Services. All services have continued with developing financial recovery plans to help reduce the overspend.
2. Cost pressures are likely to continue into the 2024/25 financial year with demand and inflation in social care far outstripping forecast increases in council tax, business rate income and government grants. These trends are being experienced across the sector although the increases in costs seem higher in Somerset than in other areas.
3. The Council does have reserves, but these were set aside for unforeseen costs, not ongoing expenditure. If the budget gap is not reduced substantially over the coming months, it would use the bulk of reserves meaning the Council would not be financially sustainable.
4. Officers have already met with the External Auditors and the Department of Levelling up Homes and Communities to warn them of the position, that without significant additional funding or changes in legislation around support for Social Care, Somerset would join others that are already warning of imminent s114 notices.

Financial Recovery

5. In September 2023, Members received the month 4 revenue monitoring report for 2023/24 which set out the very stark and challenging financial situation that the new Somerset Council is facing. The underlying cause of the problem is that the costs are increasing at a far greater rate than its income. Given the size of the potential overspend

for the year that was projected at month 4, it was agreed that monthly budget monitoring would remain in place to allow Scrutiny and Executive to closely monitor the current year position.

6. The finance team have been working closely with directorates and services to review all areas of spend, especially those areas where high pressures are apparent. All services have continued with developing financial recovery plans as required by the Councils financial management framework and agreed by the Executive when approving the month 3 budget monitoring report.
7. With the financial recovery plan, focus has directed for services to:
 - Ensuring savings are delivered – delivery of 2023/24 approved savings is vital and where this cannot be achieved then the development of alternative recovery or mitigation measures to address any forecast underachievement of approved savings is required.
 - Staffing – review and deferral / delay to all permanent, temporary, interim, agency or casual recruitments unless over-ridden by exception by the relevant Directorate Management Team (DMT) due to service delivery considerations, for example, to maintain staffing in services requiring statutory minimum staffing levels.
 - Identifying underspending opportunities - services will review 2022/23 underspending or break-even services to explore whether greater underspending or moving into underspend can be achieved to assist the position.
 - Imposing limits – look to impose financial transaction limits above which senior management approval will be required, and/or limiting certain types of non-critical expenditure where possible.
 - Alternative funding – exploring alternative funding solutions or curtailing or ‘value engineering’ one off or project spend.

Communication

8. Regular budget briefings are being held with both officers and members. The initial Member Engagement Session was in August and included presentations from Rob Whiteman, CEO CIPFA and Mark Pickering CEO, Arlingclose. Two sessions are held each month from September through to February and available for all members to join to ensure that every elected member had the opportunity to fully understand the latest financial current situation and the financial challenges facing the Council going forward. Senior officers from across the Council have received a similar briefing to ensure awareness.

9. During September, each of our Scrutiny Committees received a budget report from their directorate, which was focused on the budget monitoring position for their area, and a forecast projection for the financial year. This was a good opportunity for elected members to understand the challenges but also actions being taken to address the position.
10. Our organisation is facing a serious financial deficit that requires urgent and decisive action. We are committed to ensuring the financial sustainability of the council, delivery of our key services, as well as the wellbeing and safety of our staff and customers.

Month 5 Position

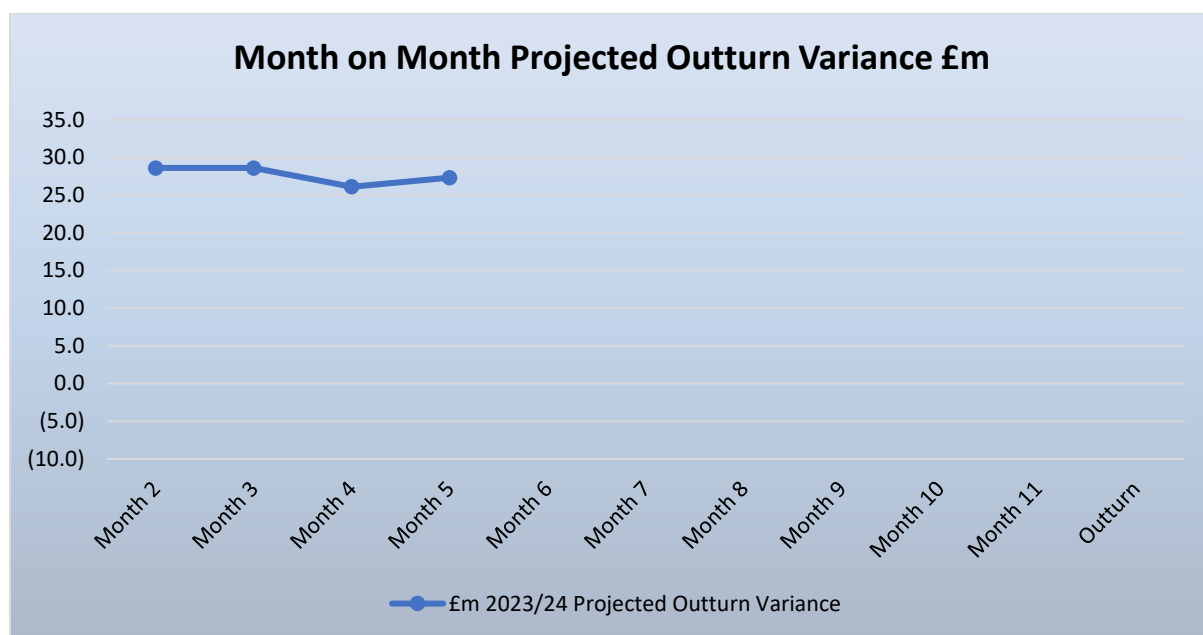
11. **Table 1** provides a summary of budget, projections, and variances on a service-by-service basis as at the end of August with further detail and mitigations being taken by the responsible director outlined in the body of the report. After taking into account all service expenditure and contingencies the projected outturn position is £520.7m against a net budget of £493.4m. This gives a £27.3m adverse variance which represents a variance of 5.5%.
12. This report details the month 5 position as at the end of August and is shown below in **Table 1**. This shows the position has deteriorated by £1.2m compared to Month 4, with the projected outturn being forecast to be £27.3m

Table 1: 2023/24 Budget Monitoring Report as at the end of August 2023 (Month 5)

Service Area	Original Budget £m	Current Budget £m	Full Year Projection £m	Month 5 Variance £m	A/(F)	Movement From Month 4 £m	Direction From Month 4
Adult Services	186.6	185.5	200.4	14.9	A	2.8	↓
Children & Family Services	123.1	123.1	134.9	11.8	A	3.0	↓
Public Health	1.2	1.2	1.2	0.0	-	0.0	→
Community Services	35.2	34.9	34.9	0.0	-	0.0	→
Climate & Place	87.1	87.6	89.9	2.3	A	(0.4)	↑
Strategy, Workforce & Localities	20.2	20.2	21.5	1.3	A	(0.2)	↑
Resources & Corporate Services	20.5	21.8	22.1	0.3	A	(1.0)	↑
Accountable Bodies	3.7	3.7	3.7	0.0	-	0.0	→
Non-Service	9.8	9.8	6.3	(3.5)	(F)	(3.0)	↑
Traded Services	0.0	0.0	0.2	0.2	A	0.0	→
Total Service Position	487.4	487.7	515.0	27.3	A	1.2	↓
Corporate Contingency	6.0	5.7	5.7	0.0	-	0.0	→
Total after Contingencies	493.4	493.4	520.7	27.3	A	1.2	↓
Reserves	(19.9)	(19.9)	(19.9)	0.0	-	0.0	→
Council Tax	(345.4)	(345.4)	(345.4)	0.0	-	0.0	→
Business Rates	(116.1)	(116.1)	(116.1)	0.0	-	0.0	→
Revenue Support Grant	(7.9)	(7.9)	(7.9)	0.0	-	0.0	→
Flexible Use of Capital Receipts	(4.0)	(4.0)	(4.0)	0.0	-	0.0	→
Total Month 5 Position	0.0	0.0	27.3	27.3	A	1.2	↓

Arrows show movement from the previous month:

↑ Favourable movement → No movement ↓ Adverse movement



13. The Finance team are working 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.

Recommendations

14. That the Executive:
 - a. Note the forecast overspend of £27.3m (5.5%) for the year and the recovery actions being taken to address this.
 - b. Approves that it will continue to receive a monthly update on the financial position and actions being taken to address it.
 - c. Note that the format of the Budget Monitoring will be changed from month 6.
 - d. Approves a £0.3m budget virement from the Corporate Contingency budget to Strategic Asset Management to carry out the RAAC (Reinforced autoclaved aerated concrete) surveys.

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. A new Strategic Risk ORG0070 Budget Overspend in the current financial year has been created and its current score is:

Likelihood	5	Impact	5	Risk Score	25
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It is clear that the scale of financial challenges facing the council are significant. The level of General Reserves is £49.8m and there are £104.9m of Earmarked Reserves subject to the finalisation of the external audits of the 2022/23 accounts from the predecessor councils.

Legal Implications

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

HR Implications

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

Other Implications:

Equalities Implications

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

Community Safety Implications

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

Climate Change and Sustainability Implications

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

Health and Safety Implications

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

Health and Wellbeing Implications

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

Social Value

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

Scrutiny comments / recommendations:

27. This report will be presented to Scrutiny for Corporate & Resources Committee, on 9 November 2023.

Background

28. 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 £493.4m as at the end of August 2023.

29. **Table 1** provides a summary of budget, projections, and variances on a service-by-service basis with further detail and mitigations being taken by the responsible director outlined in the body of the report. The significant variances at month 5 are:

- Adult Services have 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 higher than anticipated.
- Children's Services have a £11.8m adverse variance against their budget (9.6% of service budget), an unfavourable movement of £3m from month 4. This increase in variance is due to External Placements £1.3m and SEND Transport £1.7m. The overall variance is predominantly in External Placements and is mainly due to increased demand in unregistered and residential placements as a result of complexity of children and lack of sufficiency within fostering.
- Climate and Place have an adverse variance of £2.3m against their budget. This is a reduction of £0.4m since month 4. Adverse variances continue in Waste Services, Infrastructure Programmes and Highways.
- Strategy, Workforce & Localities have a £1.3m adverse variance (6.4% of service budget). The majority of this adverse variance is in respect of Legal Services (£1.5m) with a small favourable variance of £0.2m anticipated in within the Human Resources & Organisational Development budget.
- Resources and Corporate have a £0.3m adverse variance (1.4% of service budget). The majority of the adverse variance is in respect of Property Services (£0.4m) with the remainder in Information Communication Technology (£0.1m).

2023/24 Budget & Forecast Outturn Position

30. The 2023/24 Budget was put together using the information from the five predecessor councils which all recorded things in different ways and also before the full officer structure was finalised. Therefore, there is still a lot of alignment of budgets to take place which will require budget virements. Service Directors are currently developing their service structure which will require further adjustments to the budget in order to reflect the new staffing establishment.
31. After accounting for all service expenditure and contingencies the projected outturn position at month 5 is £520.7m against a net budget of £493.4m. This gives a £27.3m adverse variance which represents a variance of 5.5%. With the financial challenges outlined in this paper the Council needs to move at pace to deal with the very difficult financial situation that the council now faces. Further information for each service is shown below, along with details on movements, actions to be taken, future risks and opportunities.

Format of Future Reports

32. In light of the current financial position the format of the monthly budget monitoring reports will be changed from month six. The new format will highlight key areas of concern and put a great emphasis on the actions being taken by the responsible service director to mitigate against them.

Adult Services Director Mel Lock, Lead Member Cllr Dean Ruddle

- 2023/24 net budget £185.4m, projected adverse variance £14.9m, adverse movement £2.8m
- 2022/23 net budget £160.7m, outturn adverse variance £15.4m

Table 3: Adult Services as at the end of August 2023 (Month 5)

Service Area	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
	£m	£m	£m		£m	
Adult Social Care Operations - Physical Disability/Sensory Loss/65 Plus						
Residential & Nursing	54.0	54.9	0.9	A	0.2	↓
Home Care	28.1	30.9	2.8	A	0.6	↓
Direct Payments	11.9	13.6	1.7	A	0.8	↓
Staffing Costs	11.6	10.6	(1.0)	(F)	(1.0)	↑
Transport & Daycare	7.6	8.5	0.9	A	0.9	↓
sub total	113.2	118.5	5.3	A	1.5	↓
Adult Social Care Operations - Mental Health						
Residential & Nursing	14.7	14.6	(0.1)	(F)	(0.1)	↑
Home Care/Supported Living	5.7	6.9	1.2	A	1.0	↓
Staffing/Deprivation of Liberty Safeguards	2.6	2.6	0.0	-	0.0	⇒
Direct Payments, Day Care & Transport	1.7	1.6	(0.1)	(F)	0.0	⇒
sub total	24.7	25.7	1.0	A	0.9	↓
Adult Social Care Operations - Learning Disabilities						
Residential & Nursing	23.8	25.3	1.5	A	(0.4)	↑
Home Care/Supported Living	33.6	38.4	4.8	A	0.0	⇒
Direct Payments/In Control	10.7	9.7	(1.0)	(F)	(0.6)	↑
Day Care	6.4	6.9	0.5	A	0.0	⇒
Transport & Shared Lives	2.4	2.8	0.4	A	0.1	↓
Central & Salaries	2.4	2.6	0.2	A	0.0	⇒
Discovery	30.5	31.6	1.1	A	1.5	↓
sub total	109.8	117.3	7.5	A	0.6	↓
Commissioning						
Commissioning	2.9	5.7	2.8	A	0.0	⇒
Better Care Fund	(37.3)	(37.3)	0.0	-	0.0	⇒
LD Pooled Budget Income	(27.9)	(29.6)	(1.7)	(F)	(0.2)	↑
sub total	(62.3)	(61.2)	1.1	A	(0.2)	↑
Adult Services Total	185.4	200.3	14.9	A	2.8	↓

Adult Services - key explanations, actions & mitigating controls

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

This area of Adult Services 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 2023/24 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.

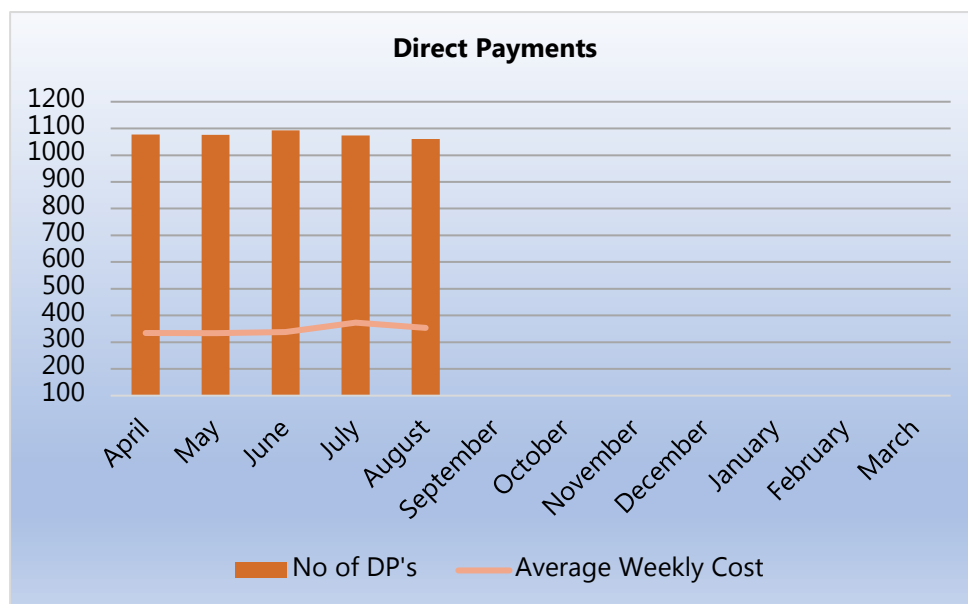
Learning Disabilities

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.

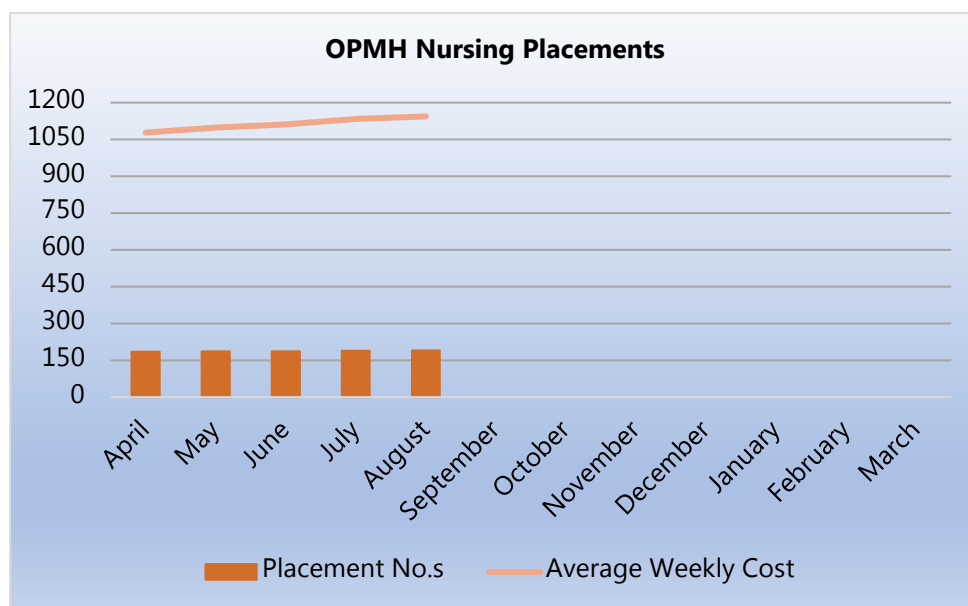
Commissioning

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

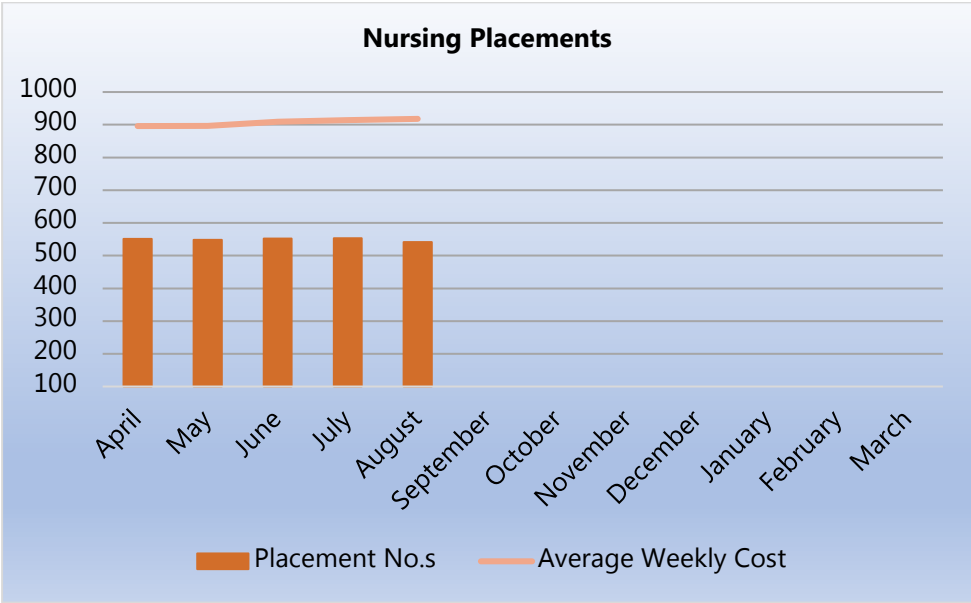
Adult Services - key performance cost drivers



Since the beginning of the financial year, we have seen the number of people receiving a Direct Payment within ASC decreased from 1,077 to 1060 packages. The current weekly average cost of an ASC Direct Payment is £354 per package.



The number of Older People Mental Health (OPMH) Nursing placements has increased by five placements since April, from 185 to 190. The current weekly average cost for OPMH Nursing is £1,144 per placement.



Nursing placements decreased by ten since April from 551 to 541. The current weekly average cost for Nursing is £918 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.

Children & Family Services – Executive Director Claire Winter, Lead Member Cllr Tessa Munt

- 2023/24 net budget £123.0m, projected adverse variance £11.8m, adverse movement £3.0m
- 2022/23 net budget £107.1m, outturn adverse variance £21.2m

Table 4: 2023/24 Children & Family Services as at the end of August 2023 (Month 5)

Service Area	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
Children's Social Care						
Prevention	5.7	5.7	0.0	-	0.0	⇒
Fostering & Permanence	13.3	13.3	0.0	-	0.0	⇒
External Placements	38.4	48.5	10.1	A	1.3	↓
Fieldwork	13.9	13.9	0.0	-	0.0	⇒
Disabilities	2.5	2.5	0.0	-	0.0	⇒
Partnership, Audit & Quality	4.3	4.3	0.0	-	0.0	⇒
Children Looked After	2.3	2.3	0.0	-	0.0	⇒
Leaving Care	(0.8)	(0.8)	0.0	-	0.0	⇒
Central	2.2	2.2	0.0	-	0.0	⇒
Residential Homes	0.0	0.0	0.0	-	0.0	⇒
sub total	81.8	91.9	10.1	A	1.3	↓
Commissioning						
Commissioning Services	11.1	11.1	0.0	-	0.0	⇒
Supporting Families	(0.6)	(0.6)	0.0	-	0.0	⇒
Central	0.7	0.7	0.0	-	0.0	⇒
sub total	11.2	11.2	0.0	-	0.0	⇒
Education Partnerships and Skills						
Education Partnerships and Skills	1.2	1.2	0.0	-	0.0	⇒
Home to School Transport	12.9	12.9	0.0	-	0.0	⇒
sub total	14.1	14.1	0.0	-	0.0	⇒
Inclusion						
Inclusion Services	5.7	5.7	0.0	-	0.0	⇒
SEND Transport	10.2	11.9	1.7	A	1.7	↓
sub total	15.9	17.6	1.7	A	1.7	↓
Children & Family Services Total	123.0	134.8	11.8	A	3.0	↓

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

The external placements budget is forecasting a total overspend of £10.1m, an adverse movement of £1.3m from month 4. Of this overall variance, the unregistered placement overspend is £4.2m and the residential overspend is £4.2m.

There are two key pressures that account for this:

1. The demand for unregistered bed placements is higher than the budgeted placement days. Although unregistered numbers are going down, almost three quarters of the

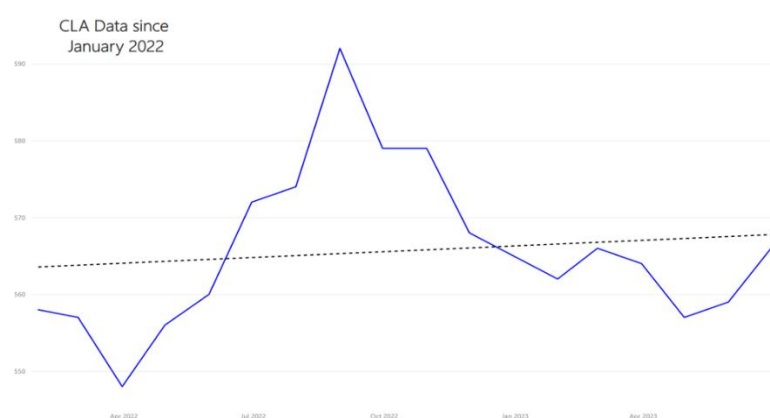
annual 2,190 budgeted placements days have been provided in the first 5 months of the financial year. As at the end of August, the budgeted days were 915 compared to actual days used of 1,521.

2. We have seen an increase in residential placements due to both complexity of children and lack of sufficiency within fostering both internally and in the external market.

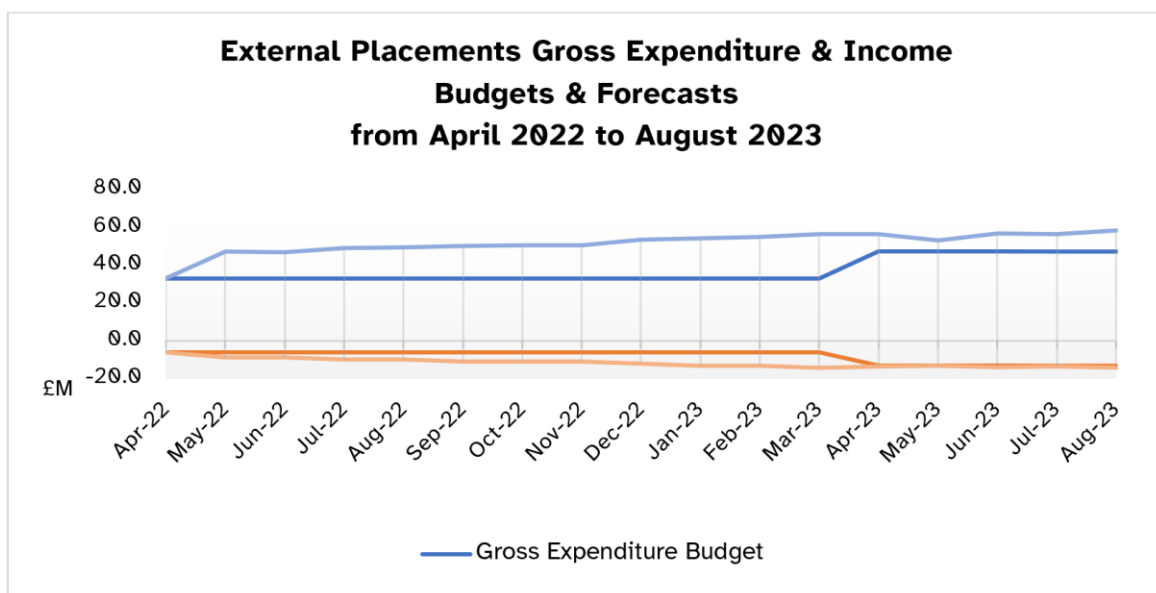
The service is developing new sufficiency strategies for placements and edge of care services to inform the transformation plan for Children Looked After. Transformation will include Homes & Horizons, recommissioning 16+, market development, reducing unregistered placements, and work with Impower consultancy to increase the number of internal foster carers and step-across options for children and young people.

Children & Family Services – key performance cost drivers

The number of children in care has 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.

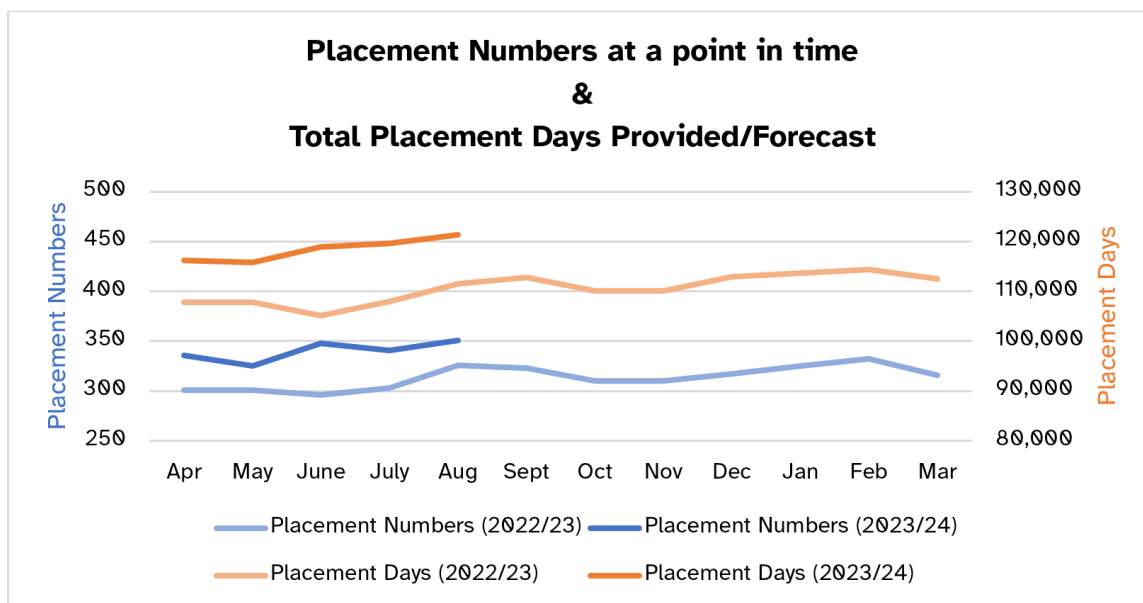


The external placements gross expenditure base budget for 2023/24 has increased by £14.0m to £47.3m in 2023/24. The forecast gross expenditure for 2023/24 is £58.9m, resulting in a forecast overspend of £10.1m, which is partly offset by NHS and DSG contributions.

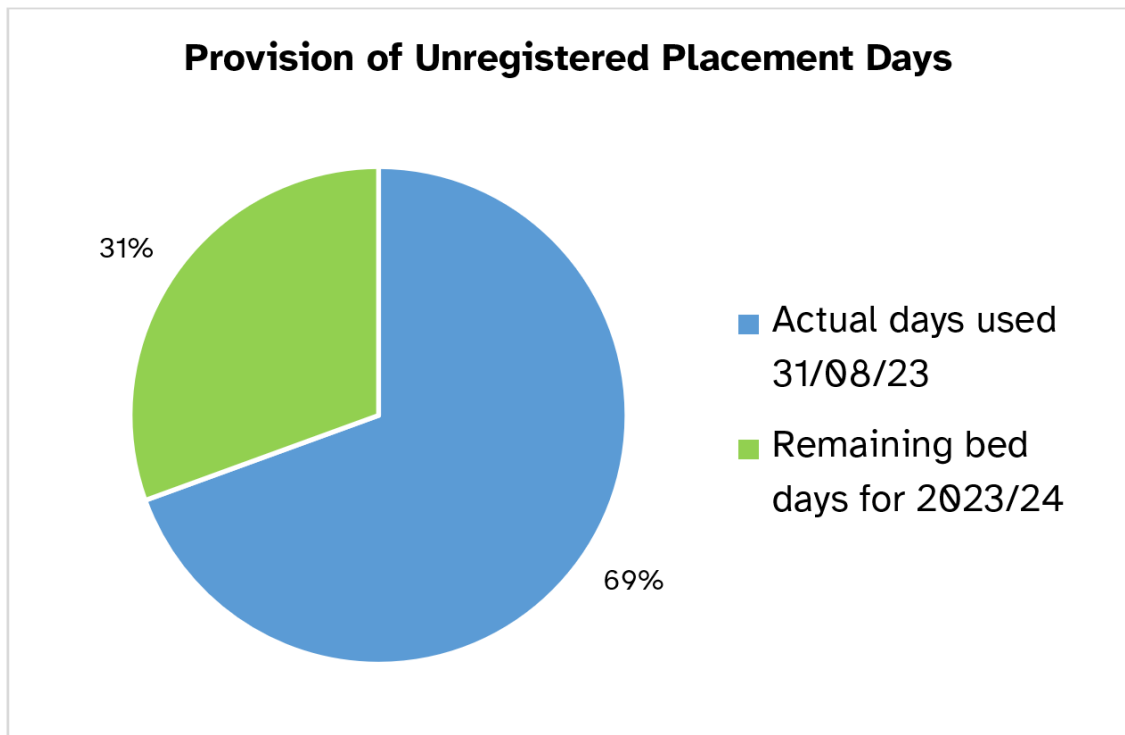


Placement numbers and the forecast number of placement days has increased compared to August last year, mainly due to:

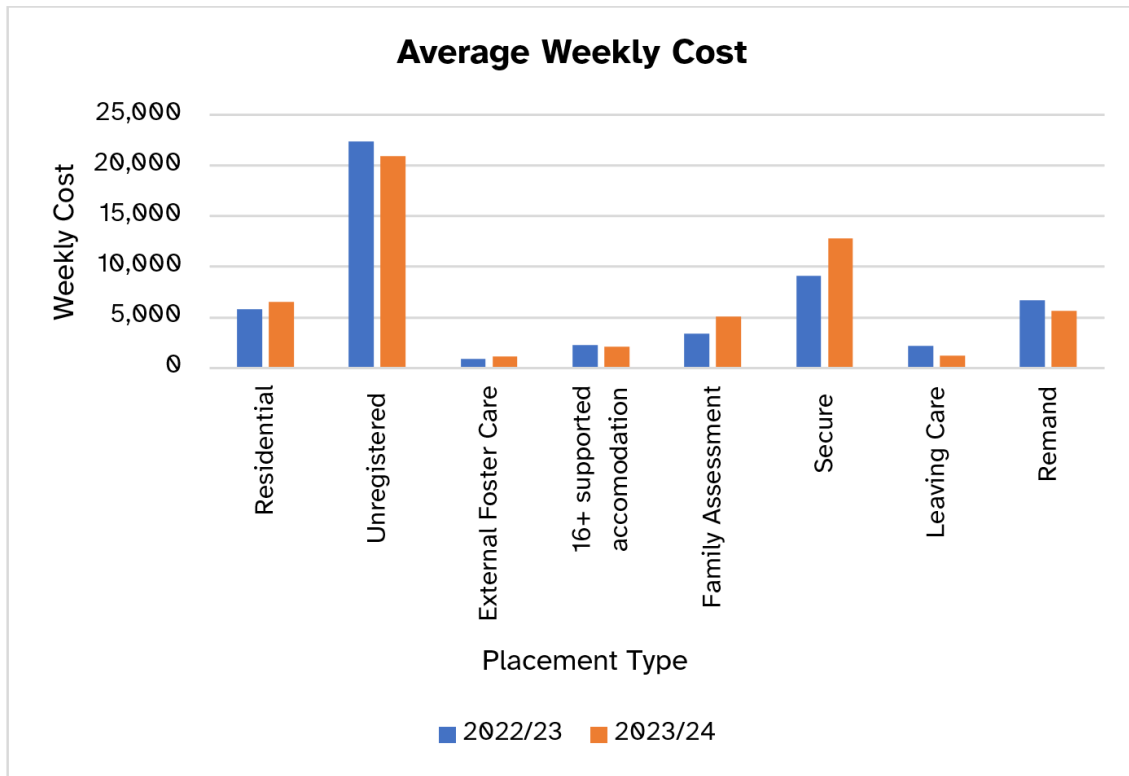
- Increases in placements for Unaccompanied Asylum-Seeking Children (UASC), largely from the National Transfer Scheme, which are only partly funded from the UASC Grant.
- Increases in residential placements due to both complexity of children and lack of sufficiency within the fostering sector.
- Increases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



The demand for unregistered bed placements is higher than the budgeted placement days. Almost three quarters of the annual 2,190 budgeted placements days have been provided in the first 5 months of the financial year.



The average weekly cost of unregistered placements is now £21k, a 6% reduction on last year's average weekly cost. The average weekly cost of residential placements has increased by 10%.



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

For reasons outlined by the Competition and Markets Authority, the external residential market is a difficult market with unreasonable expectations of profits. Although Children Looked After numbers in Somerset have remained largely stable over the last year, they have increased by 10% in Counties nationally over the same period. Lack of sufficiency, nationally, has led to providers being able to choose children with the least complex needs, again maximising profit, and minimising risk. The immediate impact is an increase in unregulated provision as providers refuse to take our most complex children.

There are also insufficient secure placements nationally which has a domino effect on residential care sufficiency. It is of note that NHS England has reduced tier 4 mental health beds for children by 90% in Somerset – leading to additional costs for the most complex children for the Council.

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, or the complexity of need, and therefore the cost of services. Due to the complexities of families and communities and their resilience it is unclear when this risk might occur.

16+ Supported Accommodation (high risk)

There is a specific risk that the Ofsted's new inspection regime for 16- and 17-year-old supported accommodation placements, which begins in the Autumn of 2023, will lead to increased cost for the CLA budget. National analysis by Newton Europe puts this increase at between 15% and 30%.

The annual additional cost to the Council is likely to be in the range of £0.9m to £1.9m (including the small additional new burdens grant from DfE).

The retender of the 16+ services with housing should encourage more competition and move spot purchasing to a lower cost block arrangement which will help to mitigate against this risk.

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 recently initiated a five-year strategy 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.

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
Mar-23	1,252	8,212	8.9	12.3	7,109	1,498
Mar-22	1,112	7,825	7.0	9.9	6,316	1,269
Mar-21	885	8,003	5.4	9.7	6,052	1,217
Mar-20	857	8,074	5.3	9.4	6,209	1,168
Mar-19	758	8,347	4.6	9.8	6,073	1,175
Mar-18	674	8,400	4.4	8.1	6,468	968

Another main 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 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 £1.7m in SEN transport as of month 5.

In April 2023 Edge produced a report that summarised the review findings, detailed opportunities and made recommendations to make financial and service improvements. Following discussion at the Transformation Transition and Change Board there has been approval to establish a transformation programme to address the recommendations of the Edge review.

Opportunities

Our transformation programme includes the following improvements, which taken together are significantly changing 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 acting at all levels and drawing in a wide all-age partnership across health, care, and education, including:

- **New Children Looked After sufficiency strategy** – describing emerging needs and response. The strategy informs a children looked after transformation plan, overseen by the new CLA Outcomes Transformation Board. Changes incorporate new provision, market development, fostering redesign, Family Safeguarding business case and regional commissioning.
- **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.

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

The forecast variances by the four DSG blocks are outlined below.

Table 5: 2023/24 Dedicated Schools Grant Summary

DSG Block	Balance b/fwd at 1 Apr 2023 surplus/(deficit)	Total funding for 2023/24	Allocation to Academies and LA Schools	Total funding available for services 2023/24	2023/24 Forecast Month 5	Forecast in-year variance surplus/(deficit)	Forecast balance c/fwd at 31 Mar 2024 surplus/(deficit)
	£m	£m	£m	£m	£m	£m	£m
Schools	2.6	372.0	373.2	(1.2)	0.3	(1.5)	1.1
Central Schools	5.6	5.0	-	5.0	5.0	-	5.6
Early Years	0.9	31.1	-	31.1	31.1	-	0.9
High Needs	(29.8)	83.6	10.2	73.5	88.8	(15.3)	(45.1)
Total	(20.7)	491.8	383.4	108.4	125.2	(16.8)	(37.5)

The DSG is forecast to have an in-year deficit of £16.8m in 2023/24 (an adverse movement of £2.7m from Month 4) giving a carried forward cumulative deficit of £37.5m when added to the brought forward balance of £20.7m. The main area for concern continues to be the High Needs Block with a forecast in-year deficit of £15.3m.

The main areas contributing to the adverse variance in the High Needs Block are:

1. Planned budget pressure (£5.5m adverse variance, no movement from Month 4)

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. Independent & Non-Maintained Schools (INMS) and Independent Post 16 Schools (£5.1m adverse variance, an adverse movement of £0.6m from Month 4)

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 four 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.

3. Mainstream Schools & Academies (£1.5m adverse variance, an adverse movement of £0.4m from Month 4)

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.

4. Children Looked After (CLA) (£0.9m adverse variance, an adverse movement of £0.2m from Month 4)

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.

5. Special Schools (£0.2m adverse variance, an adverse movement of £0.8m from Month 4)

The favourable variance reported at Month 4 has reversed and become a small adverse variance as a result of transfers of funding to LA Maintained Special Schools and Special Academies. This corrects an error in the previous month's forecast.

6. Education Other than at School (EOTAS) (£0.3m adverse variance, an adverse movement of £0.3m from Month 4)

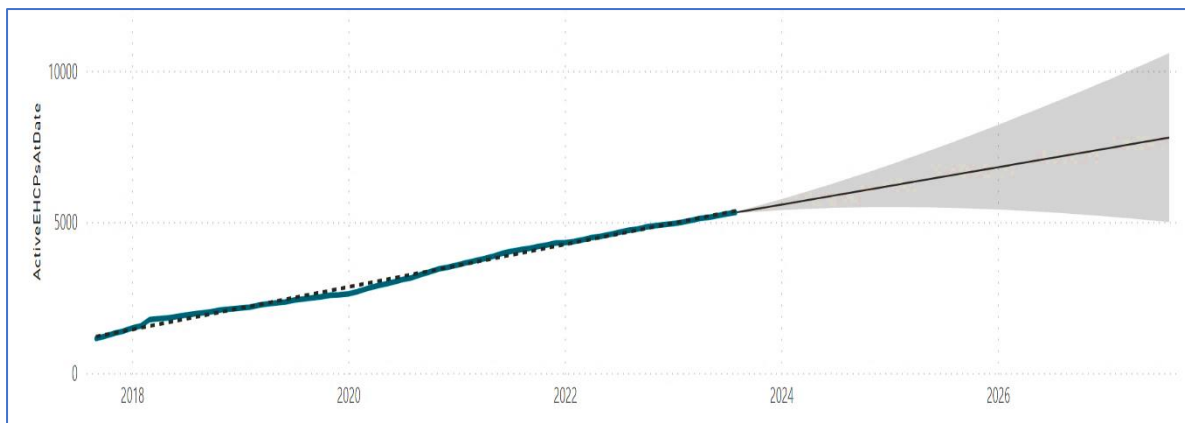
There has been a significant increase in the number of EOTAS packages being agreed through the PAT Panel. Committed packages for the 2023 Summer term have been fully included but a number of these may not have started as planned. This would result in the related costs not being incurred and a future reduction in the forecast. Forecast costs for the Autumn 2023 and Spring 2024 terms are based on prior years and known cost increases.

In addition to the pressures noted above, the budgeted contribution from the Schools Block to the High Needs Block budget of £1.5m has been removed from the forecast in Month 5 which has adversely increased the High Needs Block deficit by £1.5m. This transfer has been removed because the Schools Block is now forecast to not have sufficient surplus to allow it to take place. The situation will be kept under review to identify if a transfer is possible before the end of the financial year. 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.

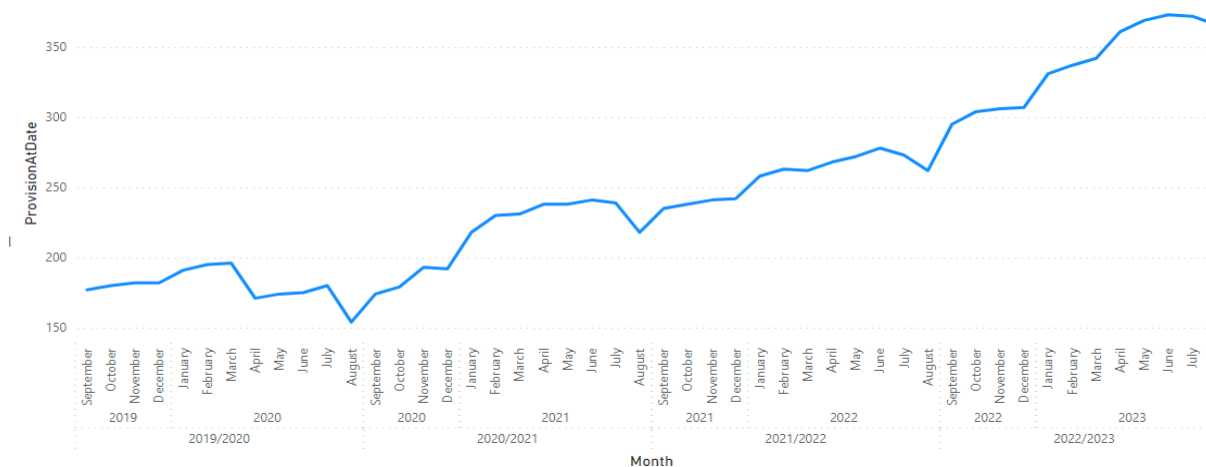
The £1.5m adverse movement on the Schools Block consists of planned expenditure on growing schools and academies of £1.2m which is not included in the budget and unplanned expenditure on asylum seeking children of £0.3m.

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.



The graph below shows the growth in the number of children accessing independent non-maintained specialist (INMS) schools. INMS schools are significantly more costly (Approx £40k 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.

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, 7 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. These schools are now the focus of targeted work to review their budgets in detail and develop financial recovery plans.
- 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 10 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.

Public Health – Executive Director Trudi Grant, Lead Member Cllr Adam Dance

- 2023/24 Net Budget £1.2m, no projected variance, no movement
- 2022/23 Net Budget £1.3m, no variance at outturn

Table 6: 2023/24 Public Health as at the end of August 2023 (Month 5)

Service Area	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
Public Health Grant	22.6	22.6	0.0	-	0.0	➡
Somerset Council Budget	1.2	1.2	0.0	-	0.0	➡
Grant Income	(22.6)	(22.6)	0.0	-	0.0	➡
Public Health Total	1.2	1.2	0.0	-	0.0	➡

Public Health - key explanations, actions & mitigating controls

The Public Health budget is currently projected to be on budget for both the ringfenced grant and the Somerset Council budget.

Public Health - key risks, future issues & opportunities

Both the Public Health Grant and the Somerset Council funding managed by public health are under significant 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. We are still awaiting a decision by the treasury to pay the inflationary pay increase for staff on active NHS Agenda for Change Terms and Conditions where teams are employed outside of the NHS.

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.

Community Services – Director Executive Director Chris Hall, Lead Member Cllr Federica Smith-Roberts

- 2023/24 net budget £34.7m, no projected variance, no movement.

Table 7: 2023/24 Community Services as at the end of August 2023 (Month 5)

Service Area	Freedomn			A/(F)	Movement From Month 4	Direction From Month 4
	Current Budget	Full Year Projection	Month 5 Variance			
Housing						
Housing Enabling	0.4	0.4	0.0	-	0.0	➡
Housing Strategic	1.3	1.3	0.0	-	0.0	➡
Homelessness	4.2	4.2	0.0	-	0.0	➡
Customer Services						
Customers & Communities	7.6	7.6	0.0	-	0.0	➡
Lifeline	(0.5)	(0.5)	0.0	-	0.0	➡
Cultural Services						
Library Service	3.8	3.8	0.0	-	0.0	➡
Heritage Service	1.7	1.7	0.0	-	0.0	➡
Leisure - Sports Centre	2.0	2.0	0.0	-	0.0	➡
Museum/ Theatres	0.6	0.6	0.0	-	0.0	➡
Visitor Centre	0.1	0.1	0.0	-	0.0	➡
Tourism	0.1	0.1	0.0	-	0.0	➡
(wellbeing) Community Safety	0.5	0.5	0.0	-	0.0	➡
Regulatory & Operational Services						
Scientific Services	0.0	0.0	0.0	-	0.0	➡
Registration	(0.2)	(0.2)	0.0	-	0.0	➡
Environmental Health	4.2	4.2	0.0	-	0.0	➡
Bereavement Services	(1.2)	(1.2)	0.0	-	0.0	➡
Harbours	0.3	0.3	0.0	-	0.0	➡
Ports	0.0	0.0	0.0	-	0.0	➡
Street Cleansing	5.0	5.0	0.0	-	0.0	➡
Open Spaces	3.1	3.1	0.0	-	0.0	➡
CCTV	0.7	0.7	0.0	-	0.0	➡
(wellbeing) Community Grants	1.0	1.0	0.0	-	0.0	➡
Community Services Total	34.7	34.7	0.0	-	0.0	➡

Community Services - key explanations, actions & mitigating controls

Cultural Services

Freedom Leisure Contract – there may be an under recovery of income from the contracted schedule of payments in 2023/24 due to changes in the business rate policy and pension contributions as well as benchmarking clauses currently being discussed in relation to the

dramatically increased utility costs that are placing significant pressure on the contractor's budget position. The service is continuing to work with the contractor to find solutions to reduce the impact to the Council. A bid may be required, as part of the MTFP process, to reflect the impact of any changes in future years.

Octagon Theatre & Westlands Entertainment Venue – the Council currently subsidises the delivery of this provision to the community. The revenue budgets are currently under pressure from the rising cost of inflation. In addition, The Octagon has been closed to complete survey work and preparatory work as part of the proposed redevelopment tender process. The service is working with finance to review the annual budgets and business plan to see where savings could be made and / or income could be increased to mitigate any variance to the net budget.

Housing

Homelessness – the Council has a statutory duty to assist in the prevention and provision of accommodation to those who are at risk of or become homeless. The service is seeing an increase in the number of approaches and the number of cases which the service has a duty to investigate due to the cost-of-living crisis. The cost of temporary accommodation has also increased due to the economic climate and local demand pressures on B&B and private rented accommodation. Whilst the government is providing £1.6m in the form of a Homelessness Prevention Grant and an extra £940k Ukraine Homeless Prevention Grant, there is a risk that the service will overspend above its base budget from the Council to fulfil its statutory duty. The service's current projections suggest that existing earmarked reserves should cover any overspend in this financial year. To reduce any impact on the MTFP, the service's directorate plan includes implementing a consistent approach, improving performance measures and the development of an accommodation strategy. In addition, the government has pledged a further £1.6m Homelessness Prevention Grant in 2024/25.

Climate & Place – Executive Director Mickey Green, Lead Members – Cllr Dixie Darch, Cllr Mike Rigby, Cllr Ros Wyke

- 2023/24 net budget £87.7m, projected adverse variance £2.3m, favourable movement £0.4m

Table 8: 2023/24 Climate & Place as at the end of August 2023 (Month 5)

Service Area	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
Climate, Environment & Sustainability						
Civil Contingencies	0.4	0.4	0.0	-	0.0	→
ECI Management	0.4	0.4	0.0	-	0.0	→
Business Support	1.3	1.3	0.0	-	0.0	→
Waste Services	49.4	50.2	0.8	A	0.0	→
Drainage Board Levy	2.3	2.3	0.0	-	0.0	→
Climate Change Costs	0.8	0.8	0.0	-	0.0	→
Infrastructure & Transport						
Highways and Transport Commissioning	1.8	1.8	0.0	-	0.0	→
Community Infrastructure	0.6	0.6	0.0	-	0.0	→
Infrastructure Programmes Group	0.4	0.6	0.2	A	0.0	→
Highways	16.4	17.7	1.3	A	0.0	→
Traffic Management	1.0	1.0	0.0	-	0.0	→
Transporting Somerset	9.3	9.3	0.0	-	0.0	→
Car Parks	(7.3)	(7.3)	0.0	-	0.0	→
Fleet Management	0.3	0.3	0.0	-	0.0	→
Economy, Employment & Planning						
Economy and Planning	2.2	2.2	0.0	-	(0.4)	↑
Commissioning Development	0.1	0.1	0.0	-	0.0	→
Building Control	0.5	0.5	0.0	-	0.0	→
Development Control	1.5	1.5	0.0	-	0.0	→
Planning Policy	3.5	3.5	0.0	-	0.0	→
Economic Development	2.8	2.8	0.0	-	0.0	→
Climate & Place Total	87.7	90.0	2.3		(0.4)	↑

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

Climate and Place is currently forecasting an outturn variance of £2.3m. The forecasted overspends are due to the following:

Climate, Environment and Sustainability

- Waste Services is forecasting an overspend of £0.8m at outturn. This can be explained by the following:
 - An increase in residual waste has been seen at both the kerbside and recycling centres. The budgeted increase was estimated to be 0.7%, however figures at the end of Quarter 1 shows that the actual increase for this period is 4.2%. Based on this increase the forecasts have been amended to reflect the higher costs. The increase in tonnages is currently being investigated by the service to understand what has caused this significant increase.

- The additional bank holiday for the King's coronation, meant that there was an impact on waste collections and was not anticipated in budgets.
- 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.

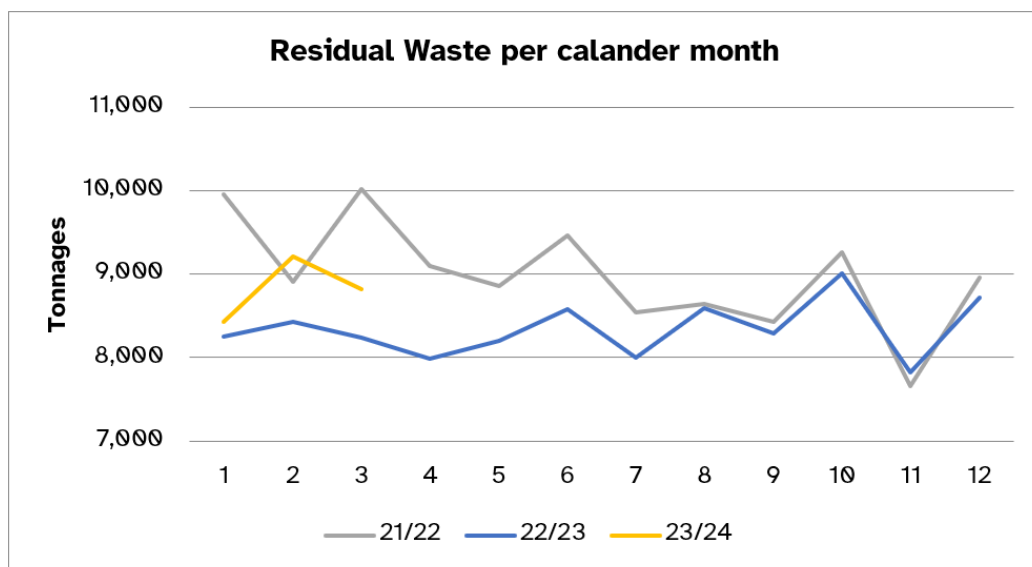
Infrastructure and Transport

- Highways is forecasting an overspend of £1.3m at year end. As many authorities are finding this is due to an increase in Safety defects across the road network. The service continues to work hard to successfully complete the investigation and repair works. This pressure is a continuation of the situation that Somerset County Council reported in 2022/23.
- Infrastructure Programmes Group have highlighted pressures of £0.2m. This is due to being unable to allocate salary costs to capital schemes, the service is currently supporting revenue funded projects as well as Capital works.

Economy, Employment and Planning

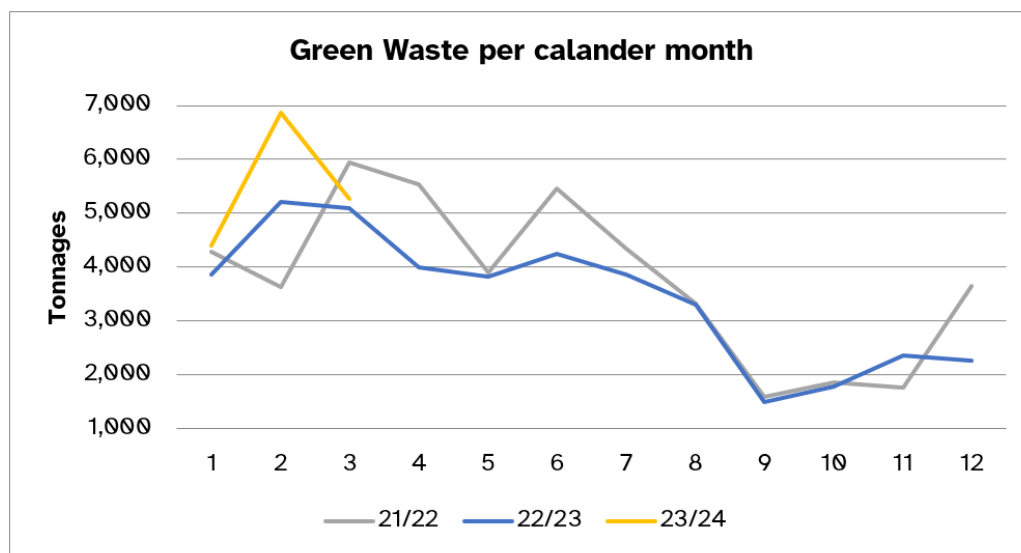
- A one-off pressure of £0.4m had been identified in this area due to a change in how funding from DWP can be applied. The Service have been able to identify savings within the service to mitigate this pressure and are now forecasting to be on budget.

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 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 during July & August have reduced and are tracking marginally above 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, to date Garden Waste arisings have been significantly higher than in both 21/22 and 22/23, 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 fill critical roles. However, this has a financial impact as generally the cost of these staff is higher than budgeted for.

Risks can be identified due to the change in climate. It is almost 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.
- An increase in rainfall raises 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.

Climate and Place are working with finance colleagues to ensure pressures within budgets are highlighted and that income has been received as anticipated. There is a risk that further pressures will be identified as this work continues.

Strategy, Workforce & Localities – Executive Director Alyn Jones, Lead Members Cllr Theo Butt Philip, Cllr Liz Leyshon, Cllr Mike Rigby & Cllr Bill Revans

- 2023/24 net budget £20.2m, projected adverse variance £1.3m, favourable movement £0.2m.

Table 9: 2023/24 Strategy, Workforce & Localities as at the end of August 2023 (Month 5)

Service Area	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
Partnership & Localities						
Community Development	0.8	0.8	0.0	-	0.0	→
Strategy & Performance						
Communications	1.2	1.2	0.0	-	0.0	→
Transformation & Change	2.2	2.2	0.0	-	0.0	→
Land Charges	(0.6)	(0.6)	0.0	-	0.0	→
Performance	0.4	0.4	0.0	-	0.0	→
Workforce						
Human Resources & Organisational Development	5.1	4.9	(0.2)	(F)	(0.2)	↑
Learning & Development	0.9	0.9	0.0	-	0.0	→
Governance, Democratic & Legal Services						
Democratic Services	4.6	4.6	0.0	-	0.0	→
Legal Services	5.6	7.1	1.5	A	0.0	→
Strategy, Workforce & Localities Total	20.2	21.5	1.3	A	(0.2)	↑

Strategy, Workforce & Localities - key explanations, actions, & mitigating controls

Workforce

An underspend of £0.2m is forecast within the Human Resources & Organisational Development budget in respect of employment costs. This is due to vacancies within the service.

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.

Resources & Corporate Services – Executive Director Jason Vaughan, Lead Member Cllr Liz Leyshon, Cllr Mike Rigby & Cllr Ros Wyke

- 2023/24 net budget £21.8m, projected adverse variance of £0.3m, favourable movement £1.0m

Table 10: 2023/24 Resources & Corporate Services as at the end of August 2023 (Month 5)

Service Area	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
Finance & Procurement						
Finance	8.4	8.4	0.0	-	0.0	→
Commercial & Procurement	1.7	1.6	(0.1)	(F)	(0.1)	↑
Revenues	1.7	1.7	0.0	-	(0.7)	↑
Housing Benefits	1.1	1.0	(0.1)	(F)	(0.2)	↑
Strategic Asset Management						
Property Services	12.2	12.6	0.4	A	0.0	→
Commercial Investment Properties	(21.1)	(21.1)	0.0	-	0.0	→
Information Communication Technology						
ICT	17.8	17.9	0.1	A	0.0	→
Resources & Corporate Services Total	21.8	22.1	0.3	A	(1.0)	↑

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

Commercial & Procurement

There are a number of vacant posts in the service which has resulted in an underspend on employee budgets.

Revenues

It was previously anticipated that there would be additional spend in respect of temporary staff due to service pressures. Work has been undertaken on identifying unallocated funding in the earmarked reserves for this area to fund the anticipated additional costs. Additional spend is expected in respect of Foster Carers and Carers Leave discount which was approved as part of the Council Tax Discounts and Premiums scheme for the new Council.

Housing Benefits

Temporary resourcing required to maintain service delivery resulting in additional spend on staffing. The Housing Benefit Admin Subsidy grant received is anticipated to be less than the budget. The temporary resourcing additional spend is partially covered by funding received in the form of a government grant (Ukrainian refugee scheme).

There are a number of vacant posts in the service which has resulted in an anticipated underspend on employee budgets.

A detailed review of the Revenues & Housing Benefits budgets has been undertaken, the review has identified a significant number of positive variances and additional income, from government grants and court costs. The positive variances and the additional income offset the additional spend forecast on temporary staffing and Foster Carers and Carers Leave discount and eliminates the previously forecast £0.8m adverse budget variance.

Strategic Asset Management

Vacant property running costs are forecast to be higher than budget 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 including facilities costs, property maintenance and training costs. The additional spend has been partially offset by an anticipated underspend on cleaning costs.

Additional costs of surveying for Reinforced Autoclave Aerated Concrete (RAAC) are estimated to be around £0.3m and these unexcepted costs will be funded from the corporate contingency.

There is a risk that the income target in respect of the dividend payable from one of the Council's partly owned trading companies may not be achieved resulting in a variance against the income budget. Work is being undertaken to understand the factors and risks that are contributing to the potential non-payment of the dividend.

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.

Work is being undertaken to find a solution that delivers the Office365 backup work on budget, an update on progress will be provided in quarter two. All service budgets are being reviewed and budget savings will be identified to offset the additional costs anticipated in respect of the systems consolidation work.

Accountable Bodies – Executive Director Mickey Green, Lead Members - Cllr Mike Rigby, Cllr David Woan, Cllr Mike Stanton

- 2023/24 net budget £3.7m, no projected variance, no movement

Table 11: 2023/24 Accountable Bodies as at the end of August 2023 (Month 5)

Service Area	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
Somerset Rivers Authority	3.0	3.0	0.0	-	0.0	→
Local Enterprise Partnership	0.0	0.0	0.0	-	0.0	→
Connecting Devon & Somerset	0.7	0.7	0.0	-	0.0	→
Accountable Bodies Total	3.7	3.7	0.0	-	0.0	→

Accountable Bodies - key explanations, actions, & mitigating controls

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)

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

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.

LEPs are being reviewed by Government and in March 2023 the Chancellor indicated that the Government is minded ceasing funding them post 2023/24. Detailed outcomes of this review have been received regarding LEP integration into local authorities including Somerset Council. The Council is working with the LEP and partner Local Authorities to seek advice about the treatment of LEP assets remaining at this point.

Non-Service – Executive Director Jason Vaughan, Lead Member Cllr Liz Leyshon

- 2023/24 net budget £9.8m, projected favourable variance £3.5m, £3m favourable movement from month 4.

Table 12: 2023/24 Non-Service as at the end of August 2023 (Month 5)

Service Area	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
Local Government Reform	0.1	0.1	0.0	-	0.0	⇒
Contributions	0.9	0.9	0.0	-	0.0	⇒
Corporate Costs	9.3	9.3	0.0	-	0.0	⇒
Financing Transactions	40.6	37.6	(3.0)	(F)	(3.0)	↑
Special Grants	(56.4)	(56.9)	(0.5)	(F)	0.0	⇒
Pay Award	15.3	15.3	0.0	-	0.0	⇒
Non-Service Total	9.8	6.3	(3.5)	(F)	(3.0)	↑

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 – Executive Director Claire Winter, Lead Member Cllr Tessa Munt

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

Table 13: 2023/24 Traded Services as at the end of August 2023 (Month 5)

Service Area	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
Dillington	0.0	0.2	0.2	A	0.0	⇒
Traded Services Total	0.0	0.2	0.2	A	0.0	⇒

Traded Services - key explanations, actions, & mitigating controls

Dillington's deficit for the year is still forecasted to be £0.240m 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. A full review will take place for month 6 once Dillington has closed at the end of September.

Contingencies – Executive Director Jason Vaughan, Lead Member Cllr Liz Leyshon

- 2023/24 allocation of £6m, assumed £6m is committed.

Table 14: 2023/24 Contingencies as at the end of August 2023 (Month 5)

Service Area	Original Budget	Contingency Allocations £m	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
Corporate Contingency	6.0	(0.3)	5.7	5.7	0.0	-	0.0	➡
Contingencies Total	6.0	(0.3)	5.7	5.7	0.0	-	0.0	➡

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

Corporate Contingency

As at end of August, £0.3m was taken from the Contingency budget and allocated to the Strategic Asset Management budget to cover the costs associated with work on RAAC surveys.

The balance of the Contingency budget (£5.7m) is forecast to be fully committed in order 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.

Core Revenue Funding – Executive Director Jason Vaughan, Lead Member Cllr Liz Leyshon

- 2022/23 net budget (£473.4m), no projected variance

Table 15: 2023/24 Core Revenue Funding as at the end of August 2023 (Month 5)

Service Area	Current Budget	Full Year Projection	Month 5 Variance	A/(F)	Movement From Month 4	Direction From Month 4
Council Tax	(345.4)	(345.4)	0.0	-	0.0	➡
Business Rates	(116.1)	(116.1)	0.0	-	0.0	➡
Revenue Support Grant	(7.9)	(7.9)	0.0	-	0.0	➡
Flexible Use of Capital Receipts	(4.0)	(4.0)	0.0	-	0.0	➡
Core Revenue Funding Total	(473.4)	(473.4)	0.0	-	0.0	➡

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

There is currently no variance projected for outturn.

Background Papers

28. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023

29. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council February 2023

Appendices

None

Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	24/10/2023
Communications	Peter Elliot	24/10/2023
Finance & Procurement	Nicola Hix	24/10/2023
Workforce	Dawn Bettridge	24/10/2023
Asset Management	Oliver Woodhams	24/10/2023
Executive Director / Senior Manager	Jason Vaughan	24/10/2023
Strategy & Performance	Alyn Jones	24/10/2023
Executive Lead Member	Cllr Liz Leyshon	23/10/2023
Consulted:		
Local Division Members	All	
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	Sent Report 20/10/2023
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	Sent Report 20/10/2023