

Medium Term Financial Plan - 2022/23 Budget Update Appendix A

Cabinet Member(s): Cllr Mandy Chilcott - Cabinet Member for Resources

Local Member(s) and Division: All

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1. Summary

- 1.1.** This report sets out details of the draft Revenue and Capital Budgets for 2022/23 together with Medium Term Financial Plan (MTFP) projections for 2023/24 and 2024/25. It builds upon the update to Cabinet on the 20th October 2021 which set out the 2022/23 Medium Term Strategy and Plan.
- 1.2.** The overall financial environment for local authorities over the last few years has been very challenging through increased demand for services, the impacts of austerity and the Covid pandemic. County Councils are particularly challenged because Adults and Children's Services are predominantly demand led. Despite this, Somerset has managed to significantly improve its financial standing over the last 3 years through a culture of good financial management running through the whole organisation resulting in underspends of £5.9m in 2018/19, £6.4m in 2019/20 followed by £9m in 2020/21. These underspends plus specific proposals in the MTFP's have restored the Councils reserves to more robust levels from their very low levels in 2018. Given the uncertainties, risks and challenges it was vital that the Council improved its financial resilience and had more funding in reserves. We have seen nationally a number of Councils coming under extreme financial stress resulting in the issuing of Section 114 notices, applying for capitalisation directives, or entering discussions with Department for Levelling Up, Housing and Communities. The significant improvements made with our financial management process and overall financial standing means that this Council is not in that position and is able to put forward budget proposals for 2022/23 that will see continued and substantial investments in our front-line services.
- 1.3.** The overall budget will see an increased investment of £31.2m (9.03%) in services for 2022/23 (**Table 2**) over the current years base budget. The increased investment is focussed on frontline services with the Adult Services budget increasing by over £18m (12.78%), Children's by over £12m (13.28%) and ECI by £2m (3.54%). New transformation, savings, and income proposals of £2.6m have been made with little or no impact on front line services in addition to existing savings plans of £1.4m). Reserves will be utilised for once-off expenditure only such as implementing Local Government Reorganisation and the cost of elections in 2022. There is also new investment of over £48m into new capital schemes on top of the existing programme. These include £24.2m for roads, a further £2.8m for schools, £0.7m for small road safety schemes, £1m towards Local Transport Improvement Schemes, and £1.9m towards achieving the Council's commitment to Climate Change and reducing carbon. The Council has also set aside £10m of reserves to support the work on the new Somerset Council which will deliver on-going savings estimated to be £18.5m per annum.

- 1.4.** Preparation of the 2022/23 budget estimates continue to be difficult given the uncertainties concerning the ongoing impacts of Covid-19 upon services and lack of information regarding longer term Government funding particularly in relation to Adult Social Care and its reform. The Local Government Reorganisation in Somerset in April 2023 also brings further complexities when looking at forecasts for future financial years.
- 1.5.** The Comprehensive Spending Review announced on 27th October 2021, set out the details of overall funding for each government department including Local Government over the next 3 years. However, the full details of the various government grants (for one year only) including the Social Care Grant, Revenue Support Grant, Improved Better Care Fund, Rural Services Delivery Grant, and New Home Bonus were announced as part of Governments Finance Settlement announcement on 16th December. These draft figures are subject to consultation and the final figures will be confirmed in February 2022. There are some grants, such as Public Health grant and DfT Highways Maintenance grant, that have still not been announced but are expected over the next few weeks and best estimates have been used for these. It was announced that the capping for general council tax increases would be set at 2% and a further 1% for the Adult Social Precept. All reviews of funding including Fairer Funding and Business Rates have been delayed until at least 2023/24.
- 1.6.** With so much uncertainty it is important that the process for producing the budget is robust and takes account of the very latest information. The work on budget proposals obviously focuses upon the 2022/23 but a key part of good financial management is to set out a forecast for future years and the councils does this through its Medium-Term Financial Plan (MTFP). The 2022/23 budget will be the last budget of Somerset County Council prior to the creation of the new Somerset Council from April 2023. However, the MTFP will be produced for 2022/23, 2023/24 and 2024/25 in order to aid the new Council with its financial planning. A separate exercise will be undertaken to bring together the 5 councils into one Somerset Medium Term Financial Plan. This exercise will be undertaken once the individual councils have set their own budgets for 2022/23 in February.
- 1.7.** The detailed 2022/23 budget proposals and MTFP for future years is set out in the report and forms the basis of engagement with the Scrutiny Committees. This then enables them to scrutinise the budget process and proposals, giving their feedback for consideration by Cabinet at its meeting on 14th February. The final budget proposals from Cabinet will be considered by Council at its meeting on 23rd February 2022.

2. Recommendations

2.1. That the Cabinet

1. Approves the draft 2022/23 Revenue Budget and Capital Scheme proposals as the basis for consulting all three Scrutiny Committees in January/ February.
2. Receives the final budget proposals at its February meeting including the comments and feedback from Scrutiny.

3. Approves two all member budget briefings sessions to ensure full member engagement and understanding of the budget prior to its consideration at Council.
4. Approves the schools block funding as outlined in Appendix 4 (to follow).

3. Reasons for recommendations

- 3.1 To update Cabinet on the detailed proposals for Revenue and Capital Budgets prior to Scrutiny and ahead of the statutory deadline for preparing the budget for 2022/23.

4. Other options considered

- 4.1. The Council has a legal duty to set a balanced budget each year and these proposals fulfil that requirement.

5. Links to County Vision, Business Plan and Medium-Term Financial Strategy

- 5.1. The MTFP will link pressures, growth, and savings to the delivery of the Council's key priorities within the Council's vision to create:
 - A thriving and productive County that is ambitious, confident and focussed on improving people's lives;
 - A county of resilient, well-connected and compassionate communities working to reduce inequalities;
 - A county where all partners actively work together for the benefit of residents, communities and businesses and the environment, and;
 - A county that provides the right information, advice and guidance to enable residents to help themselves and targets support to those who need it most.

6. Consultations and co-production

- 6.1. The budget proposals have been developed by the Senior Leadership Team (SLT) working with the Cabinet. A general online consultation on the budget is being undertaken. Where a detailed consultation is required this will be arranged as the agreed proposals for change are developed and implemented by the relevant directors
- 6.2. The Council's Scrutiny Committees will be consulted upon the detailed budget proposals in January and February 2022. The LGR Joint Committee will look at the 5 Councils budget proposals at its meeting 4 February 2022 to assess the impact they have upon the new Somerset Council's finances.

7. Financial and Risk Implications

- 7.1. The financial implications are set out in the report.
- 7.2. The Corporate Risk Register includes a Strategic Risks ORG0057 – Sustainable

MTEP with a current risk score of 4x4=16. This risk reflects the future uncertainty surround Government funding for Councils that will be reviewed during the next financial year

- 7.3.** The LGR Programme has a risk for Somerset Council of 'Significant budget gaps of Districts & County when combined for year 1, significantly impacting the financial sustainability of the new Council'.

8. Legal and HR Implications

- 8.1.** The legal implications will be assessed as part of the overall budget process that will conclude in February 2022.
- 8.2.** Any HR implications will be reviewed as part of the budget process

9. Other Implications

9.1. Equalities Implications

There are no equalities implications for Members to consider within the new transformation, savings, and income proposals.

9.2. Community Safety Implications

There are no community safety implications arising from this report.

9.3. Sustainability Implications

There are no sustainability implications arising from this report.

9.4. Health and Safety Implications

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

9.5. Health and Wellbeing Implications

There are currently no implications

9.6. Social Value

There are currently no implications

10. Scrutiny comments / recommendations:

- 10.1.** The specific budget proposals for Children's Services will be reviewed by the Children's and Family Scrutiny Committee on the 25th January and the Adults and Public Health budgets will be scrutinised by the Adults and Health Scrutiny Committee on 26th January. The overall 2022/23 budget proposals and process will be considered by the Polices Place Scrutiny Committee on 2nd February 2022 and their feedback will be reported to the 14th February Cabinet meeting.

11. Background

11.1. The overall financial environment for local authorities over the last few years has been very challenging through increased demand for services, the impacts of austerity and the Covid pandemic. Despite this, Somerset has managed to significantly improve its financial standing over the last 3 years through good financial management resulting in underspends of £5.9m in 2018/19, £6.4m in 2019/20 followed by £9m in 2020/21. These underspends plus specific proposals in the MTFP's have restored the Councils reserves to more appropriate levels from their very low levels in 2018. Given the uncertainties, risks and challenges it was vital that the Council improved its financial resilience and had more funding in reserves.

Nationally we have seen a number of Councils coming under extreme financial stress resulting in the issuing of Section 114 notices, applying for capitalisation directives, and entering into discussions with Department for Levelling Up, Housing and Communities.

The significant improvements made with our financial management process and overall financial standing means that this Council is not in that position and is able to put forward robust budget proposals for 2022/23 that will see continued investments in our front-line services with an increased investment of £31.2m (9.03%) in services for 2022/23, over the current years base budget. The increased investment is focussed on frontline services with the Adult Services budget increasing by over £18m (12.78%), Children's by over £12m (13.28%) and ECI by £2.5m (3.54%). There is also new investment of over £48m into new capital schemes on top of the existing programme.

This is the final budget for Somerset County Council. It is planning financially for the new unitary with £10m of reserves being made available to support the implementation work on the new Somerset Council which will deliver on-going savings of £18.5m per annum. Transformation work will continue within Adult and Children's Services as outlined in this report. The budgets of all five authorities will also be pulled together as the starting position of the Council which will need addressing as part of budget setting for 2023/24.

11.2. Current Financial Position

A key part of the improvements in financial management has been the continuation and improvement of the monthly Budget Monitoring report to Scrutiny and Cabinet. The report has been enhanced for 2021/22 with the inclusion alongside the financial performance data with:

- key explanations, actions & mitigating controls
- key performance cost drivers
- key risks, future issues & opportunities

On a quarterly basis the monthly report is supplemented with additional items

such as Capital Programme, Treasury Management, Covid Grants, Reserves, and monitoring progress against the delivery of savings. This approach ensures that a comprehensive strategic overview of the Councils finances is regularly provided and has been a key part of Councils improved financial standing. This has been recognised by our external auditors. This robust approach to the monitoring and managing of our finances puts us in a strong position when having to deal with the very challenging and quick moving impacts of the Covid-19 pandemic upon the Councils finances and has ensured that we continue to maintain tight financial control over our essential services and activities.

The latest Budget Monitoring report for Month 8 of 2021/22 (the position at the end of November 2021), is forecasting an underspend of £1.1m against the 2021/22 budget, with the variances against each service as set out below:

Table 1 – Financial Position at the End of November 2021

Service	Current Budget £'m	Forecast Outturn £'m	Total Net Variance £'m	Adverse (A)/ Favourable (F)
Adult Services	144.1	145.7	1.6	A
Children's Services	98.9	102.1	3.2	A
Public Health	1.4	1.4	0.0	-
Economic and Community Infrastructure	76.5	77.2	0.7	A
Direct Services Position	320.9	326.4	5.5	A
Customers Digital and Workforce	16.6	16.7	0.1	A
Finance and Governance	9.4	9.5	0.1	A
Accountable Bodies	7.4	7.4	0.0	-
Corporate Costs	(5.0)	(5.0)	(2.4)	(F)
Trading Units	0.0	0.0	0.0	-
Total Service Position	349.3	352.6	3.3	A
Corporate Contingency	6.0	1.6	(4.4)	(F)
Covid-19 Emergency Fund	2.0	2.0	0.0	-
Total after Contingencies	357.3	356.2	(1.1)	(F)

Reserves	(24.8)	(24.8)	0.0	-
Council Tax	(270.0)	(270.0)	0.0	-
Business Rates	(56.3)	(56.3)	0.0	-
Revenue Support Grant	(6.2)	(6.2)	0.0	-
Total Month 8 Position	0.0	(1.1)	(1.1)	(F)

As part of developing robust budget proposals for 2022/23, account has been taken of what is happening in the current financial year and the variances within it. It is not just a case of taking last year's budget and adding inflation. This is particularly true for the demand led areas within the Adults and Children's budgets that are projecting an overspend position for 2021/22.

11.3. Building and developing the 2022/23 Budget Proposals & MTFP for future years

Over the last couple of years there has been a radical overhaul of the budget setting process to ensure that robust budgets are set. The underlying methodology has changed from a service siloed approach to a more comprehensive council priority led corporate approach. This has entailed moving away from an approach of issuing service controls and expecting each service to manage within its financial envelope, to a corporate approach of building the budget up on best estimated and forecast, identifying priorities and opportunities, developing deliverable savings, and managing risks. This change in approach and the resulting robustness of the budget estimates has been recognised by Grant Thornton in their works as the Council's external auditors and is one of the key components in the improved Value for Money rating which now sees the Council achieving the highest rating possible of Unqualified.

It has become abundantly clear that the MTFP forecast produced in February 2021 has become out of date as the on-going financial impact of Covid-19 has significantly impacted upon a number of services. The approach taken in developing the 2022/23 budget proposals was therefore more of a 'Zero Based' approach with future demand in service budgets being built up from scratch based upon the latest information and projections around prices and new estimates of future demands. There has been both Cabinet and SLT challenge sessions to review the 2022/23 budget proposals.

Another improvement in financial management processes has been to have greater member engagement and involvement in the council's finances. The monthly Budget Monitoring to Scrutiny and Cabinet is the main foundation of this but there are also 3 all member briefings focused upon the budget proposals to coincide with key reports being considered by the council. The first of these took place in October and there are sessions planned for both the 7th and 17th February.

As Section 151 Officer (Chief Finance Officer), I have some specific duties in respect of the budget. The first is to comment upon the robustness of the budget estimates and the second is provide assurance to members on the adequacy of the council's level of resources. I will be providing detailed commentary on these in my Section 25 report which will form part of the final budget report to Cabinet and full Council in February 2022.

11.4. 2022/23 Revenue Budget

The development of the 2022/23 budget has progressed well and the current budget proposals will mean that there is a balanced budget for the coming year which will see continued investment in services and further additions to the capital programme. The budget proposals have been built up based upon the latest information and forecasting, but it has to be acknowledged in the current climate that there are still some areas of uncertainty, and it is therefore proposed to retain the current budget Contingency of £6m within the proposals. This equates to approximately 1.6% of the net 2022/23 budget and based upon previous experience is at an appropriate level given the overall level of reserves and potential calls on funding.

The overall financial environment continues to be challenging but despite this there is continued investment in key front-line services and a capital programme that meets priority needs. The draft proposals have been subject to review by SLT through various challenge processes. The latest estimates in preparing the 2022/23 budget are shown below in **Table 2** and then on a Service-by-Service basis in **Table 3**.

The change between the 2021/22 Original Budget of £356.072m to the £376.344m in the 2022/23 Proposed Budget is shown in **Table 2** and on a service by service in **Table 3**.

Table 2: Summary of changes to 2022/23 Revenue Budget

All Services	£'m	£'m
2021/22 Original Budget		356.072
Removal Of Once Off Budgets for 2021/22	(10.887)	
In Year Permanent Virements	0.000	
		(10.887)
2021/22 Base Budget		345.185

Additional Funding Requirements:		
Inflation (Contractual and General)	12.872	
Demographic and other Demand Increases	13.114	
Other Funding Requirements	4.485	
Growth	0.068	
Total Additional Funding Requirements		30.539
Pay Award		5.633
Savings Previously Agreed		(2.308)
Prior Year Savings Not Delivered		0.861
New Savings Proposals		(2.585)
Use of Earmarked Reserves for Service Budget		12.056
Technical Adjustments		(13.037)
2022/23 Proposed Base Budget		376.344
Change £'m		31.159
Change %		9.03%
Funding of Budget Requirement:		
Council Tax @ 1.99% and ASC Precept @ 1%		(277.264)
Revenue Support Grant		(6.407)
Business Rate Retention		(78.189)
Somerset Rivers Authority Funding		(2.578)
Use of Earmarked Reserves for Service Budget		(12.056)
Other Base Budget Contribution To Reserves		0.150
Collection Fund Deficits		0.000
Funding of Budget Requirement		(376.344)

- **Inflation (pay/general/contractual)** – the pay award has not yet been agreed for 2021/22. The latest offer of 1.75% has been rejected – the budget for 2021/22 was 1%. An estimates of 2.5% has been made for 2022/23. All salaries budgets have been reviewed regarding the announcement of the 5.9% increase in the National Living Wage and the introduction of the 1.25% NI increase.
- **Demographic & Demand Changes** – greater details are shown in under each service area’s narrative within this report.
- **Funding** – This now includes the single year Provisional Settlement figures. A further update will be made in February once the final

Settlement figures are published.

- **Current savings plans** – the details of these are attached at **Appendix 2**.
- **Council Tax** – the table above assumes Council tax of 1.99% for general Council Tax and 1% for the Adult Social Care Precept for financial planning purposes. The actual level of council tax will be set by Council in February and will be considered in the context of the full budget including savings and growth proposals. The tax bases have now been set by the District Councils and reflect an overall increase of 0.66%.
- **Business Rate Retention** – the income from business rates will not be clear until mid-January. The estimates assume that the reset and the review of business rates will not have an impact on overall funding levels.

11.5. Changes to Service Budgets

Each of the tables below sets out the draft budget proposals on a service-by-service basis. They show how the budget changes from the current year's budget to the 2022/23 budget proposals and incorporate the detailed changes set out in **Appendix 1** and **Appendix 2**.

Table 3 2021/22 Budget (original and current) and Proposed 2022/23 Budget

Service	2021/22 Original Budget £'m	2021/22 Current Budget £'m	2022/23 Proposed Base Budget £'m
Adults Services	141.592	141.592	159.684
Public Health (Excluding Grant)	1.411	1.411	1.336
Children's Services	96.005	92.731	105.048
Economic & Community Infrastructure	73.107	69.332	71.785
Customers, Digital & Workforce	15.805	15.142	16.863
Finance & Governance	9.114	9.431	11.393

Accountable Bodies	7.433	2.942	4.329
Corporate Costs	(5.195)	(4.195)	(0.093)
L&A Traded Services	0.000	0.000	0.000
Total Before Contingency	339.272	328.385	370.344
Contingencies	16.800	16.800	6.000
Total SCC	356.072	345.185	376.344

Included within Corporate Costs are various budgets including Debt Charges, Interest Receivable, Bank Charges, Pensions Deficit, Apprenticeship Levy and Audit Fees. Also included here are the various non-ringfenced grants such as New Homes Bonus, Social Care Support Grant, Services Grant, and Rural Service Delivery Grant. The Contingency budget has been shown separately from the other Corporate Costs Budgets.

Appendix 1 sets out the details of the Additional Requirements for each service that are included within the estimates above. **Appendix 2** sets out the Transformation, Savings, and Income Generation Proposals included within the draft budget proposals. These include plans previously approved by Council in February 2021.

11.6. Adults Services

The draft proposals recognise the importance of Adult Services and the budget adds further investment of £18.1m, which is an increase of 12.8% to this key frontline service. This recognises additional pressures as a result of demand for services, which continue to be at an unprecedented level.

Table 4: Changes to the Adults Services Budget

Adults Services	£'m	£'m
2021/22 Original Budget		141.592
Removal Of Once Off Budgets for 2021/22	0.000	
In Year Permanent Virements	0.000	
		0.000
2021/22 Base Budget		141.592
Additional Funding Requirements:		

Inflation (Contractual and General)	8.147	
Demographic and other Demand Increases	6.859	
Other Funding Requirements	1.686	
Growth	0.000	
Total Additional Funding Requirements		16.692
Pay Award		1.009
Savings Previously Agreed		(0.628)
Prior Year Savings Not Delivered		0.000
New Savings Proposals		0.000
Use Of Reserves		1.019
Technical Adjustments		0.000
2022/23 Proposed Base Budget		159.684
Change £m		18.092
Change %		12.78%

Predicting future years demand is made more difficult by Covid-19 and one of the key challenges around this is identifying whether the current demand is on-going as residents needs have increased, or whether there is a degree of temporary demand. These budget proposals have tried to strike a balance between the two and to ensure the budget proposals are robust.

Inflationary increases recognise the increased statutory pressures on providers such as increased national living wage, as well as general price inflation which is currently running at 5.1%. This figure also includes contractual inflation for the Discovery in line with the contract.

The anticipated demographic growth in demand across the service has been calculated using Office for National Statistics population data and trends from previous years.

New transformation saving proposals for 2022/23 include £0.578m linked to Independent Living Accommodation Solutions. Capital investment in new forms of accommodation both owned by us (with rental income) and in partnership with others. This proposal is linked to a capital bid and would provide different accommodation options to those currently available in our housing and provider market.

Adults' Transformation

The Adults Improvement Programme continues to offer a test and learn environment to test ideas with key stakeholders.

New Models of Micro Provision are aiming to increase the options available to people and professionals in deciding how their care and support is provided either through a

different model to access micro providers, or using a different payment method, Individual Service Fund (ISF). A midpoint review indicated positive progress and a number of people coming through the pilot to test the solutions.

Technology Enabled Care aims to increase the technology options available to support people in their own homes. There has been an ongoing delay in the implementation of the prescriber portal, necessitating mitigating actions and a new agreed timeline, with scalable opportunities now expected to be understood in June 2022. Proposals are now starting to be received and TEC installations have begun. Benefits analysis to be conducted shortly.

The Intermediate Care Model has been under significant pressure with demand, capacity and flow within the wider system creating some challenges that have affected capacity to deliver the improvement plan. As a consequence, the Intermediate Care Board agreed in September the essential deliverables needed ahead of the winter pressures, with the remainder of the plan is due to go on hold until the new year.

11.7. Public Health

The total Public Health grant for 2021/22 is £21.284m and this is expected to increase by £0.659m to £21.943m although we wait final confirmation from government. The 2022/23 Budget Proposals would see the overall spend on Public Health increase by £0.584m with the Public Health Grant increasing in line with inflation and a small reduction in the additional funding the Council provides.

Table 5: Changes to the Public Health Budget (Excluding the Public Health Grant of £21.943m for 2022/23)

Public Health (Excluding Grant)	£'m	£'m
2021/22 Original Budget		1.411
Removal Of Once Off Budgets for 2021/22	0.000	
In Year Permanent Virements	0.000	
		0.000
2021/22 Base Budget		1.411

Pay Award		0.025
New Savings Proposals		(0.100)
2022/23 Proposed Base Budget		1.336
Change £m		(0.075)
Change %		-5.30%

The Comprehensive Spending Review committed to maintaining the Public Health grant at current levels in real terms until 2024/25, but we await the detail. Somerset receives a very low proportion of the overall Public Health grant and is 141st out of the 152 authorities with Public Health responsibilities, when comparing allocation per person in the population.

In addition to the public Health grant the council also puts additional funding into Public Health of over £1.4m and the savings proposals include the removal of a community support post saving £0.030m and a £0.070m reduction in funding for health improvement. The community support roles and responsibilities have been absorbed amongst the remaining members of the team and present a low risk saving. The health improvement saving is higher risk and reduces the work that can be progressed to improve overall health and wellbeing as well as for those who experience inequalities. However, there is significant Public Health reserve which should mitigate against this.

11.8. Children's Services

The draft proposals recognise the importance of Children's Services. The budget makes a further investment of £12.3m; a 13.3% increase on the adjusted budget into this key frontline service.

Table 6: Changes to the Children's Services Budget

Children's Services	£'m	£'m
2021/22 Original Budget		96.005
Removal Of Once Off Budgets for 2021/22	(3.211)	
In Year Permanent Virements	(0.063)	
		(3.274)
2021/22 Base Budget		92.731
Additional Funding Requirements:		
Inflation (Contractual and General)	2.227	
Demographic and other Demand Increases	5.683	

Other Funding Requirements	1.895	
Growth	0.014	
Total Additional Funding Requirements		9.819
Pay Award		2.113
Savings Previously Agreed		(1.276)
Prior Year Savings Not Delivered		0.690
New Savings Proposals		(0.816)
Use Of Reserves		1.780
Technical Adjustments		0.007
2022/23 Proposed Base Budget		105.048
Change £m		12.317
Change %		13.28%

Predicting future years demand is always difficult and Covid-19 has further increased this difficulty. One of the key challenges around this is identifying what is on-going demand and what is temporary demand. The budget proposals have therefore tried to strike the balance between the two and to ensure the budget proposals are robust.

Inflation includes contractual inflation for existing contracts for Home to School transport and care placements as well as several smaller contracts across Children's Services.

Demographic and other demand changes include projected increased demand for care and school transport.

Other funding requirements are £1.366m for a change in financing of budgets previously funded by the Dedicated Schools Grant and £0.529m for changes in legislation that impact on the use of unregulated placements and paid seats income for school transport.

New transformation, savings, and income generation proposals for 2021/22 include a £0.5m turnover factor in Children's Social Care and £0.3m due to the forecast impact of implementing the Building Local Capacity Programme. The SENDIAS transformation saving of £0.480m is not considered deliverable and has therefore been removed, along with the final year of the Travel Plan saving of £0.210m.

Use of reserves reflects the removal of the one-off £2.0m investment supporting the work undertaken on the SEND improvement plan and £0.1m PAUSE funding from the prevention fund. Drawdowns of £0.350m to support the Family Safeguarding transformation programme and £0.330m for the school's reorganisation project for the Crewkerne/Ilminster area are also included.

Children's Transformation

The Children's Transformation Programme will broaden to incorporate a wider scope of work than in the previous year, reflecting the emerging need across the service and enabling a coherent approach to a complex programme of work across Children's Services.

The programme will promote excellent outcomes for children and families and is underpinned by four key features:

- Strong partnership working
- Providing the right help at the right time to prevent problems starting and growing
- A strengths-based approach that promotes resilience
- Working with families as a whole

The programme will continue to focus on delivering a whole family, strengths-based, system approach which reduces reliance on statutory services and supports excellent outcomes. Strong partnership and prevention themes run throughout all elements of the programme.

The Family Solutions Somerset model (comprising Family Safeguarding, the Family Drug and Alcohol Court, Pause and Safe Families) continues to embed and develop as we work closely with partners to provide families with the support that they need to improve their resilience, enabling parents to parent safely. Through a strengths-based approach, the model empowers social workers, adult practitioners, and families to work together to improve family outcomes. This prevention model has been increasingly important, in maintaining stable and slightly reducing numbers of children in care, as the impact of the pandemic on family tensions has seen a rise nationally in the number of children coming into care.

The Building Local Capacity programme has seen significant developments this year with the appointment of Homes 2 Inspire (part of the Shaw Trust) as our Strategic Partner to deliver children's homes, high needs fostering and therapeutic education. This innovative programme seeks to improve outcomes for our most complex young people through offering a wraparound model of support. Capital investment has been agreed for the purchase of the first children's homes and work will continue over the next twelve months to develop and deliver the service in partnership with Homes 2 Inspire and other key partners including Somerset CCG, Somerset NHS Foundation Trust and in particular with the CAMHS service.

Development and improvement work continues within our Fostering Service which is now aligning with the strengths-based, child-centred approach of the Family Solutions model and to prepare the service for closer collaboration and alignment with the High Needs Fostering provision which will be developed in collaboration with Homes 2 Inspire.

The renewed Early Help Strategy underpins system wide work to develop a coherent,

system-wide offer which empowers families and builds strength and resilience in our communities through a strengthened partnership approach.

Work continues with Somerset CCG and partners across education, health, and social care to strengthen SEND services and deliver the Written Statement of Action. In 2022, work will focus on embedding improvements to the way we: work in partnership with families; ensure clear and effective pathways for identifying children and young people with SEND; promote inclusive practice in schools; and strengthen joint commissioning. As the Written Statement of Action approaches completion, there will be a focus on ensuring that improvements have a lasting impact as well as developing a shared understanding of needs and priorities to inform a new SEND strategy.

The Education Partnerships programme of work (incorporating the LA Maintained Schools Model, Communications and Digital project, Crewkerne and Ilminster Reorganisation Project and the development of the Education Strategy) aims to strengthen relationships and partnership working across schools and communities under a new Education Strategy for Somerset - building on the positive foundations which emerged during the pandemic and incorporating action points emerging from the Written Statement of Action Inclusion Inquiry. The programme seeks to establish a sustainable education model for Somerset – improving access and opportunities for all to high quality education and training, reducing inequalities and providing positive, sustainable learning environments.

Common themes running throughout this programme of work include the need to continue to develop a system-wide, partnership and strengths-based approach to improving outcomes for families whilst improving the sustainability of service delivery through prevention.

Key Risks

Demand for Children’s Services, especially those with complex needs, continues to increase reflecting - increasing poverty amongst Somerset families, impact of COVID measures on children, and contextual safeguarding issues.

11.9. Economic & Community Infrastructure Services

The draft 2022/23 Budget proposals would see an investment of £2.454m in the service which equates to an increase of 3.54%.

Table 7: Changes to the Economic & Community Infrastructure Budget

Economic & Community Infrastructure	£’m	£’m
2021/22 Original Budget		73.107
Removal Of Once Off Budgets for 2021/22	(3.776)	
In Year Permanent Virements	0.000	

		(3.776)
2021/22 Base Budget		69.332
Additional Funding Requirements:		
Inflation (Contractual and General)	1.963	
Demographic and other Demand Increases	0.277	
Other Funding Requirements	0.587	
Growth	0.054	
Total Additional Funding Requirements		2.882
Pay Award		1.114
Savings Previously Agreed		(0.394)
Prior Year Savings Not Delivered		0.000
New Savings Proposals		(0.723)
Use Of Reserves		(0.426)
Technical Adjustments		0.000
2022/23 Proposed Base Budget		71.785
Change £m		2.454
Change %		3.54%

Additional funding requirements include inflation for waste, highways, and transport contracts, as well as general inflation for utilities, rates, and rents. Provision has also been made for demographic growth in waste. Pressures have also been included for the Taunton Park and Ride service, the significant work associated with the procurement of key highways contracts, the increasing pressure in enforcement services as well as dealing with the effects of ash dieback.

New transformation, savings, and income generation proposals for 2022/23 include an increase of income across the Traffic Management and Parking service, together with the continuation of the role out of Recycle More (which will reduce residual waste at the kerbside), savings from contract renegotiation and increased income from optimisation of our property estate.

11.10. Customers, Digital & Workforce Services

The budget proposals would see an increased investment of £1.721m which equates to an 11.37% increase in the service.

Table 8: Changes to the Customers, Digital & Workforce Budget

Customers, Digital & Workforce	£'m	£'m
--------------------------------	-----	-----

2021/22 Original Budget		15.805
Removal Of Once Off Budgets for 2021/22	(0.601)	
In Year Permanent Virements	(0.062)	
		(0.663)
2021/22 Base Budget		15.142
Additional Funding Requirements:		
Inflation (Contractual and General)	0.473	
Demographic and other Demand Increases	0.021	
Total Additional Funding Requirements		0.494
Pay Award		0.868
Savings Previously Agreed		0.019
Prior Year Savings Not Delivered		0.154
New Savings Proposals		(0.322)
Use Of Reserves		0.508
Technical Adjustments		0.000
2022/23 Proposed Base Budget		16.863
Change £m		1.721
Change %		11.37%

Central Services will have significant resourcing issues, due to the Local Government Reform programme. Work will include the transfer of staff into the new organisation, work to merge ICT systems & processes, restructuring of services, and the redesign of public-facing platforms such as websites and contact centres.

There are also key risks around recruitment of specialist roles that may lead to increased interim staff costs. We have already experienced loss of staff to other organisations, including those some distance away with staff able to work from home. There is also a risk of reduced income in our HR Admin & Payroll services, with a number of academies moving to multi academy trust status.

11.11. Finance & Governance Services

The budget proposals would see an increased investment of £1.962m which equates to an 20.80% increase in the service following changes to how the insurance team are funded and funding for elections in May 2022.

Table 9: Changes to the Finance and Governance Budget

Finance & Governance	£'m	£'m
2021/22 Original Budget		9.114
Removal Of Once Off Budgets for 2021/22	0.192	
In Year Permanent Virements	0.125	
		0.317
2021/22 Base Budget		9.431
Additional Funding Requirements:		
Inflation (Contractual and General)	0.029	
Demographic and other Demand Increases	0.116	
Other Funding Requirements	0.317	
Total Additional Funding Requirements		0.462
Pay Award		0.493
Savings Previously Agreed		(0.030)
Prior Year Savings Not Delivered		0.017
New Savings Proposals		(0.063)
Use Of Reserves		1.083
2022/23 Proposed Base Budget		11.393
Change £m		1.962
Change %		20.80%

The main increase in the Finance & Governance budget for 2022/23 relates to the once-off costs of the elections in May 2022. There is also additional funding requirements (AFR) to cover the loss of income resulting from a reduced service level agreement with LEP, base budget funding of the Insurance Team to reduce the draw on the Insurance Fund reserve, funding of an additional role within Governance to support Schools Appeals, an increase to independent members allowances and fulfilling of a statutory obligation in supporting of an Area Coroner position. This is offset by savings to be achieved in services of new income generation, a reduction in subscriptions and applying of a staff vacancy factor in most business areas to achieve a net budget requirement of £11.4m for 2022/23.

11.12. Corporate Costs

The draft 2022/23 Budget proposals would see Corporate Costs change by £4.1m as follows:

Table 10: Changes to the Corporate Costs Budget

Corporate Costs	£m	£m
2021/22 Original Budget		(5.195)
Removal Of Once Off Budgets for 2021/22	1.000	1.000
2021/22 Base Budget		(4.195)
Additional Funding Requirements: Inflation (Contractual and General)	0.033	
Total Additional Funding Requirements		0.033
Pay Award		0.010
New Savings Proposals		(0.562)
Use Of Reserves		6.880
Technical Adjustments		(2.260)
2022/23 Proposed Base Budget		(0.093)
Change £m		4.102
Change %		-97.78%

Included within Corporate Costs are the budgets for Debt Charges, Interest Receivable, Bank Charges, Pensions Deficit, Apprenticeship Levy and Audit Fees. Also included here are the various non-ringfenced grants such as New Homes Bonus, Service Grant, Social Care Support Grant, and Rural Service Delivery Grant. The main changes are due to the Covid-19 Support Grant (£10.8m) not continuing into 2022/23 but other grants have increased by £13.0m (details of the grants are set out in para 11.14).

11.13. Climate Change

Somerset Councils' Climate Emergency Declarations set out shared ambitions to deliver a Carbon Neutral Somerset by 2030 and to build our resilience for, or adapt to, the impacts of a changing climate. We have developed a shared Strategy for Somerset with our District partners and have added £0.254m ongoing funding for Climate Change as part of the 2021/22 Budget. In addition to this the Council has made the following commitments

Table 11: Funding for Climate change

Description	£'m	Source
Climate Change funding to support Towns & Parishes	1.0	2020/21 Budget - Feb 2020
Climate Change funding to support Towns & Parishes	0.5	2020/21 Outturn - July 21
Investment in clean energy generation projects	3.1	2021/22 Budget - Feb 21
Energy efficient and decarbonisation schemes	1.3	2021/22 Budget - Feb 21
Walking and cycling initiatives	1.9	2021/22 Budget - Feb 21
Decarbonisation of buildings including County Hall and libraries	7.4	2021/22 - Decision Report Sept 21
DfT Grant - Road Decarbonisation	1.0	2021/22 Decision Report
Heat decarbonisation feasibility studies across Somerset's maintained school estate	0.4	Low Carbon Skills fund
Electric fleet vehicles and infrastructure	0.9	New bid for 2022/23
Match funding for decarbonisation grants	1.0	New bid for 2022/23
Spend on climate change	18.5	

11.14. Funding for Councils

The provisional settlement for local authorities on the 16th December outlined the following:

Revenue Support Grant (RSG)

Revenue Support Grant is distributed based on need but has been reducing year-on year. The Finance Settlement outlined that SCC has been allocated £6.407m in 2022/23 (an additional £0.199m).

Rural Services Delivery Grant

This un ringfenced grant has remained at the same level as 2021/22 of £2.521m in the provisional settlement.

New Homes Bonus

New Homes Bonus is an incentive-based grant to increase the number of new homes built and a reduction in the number of empty properties. The funding through this scheme has been reduced in recent years and the scheme is being phased out. The NHB allocated for 2022/23 is £1.266m compared to £1.246m in the current year (this includes a payment for 2021/22 performance and a final legacy payment).

Services Grant

A new once off grant has been introduced for 2022/23 to “provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government”. This grant is a “once-off” grant pending local government reforms and will be distributed in future under a revised methodology.

Social Care Funding

The Social Care Grant increased by £6.632m, from £17.959m to £24.591m for 2022/23 and is expected to continue in future years. This grant can be used to support spend in both Adults and Children’s social care.

Better Care Fund

The Better Care Fund is a funding from the CCG that is intended to support the integration of health and social care, requiring Clinical Commissioning Groups and Local Authorities to pool budgets and agree an integrated spending plan. Greater integration is seen as a way to use resources more efficiently, by reducing avoidable hospital admissions and facilitating discharge from hospital. The Council received £13.903m in 2021/22 and we are awaiting confirmation of any increases for 2022/23.

Improved Better Care Fund

iBCF funding has been provided by Government since 2017/18 to support local authorities to meet adult social care needs, reduce pressures on the NHS and support the social care market, in recognition of the increasing financial pressures being seen in the delivery of adult social care. SCC has been allocated £23.372m an increase of £0.686m compared to £22.685m in 2021/22.

Local Council Tax Scheme Grant

The 2021/22 Finance Settlement announced £670m of funding nationally out of which Somerset received £4.2m based upon the average number of working age claimants and average council tax levels. This once -off funding recognised the impact on Covid-19 on council tax income. The deficit for 2020/21 will be smoothed out over three years with the grant compensating for those losses over the same period.

Council Tax

Over the last few years there has been a national shift away from government funding to locally generated funding through Council Tax. The income from Council Tax is a product of the Tax Base multiplied by the Band D Council Tax charge.

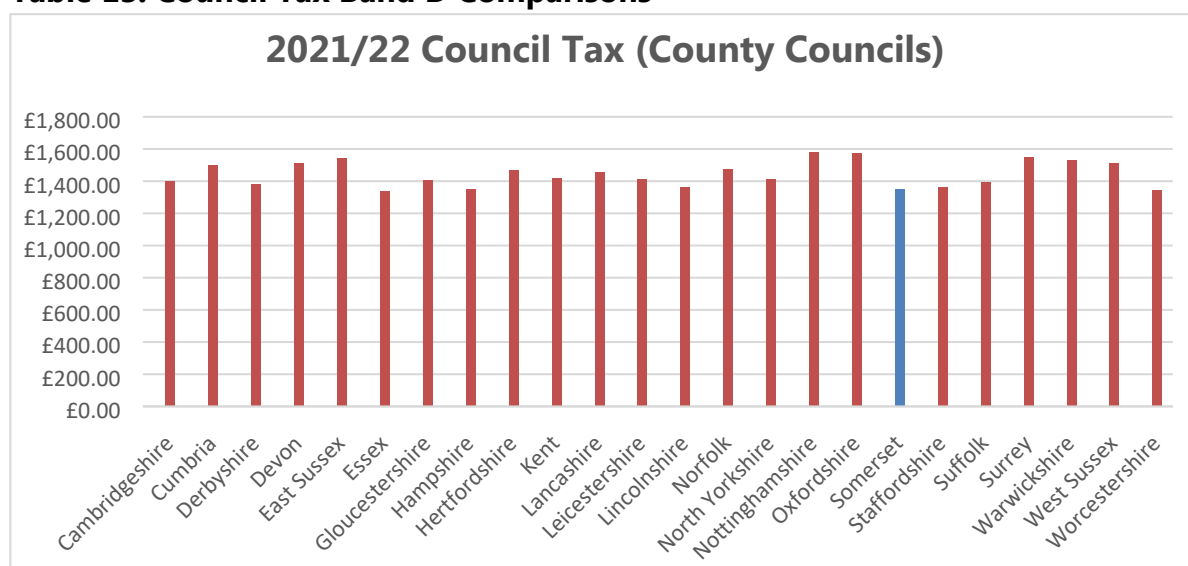
The tax base is set by the District Councils each year based upon the estimate of the number of Band D equivalent properties, discounts, local council tax support schemes and the collection rate. The MTFP in February estimated an increase of 0.5% for 2022/23 but this has improved to 0.66%. The Tax bases has now been set for 2022/23 by the District Councils and **Table 12** shows the figures for 2020/21 to 2022/23 and the increase or decrease in 2022/23 compared to 2021/22.

Table 12: Changes to the Tax Base by District

TAX BASE	2020/21	2021/22	2022/23	% Increase/ (Decrease)
Mendip	40,978.57	41,337.76	41,544.07	0.50
Sedgemoor	41,435.78	40,991.35	41,910.15	2.24
South Somerset	60,710.78	61,152.95	60,643.62	(0.83)
Somerset West and Taunton Council	56,449.87	55,947.87	56,649.32	1.25
Total	199,575.00	199,429.93	200,747.16	0.66

Table 13 shows the Council Tax charge for the current year of £1,353.53 for a Band D property which is the fourth lowest of all Shire County Councils with the average charge being £1,443.

Table 13: Council Tax Band D Comparisons



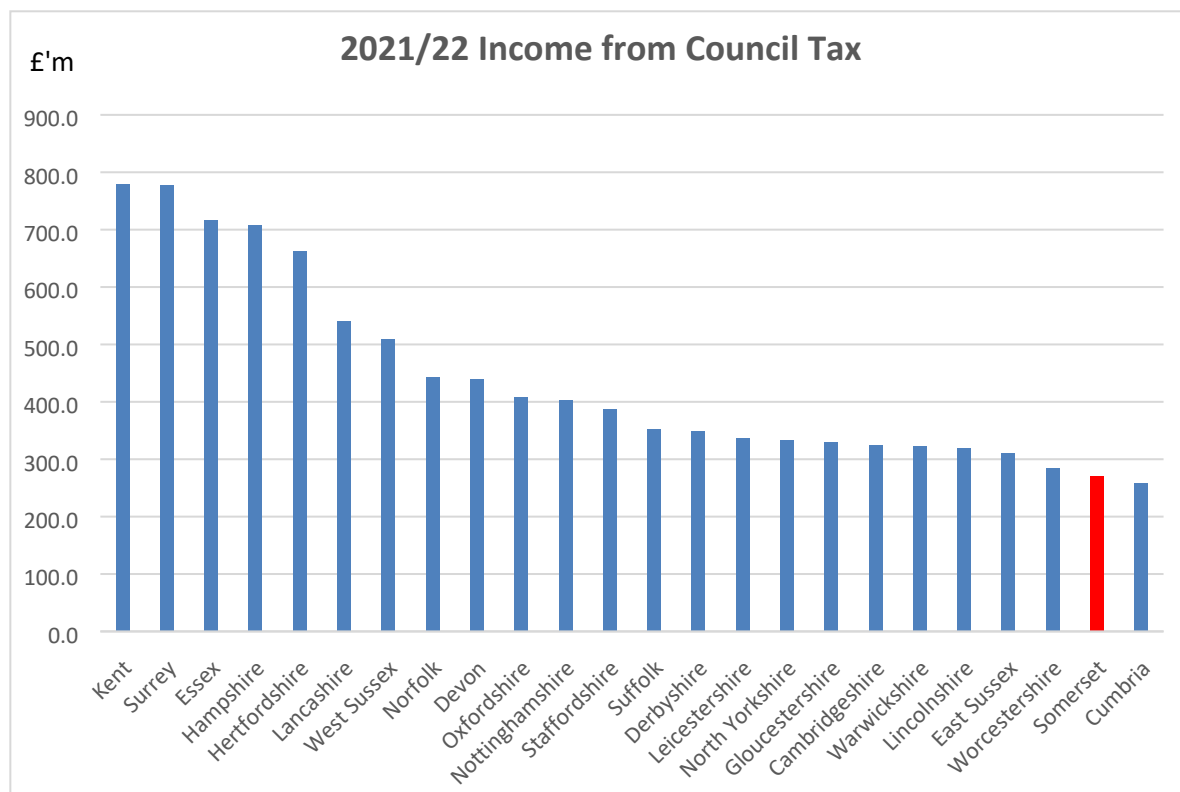
The Government controls council tax increases through the referendum limits and has set these for 2022/23 at 2% for Council Tax and 1% for Adult Social Care precept. Also, as part of Finance Settlement the government has taken these increases into account when allocating funding as part of the Core Spending Power (CSP) calculation for each council.

The provisional budget currently includes an increase of 1.99%, £26.94 per annum (52p per week) in general Council Tax and a further 1.0%, £13.54 per annum (26p per week) increase in Adult Social Care Precept in line with those referendum limits and government expectations. This would add £40.48 per annum (78p per week) to a Band D property. The overall Council Tax for 2022/23 including £12.84 towards the Somerset Rivers Authority would be £1,394.00 which is still below the current year's average charge for County Councils.

Table 14 shows the income from Council Tax for Shire Counties. Somerset CC has the second lowest income from Council Tax which demonstrates the financial impact of a

small tax base and the low Council Tax charge.

Table 14 - Income from Council Tax for County Councils Update Table



In-year collection of Council Tax by the Districts has been impacted by the Covid-19 pandemic. The Government set out legislation for authorities to spread any deficit for 2020/21 over a three-year period. Next year will be the second year of the arrangement and the grant was added to reserves to fund this. The District Authorities will provide figures for Collection Fund surpluses or losses mid-January which will show how far the pandemic continues to impact on council tax collection. The February report will provide an update on the position.

Business Rates

The review of Business Rates continues to be delayed and at present it is not certain when the reset and reforms will take place. The provisional Finance Settlement set the Tariff & Top Up for 2022/23 at £53.1m, the Safety Net at £63.2m and Baseline at £68.3m. The draft budget proposals assume a Business Rates income of £78.2m but this will need to be reviewed following the Districts providing the Business Rates figures at the end of January. All of the Councils in Somerset participate in a Business Rates pool and have applied for the pool to continue in 2022/23. An assessment of the risks and rewards of continuing with the pool is currently being undertaken.

The District Authorities will also be providing the surplus / deficit position of the Business Rates Collection Fund in the current year. Similar to Council Tax, any deficits from 2020/21 will be spread over the next 3 financial years. The position on Business Rates is made more complex with there being differences between cash and accounting positions which

are more distorted due to section 31 payments from government in supporting the business sector as a result of Covid-19. The February report will provide an update on the position.

Treasury Management

The Treasury Management Strategy sets out the full details of our approach which includes the continuation of the policy of internally borrowing and increasing our strategic treasury management investment. The Council continues to hold a positive cashflow position combined with the very low interest rate environment (even with the recent increase in base rates to 0.25%) to support this approach. This will continue to be reviewed in the light of any changes to the economic environment.

Schools and Dedicated Schools Grant (DSG)

Schools are funded by the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education (DfE). The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools. It does not cover the statutory responsibilities the Council has towards parents. These responsibilities are funded through the Councils main revenue funding and included as part of the proposed Budget.

In July 2021, the DfE published provisional allocations for the schools, high needs and central services blocks. Final allocations based on pupil numbers from the October 2021 school census have now been made.

The DfE calculate the Schools Block 2022-23 primary units of funding (PUF), and secondary units of funding (SUF) for each local authority using the July 2021 provisional allocation which is based on the October 2020 census. These are final units of funding for 2022-23 and are not updated at any later point. The PUFs and SUFs are used to allocate schools block funding to local authorities in December 2021, using pupil numbers from the October 2021 census.

Table 15 below shows how the Somerset PUFs and SUFs have increased over time¹ and in comparison, to the England averages (including and excluding London authorities) and the South West average. It also shows that Somerset continues to move up the ranking for both PUFs and SUFs.

Table 15 – Comparison of PUF and SUF funding over time

£ Values per pupil	Somerset		England		England (exc LDN)		South West		Ranking	
	PUF	SUF	PUF	SUF	PUF	SUF	PUF	SUF	PUF	SUF
2019/20	3,917	4,909	4,099	5,295	3,990	5,143	3,891	4,990	102/149	140/149
2020/21	4,153	5,164	4,279	5,496	4,179	5,343	4,109	5,201	95/149	129/149
2021/22	4,330	5,341	4,431	5,670	4,336	5,514	4,288	5,369	88/150	127/150
2022/23	4,495	5,497	4,600	5,940	4,459	5,706	4,391	5,539	71/150	122/150
Change 19/20 - 20/21	6.0%	5.2%	4.4%	3.8%	4.7%	3.9%	5.6%	4.2%	7	11
Change 20/21 - 21/22	4.3%	3.4%	3.5%	3.2%	3.8%	3.2%	4.4%	3.2%	7	2
Change 21/22 - 22/23	3.8%	2.9%	3.8%	4.8%	2.8%	3.5%	2.4%	3.2%	17	5

¹ Teachers' Pay and Pension element has been removed from the 2021-22 and 2022-23 PUFs and SUFs to enable like for like comparison to previous years

² Excluding Teachers' Pay and Pensions which is now included in the DSG (previously via separate grant allocation)

The report is attached at Appendix 4 (to follow).

High needs funding to support children with Special Education Needs and Disabilities (SEND) is receiving an additional grant in 2022-23 of £325m, with an increase in High Needs Block allocation for Somerset of £6.9m³. Nationally central schools services funding has increased for ongoing responsibilities but will decrease by 20% for historic commitments.

The Early Years hourly rate for 3-4-year-old entitlement has increased by 17p and by 21p for the 2-year-old entitlement. The total 2022-23 Early Years Block allocation has decreased by £1.1m.

With the introduction of the National Funding Formula (NFF) the DSG was ring-fenced for schools from 2018/19 making the LA responsible for the demographic pressures being observed in the SEND / High Needs element of the DSG (although schools can contribute up to 0.5% of the ringfenced sum if agreed by the Schools Forum). However, local authorities cannot contribute to any deficit. The DSG deficit at the end of 2020/21 was £14.7m and this is expected to increase to £19.7m by the end of 2021/22.

11.15. LGR and Future Year's Estimates

The approved business case for the delivery of Somerset Council outlined that once off funding of £16.5m would be required to transition the five authorities into one which would enable the delivery of £18.5m on-going savings. The 2021/22 budget included provisions of £3.2m to cover the first year's implementation costs.

The LGR Joint Committee in November 2021 approved that the District Councils would contribute 20% to those costs based upon their populations. This means that £6.9m is required as our agreed share towards the implementation costs in 2022/23. The LGR Joint Committee also agreed that each Council would set aside funds for the 2023/24 implementation in the form of a reserve to ensure that the new Unitary Council had sufficient funds for the remaining costs. SCC will ensure that £3.1m remains in the LGR Transition Costs Reserve for this purpose. A further sum will be required of circa £0.75m to fund additional member allowances between May 2022 and March 2023 (as elections are taking place in May 2022) and further negotiations are taking place with District colleagues around the funding of these.

In order to allow flexibility over the funding of the implementation costs a review is currently underway to assess the impact of either fully utilising reserves or using the Governments flexible capital receipts policy in 2022/23 and 2023/24 which would require an Efficiency Strategy to be included as part of the overall budget report in February.

This report updates Members on the progress to date with setting the last budget

³ Including Teachers' Pay and Pensions and before recoupment and deductions for direct funding of high needs places by the ESFA

2022/23 for SCC. The District Councils have also been progressing their final year's budgets. The S151 Officers are reviewing future years and ensuring those projections are on a "like for like" basis in terms of setting estimates for instance ensuring that salary increases etc are factored in at the same rate. This will enable the S151 Officers to provide an initial view of the forward picture for the new Unitary for 2023/24 and 2024/25 in the February budget setting report to Cabinet and then full Council.

The Business Case outlined that savings of £18.5m would be realised from implementing a Unitary Council for Somerset. These savings will be amalgamated with the overall budget gaps from the County Council and Districts to form one savings target for each year 2023/24 and 2024/25. The savings strategy for the new Unitary will be to realise the savings from reduced operating costs of becoming one authority as well as targeted savings that will need to be approved by the new Council but are likely to include:

- New Council priorities which will develop investment in services as well as the scope for further savings from lesser priorities,
- Using benchmarking information to inform the cost of services,
- Rationalisation of the corporate estate,
- A review of all fees and charges,
- Review of capital spend to priority areas and reduce the costs of funding the programme,
- Further review of contracts to reduce expenditure; and
- To transform services as they are joined together maximising the use of digital technology and new ways of working to maximise efficiency.

These will form part of the Medium-Term Financial Strategy and Plan that will be presented to members in October 2022.

11.16. The Capital Programme

The Prudential Code for Capital Finance in Local Authorities was updated in December 2021. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

It required authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long-term financial implications and potential risks to the

authority.

The latest monitoring report, Quarter 2, forecasts a total spend for the year 2021/22 of £173.8m. This is an underspend against the original forecast for the year of £43.8m. Of this £42.0m is expected to be spent in future years and £1.8m underspent. The report forecasts a total 5-year underspend of £7.8m.

The Capital Strategy in the short-term is to reduce the capital programme by reviewing priorities and slippage. It is recommended that only Health and Safety capital bids, those with the highest priority, and those that are wholly externally funded are considered. This will reduce the burden on the Revenue Account as much as possible, minimise the impact on resources as the Council transitions to the Unitary Council, and will help to maintain financial stability during the transition period.

Bids from services for new capital schemes due to start in 2022/23 have been received and are summarised in the table below (full details of each scheme are attached in **Appendix 3**):

Table 16 – Summary of New Capital Schemes

Scheme	New MTFP Request and Profiled Expenditure			
	2022/23	2023/24	2024/25	Total MTFP Bid Request
	£'m	£'m	£'m	£'m
Children and Young People				
Children's Residential	0.1	2.4	0.2	2.6
Schools Services	2.8	5.1	0.4	8.3
Economic and Community Infrastructure - Highways				
Bridge Structures	1.0			1.0
Road Structures	24.2			24.2
Traffic Control	2.2			2.2
Small Improvement Member Schemes	1.0			1.0
Small Improvement Safety Schemes	0.7			0.7

Highway Lighting	0.6			0.6
Rights of Way	0.5			0.5
Economic and Community Infrastructure - Property				
Property Services	1.6	2.9	0.4	4.9
Economic and Community Infrastructure - Other Services				
Traveller Measures	0.1			0.1
Fleet Management	1.8			1.8
Heritage Services	0.1			0.1
Somerset Waste Partnership	0.5			0.5
Total SCC Capital Programme	37.1	10.4	0.9	48.4

Financed by				
Borrowing	6.1	8.1	0.9	15.2
Grants	30.4	2.3		32.7
Third Party Contributions	0.5			0.5
Total	37.1	10.4	0.9	48.4

Borrowing

A further £15.2m of borrowing is needed to fund the additional capital project proposals which creates an additional revenue budget pressure of £0.8m in 2022/23.

The Authority continues to deploy an internal borrowing strategy and the benefits of this are applied into the revenue budget.

Third Party Contributions

Only Third-Party contributions received or formally agreed are used to fund the programme. Any expected contributions received in future releases the need for borrowing.

Capital Receipts

The strategy of not using borrowing to fund of short life assets (IT and Vehicles) is currently on hold pending further decision of the new Unitary Council and to ensure that the use of capital receipts can be prioritised to meet greatest need in transition arrangements. Following good accounting practice only capital receipts received will be considered for use in financing the capital programme.

Capital Receipts Flexibility

The Government announced in February 2021 that Local Authorities could continue to utilise capital receipts for transformation programmes that produced long term savings or reduce the costs of service delivery for a further three years to 2025/26. Therefore, this additional flexibility will be reviewed as part of the overall plan for funding transition costs (i.e. some of the Transition Costs normally funded from reserves could be funded through capital receipts). An Efficiency Strategy will be required if this flexibility is recommended and would require full Council approval.

Overall Capital Programme

The following tables present the capital programme in its entirety. This has taken into consideration a review of current approved programme and includes the additional new starts for 2022/23:

Table 17 – Overall Capital Programme Current 2022/23 to 2025/26

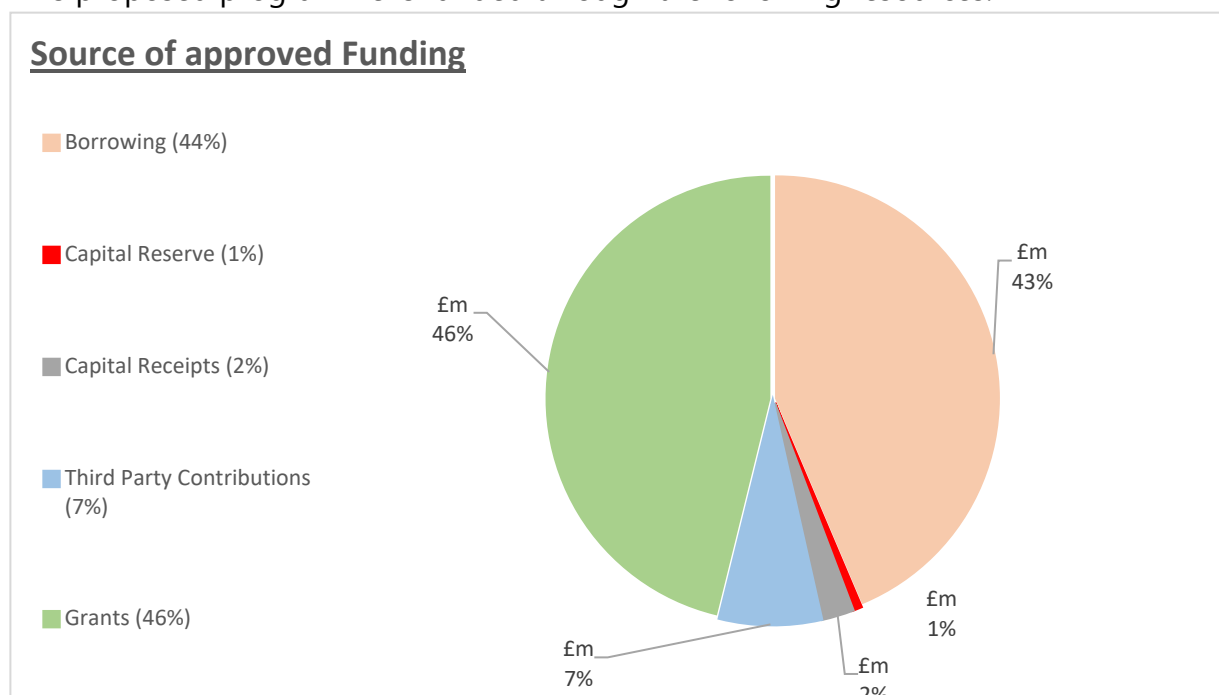
Scheme	Overall Scheme Budget		
	Total Scheme Budget	Predicted Total Expenditure	Estimated Scheme Variance
	£'m	£'m	£'m
Adult Services, Learning Disabilities and Public Health			
Adult Social Care	3.2	3.1	(0.1)
Learning Disabilities	0.1	0.1	
Children and Young People			
Children's Residential	5.2	5.2	
Children Looked After	0.0	0.0	
Special Education Needs	0.3	0.3	
Schools Access Initiative	1.4	1.4	
Community Services	0.1	0.0	(0.1)
Early Years	1.5	1.5	
Schools Services *note 1	58.1	58.1	
Corporate and Support Services			
Corporate ICT Investment	0.9	0.8	(0.1)
Economic and Community Infrastructure - Economic Development			
Business Growth Fund	1.8	1.8	
Wells Technology Enterprise Centre	0.4		(0.4)
Wiveliscombe Enterprise Centre	0.1		(0.1)
Taunton Digital Innovation Centre	6.6	6.6	
Chard Grow On Spaces	0.7	0.7	
Economic and Community Infrastructure – Highways			
Bridge Structures	6.0	6.0	
Road Structures	25.1	25.1	
Traffic Control	5.8	5.8	
Integrated Transport	1.6	1.7	0.1
Small Improvement Member Schemes	1.0	1.0	
Small Improvement Safety Schemes	2.2	2.2	
Highway Lighting	0.6	0.6	
Rights of Way	1.2	1.2	
Economic and Community Infrastructure - Highway Major Projects			
M5 Junction 25 Improvements	0.7	(0.3)	(1.0)
Toneway Corridor Capacity Improvements	2.4	2.4	
Trenchard Way Residual Works	0.7	0.7	

Major Road Network	2.0	2.0	
Various Other Schemes	(0.0)	0.5	0.5
Economic and Community Infrastructure – Property			
Property Services	13.2	13.2	
Economic and Community Infrastructure - Other Services			
Traveller Measures	0.1	0.1	
Fleet Management	2.6	2.6	
Heritage Services	0.1	0.1	
Library Services	0.7	0.7	
Somerset Waste Partnership	4.2	0.5	(3.7)
Total SCC Capital Programme	150.5	145.5	(5.0)

SCC Accountable Body Status			
Broadband Project (CDS)	25.9	25.2	(0.7)
HoTSW Local Enterprise Partnership	2.9	2.9	
Somerset Rivers Authority	0.2	0.2	
Accountable Body Status Total	28.9	28.3	(0.7)

Total Capital Programme	179.4	173.8	(5.6)
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This proposed programme is funded through the following resources:



There is increased funding to the current programme through confirmed external funding and a minimal requirement for new SCC resource. All cost of debt is factored into the revenue financial plans.

***Note 1** – Following a review of the schools programme against delays in housing developments and pupil numbers, it is expected that £10.1m will be made available

through month 9 2021/22 budget monitoring. Of this £1.2m will need to be held as contingency against increased material and supplier costs and £4.9m for an urgent need to expand schools placements in Chard. Any resulting underspend, proposed £4m, will be returned to the corporate pot to reduce the overall borrowing requirement.

11.17. Reserves and Balances

As part of the strategy to improve the Councils financial resilience and future financial sustainability there has been an active strategy of restoring reserves to a more appropriate level over the last three years through the MTFP and underspending. This approach has seen an increase in reserves to give the Council more financial resilience has been recognised by our external auditor and put us on a sound footing to deal with the financial uncertainties and impacts of Covid.

Reserves are either General Reserves which are held to manage general financial risks or Earmarked Reserves to be used for specific purposes. The Council also holds Earmarked Reserves on behalf of other organisations in its role as accountable body. As the council does not control these they should not be included when assessing the Council's level of reserves.

The current level of the General Reserves of £23.0m will be maintained in 2022/23. This is 6.2% of the net revenue budget. Although there is no guidance on the appropriate level of General Reserves to hold, 5% is widely acceptable as general good practice. The Council is therefore in the position of having a robust level of reserves.

We are currently reviewing all of the Earmarked Reserves and will provide the updated position as part of February to Cabinet in the light of the latest budget monitoring report, Covid Grants and figures from the District Councils on council tax and business rates surplus or deficits.

11.18. Timetable

The Cabinet approves the Medium-Term Financial Strategy and Plan and notes the current progress towards producing a balanced revenue budget for 2022/23 and capital programme is:

25 January 2022 – Children's & Families Scrutiny

Scrutiny of the January Budget Report to Cabinet focused upon the Children's Services budget

26 January 2022 – Scrutiny Adults & Health Scrutiny

Scrutiny of the January Budget Report to Cabinet focused upon the Adults & Public Health budgets

27 January 2022 – Audit Committee

Review of the Treasury Management Strategy and Capital Strategy including MRP policy

2 February 2022 - Scrutiny for Policies & Place

Scrutiny of the January Budget Report to Cabinet

4 February 2022 – LGR Joint Committee

Review of each Councils Budget proposals & their impact upon the 2023/24 budget for Somerset Council and future years MTFP's

7 February 2022 – Member Budget Briefing

All Member Budget Briefing on the budget

14 February 2022 – Cabinet

Updated Budget Report including the council tax and business rates surplus / deficit plus any comments from Scrutiny. The report will set out the proposed Council Tax increases and include the Section 25 report from Director of Finance & Governance on the robustness of the budget and adequacy of the level of reserves.

17 February 2022 – Member Budget Briefing

All Member Budget Briefing on the final budget proposals

23 February 2022 – Full Council

Budget proposals from Cabinet including council tax increase and Capital programme

11.19. Risks

Some specific service risks are outlined within the service narratives elsewhere in this report. Some of the key corporate risks are outlined in **Table 18** below and these will be monitored and reported as part of the budget monitoring process throughout the year:

Table 18 – MTFP Financial Risks

Risk	Rag Rating (R/A/G)	Risk Owner	Management and Mitigations
The longer-term impact of the Covid-19 pandemic continues to impact adversely on demands for services to escalate beyond current estimates and contingencies	R	Strategic Leadership Team	Demand will need to be continually monitored in 2021/22 for impacts on the estimates for 2022/23 budgets. The Contingency Budget of £6m will be retained in 2023/24.
Changes to Government Policy that affects future funding (Social Care)	R	Strategic Leadership Team	The Government's announcements on Social Care reform not yet fully understood. Grant funding of £1.7m has been allocated to SCC in 2023/24 to start to prepare for these changes. It is

			not currently known if this is sufficient.
Interest rates increase	A	Director of Finance and Governance	The base rate has recently increased from 0.1% to 0.25%. This does not change the current strategy of internal borrowing but we will continue to monitor and review this.
Impact on business rates is greater than currently estimated	A	Director of Finance and Governance	Although SCC has continued to participate in the business rates pool this will require reviewing before the final deadline in January. The MTFP also now assumes that the reset and reforms will not impact on the authority's income overall.
Pay awards will be higher than estimated	A	Director of Customers, Digital, and Workforce	A 1% increase was factored into the budget for 2021/22 and the employee side has now rejected an offer of 1.75%. Currently the additional cost of a 1.75% increase for 2021/22 and a 2.5% increase for 2022/23 has been factored into the MTFP.
Unitary preparations and Transitional Costs	A	Strategic Leadership Team	All workstreams and governance arrangements are now in place. Transition costs are monitored and managed through the Steering Group, Board and Joint Committee.
Economic downturn impacts on income	A	Relevant Director	Review as part of budget monitoring
Unforeseen events outside SCC's control	A	Relevant Director	Events such as extreme weather, increases in fuel and utility costs (currently a major issue) and changes in recycling material values are outside our direct control. These will need to be monitored and the MTFP updated as necessary.

Report Sign-Off

		Signed-off
Legal Implications	Honor Clarke	10/01/2022
Governance	Scott Woodridge	23/12/2021
Corporate Finance	Jason Vaughan	23/12/2021
Human Resources	Chris Squire	23/12/2021
Property	Paula Hewitt / Oliver Woodhams	23/12/2021
Procurement / ICT	Claire Griffiths	10/01/2022
Senior Manager	Jason Vaughan	23/12/2021
Commissioning Development	Sunita Mills / Ryszard Rusinek	06/01/2022
Local Member	All	N/A
Cabinet Member	Cllr Mandy Chilcott - Cabinet Member for Resources	05/01/2022
Opposition Spokesperson	Cllr Liz Leyshon	10/01/2022
Scrutiny Chair	Cllr Anna Groskop - Place Scrutiny	06/01/2022