## Decision Report – Executive Decision

Forward Plan Reference: FP/22/06/17
Decision Date – 16/11/22

SOMERSET
County Council

# 2022/23 Budget Monitoring Report – Month 6 – End of September

Executive Member(s): Cllr Liz Leyshon – Deputy Leader of the Council and Lead Member on Finance and Human Resources
Local Member(s) and Division: All
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## 1. Executive Summary

This is the second quarterly report and supplements the usual monthly revenue reporting with updates on the overall delivery on savings, transformation, and additional income plans, capital, treasury management, and risks. This ensures that the Council reflects national best practice and meets the requirements of the CIPFA Financial Management Code.

After taking into account all service expenditure and contingencies the projected outturn position is £405.5m against a net budget of £383.3m. This gives an £21.2m adverse variance which represents a variance of 5.5%. Overall, there has been a favourable movement of £0.8m since the Month 5 position. This continues the down trend from Month 4 which was a forecast overspend of £23.9m for year. The action plan approved by the Executive in Quarter 1 is clearing having a positive impact albeit against a very challenging financial environment.

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 are:

- Adult Services has a £12.7m adverse variance against their budget (7.9% of service budget); an improvement in position of £0.3m from month five. The improvement mainly relates to home care/supported living, as several placements within Supported Living have come to an end.

- Children's Services has a £16.8m adverse variance against their budget (15.9% of service budget); a deterioration of £0.3m from month five. Most of this pressure is seen in the children's social care budget (external placements) which is forecasting a £12.1m overspend due to increased complexity and several very high-cost placements, as well as an increase in unregulated care placements.

- Economic & Community Infrastructure (ECI) has a £0.2m favourable variance against their budget (0.3% of service budget); a strengthening in position of £0.3m from month five. This improved position is due to some additional rental income and cost savings.

- Corporate Costs has a £3.9m favourable variance mainly due to an increase in investment income following interest rate increases.

- Corporate Contingency is a favourable variance of £3.3m after taking account of the potential additional costs of the national pay award at an average of 5.5%.

The 2022/23 Budget included over £5m of savings, income generation, and transformation savings with £1.1m achieved, £2.3m on track, £1.1m at risk, and £0.6m unachievable.

Current estimates are that the year-end position of the Capital Programme will be £148.7m against an overall budget of £174.1m, giving a £25.4m total variance. £16.1m of this variance will be reprofiled into future years with a £9.3m underspend projected.

## 2. Recommendations

a) Note the forecast overspend of £21.2m (**section 12**) and the key risks, future issues and opportunities detailed in the report which will be closely monitored and updated throughout the year.
b) Note the forecast position of the capital programme and potential underspend at the end of the current programme.
c) Approve the removal of £1.1m of borrowing approval from the capital programme for Adult Social Care, noting this funding is now surplus to requirements.
d) Note the additional external funding that has been added to the capital programme in this quarter.

## 3. Reasons for recommendations

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

## 4. Other options considered

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

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

The Medium-Term Financial Plan (MTFP) 2021-24 set the funding for the County Vision and the use of those funds is then monitored, via this report and others throughout the year to ensure delivery of Council objectives and actions within the resources available.

## 6. Consultations and co-production

The main report has been prepared by the Finance Team based upon the information and explanations provided by Directors. The detailed services variances, explanations and comments have been provided by the Directors and are set out below.

## 7. Financial and Risk Implications

Any variance at the end of the financial year will have an impact upon the level of reserves. In addition to General Reserves of £27.1m, there are Earmarked Resilience Reserves of £34.6m and further details are provided in Section 28 of the report. There is a relevant Strategic Risk ORG0057 Sustainable MTFP and its current score is:

| | | | | | |
|---|---|---|---|---|---|
| Likelihood | 5 | Impact | 5 | Risk Score | 25 |

## 8. Legal and HR Implications

There are no specific legal implications arising from this report.

## 9. Other Implications:

### Equalities Implications

There are no specific equalities implications arising from the contents of this report.

### Community Safety Implications

There are no community safety implications arising from the contents of this report.

### Sustainability Implications

There are no sustainability implications arising from this report.

### Health and Safety Implications

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

### Health and Wellbeing Implications

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

### Social Value

There are no Social Value implications arising from this report.

## 10. Scrutiny comments / recommendations:

This report will be presented to Scrutiny for Policies and Place Committee, on 8 November 2022; comments arising will be made available to the Executive at the subsequent meeting.

## 11. Background

Full Council approved the 2022/23 Budget in February 2022. 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 current

2022/23 budget of £383.3m (the current budget includes carry forwards and reserve movements) as at the end of September 2022.

**Revenue**

## 12. Forecast Outturn Position

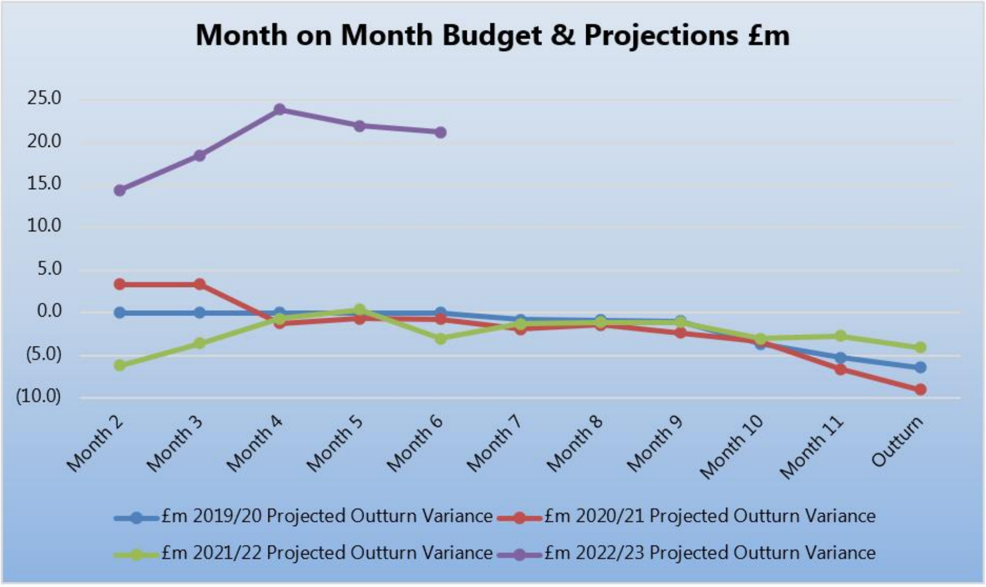
**Table 1** shows the forecast outturn position against the current budget. Further information for each service is shown below, along with details on movements, actions to be taken, future risks and opportunities.

**Table 1: 2022/23 Budget Monitoring Report as at the end of September 2022 (Month 6)**

| 2021/22 Outturn Variance | Service Area | Original Budget £m | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|---|---|
| (0.2) | Adult Services | 159.7 | 160.0 | 172.7 | 12.7 | A | (0.3) | ↑ |
| 4.2 | Children's Services | 105.0 | 105.4 | 122.2 | 16.8 | A | 0.3 | ↓ |
| 0.0 | Public Health | 1.3 | 1.3 | 1.3 | 0.0 | - | 0.0 | → |
| (1.7) | Economic & Community Infrastructure | 71.9 | 74.6 | 74.4 | (0.2) | (F) | (0.3) | ↑ |
| **2.3** | **Direct Services Position** | **337.9** | **341.3** | **370.6** | **29.3** | **A** | **(0.3)** | ↑ |
| (0.2) | Customers, Digital & Workforce | 16.9 | 17.0 | 16.9 | (0.1) | (F) | 0.0 | → |
| 0.0 | Finance and Governance | 12.1 | 13.5 | 13.5 | 0.0 | - | 0.0 | → |
| 0.0 | Accountable Bodies | 4.3 | 4.4 | 4.4 | 0.0 | - | 0.0 | → |
| (2.6) | Corporate Costs | 1.5 | 1.1 | (2.8) | (3.9) | (F) | (0.5) | ↑ |
| 0.0 | Trading Units | 0.0 | 0.0 | 0.2 | 0.2 | A | 0.0 | → |
| **(0.5)** | **Total Service Position** | **372.7** | **377.3** | **402.8** | **25.5** | **A** | **(0.8)** | ↑ |
| (3.6) | Corporate Contingency | 6.0 | 6.0 | 2.7 | (3.3) | (F) | 0.0 | → |
| **(4.1)** | **Total after Contingencies** | **378.7** | **383.3** | **405.5** | **22.2** | **A** | **(0.8)** | ↑ |
| 0.0 | Reserves | (8.3) | (12.9) | (12.9) | 0.0 | - | 0.0 | → |
| 0.0 | Council Tax | (279.9) | (279.9) | (279.9) | 0.0 | - | 0.0 | → |
| 0.0 | Business Rates | (84.1) | (84.1) | (85.1) | (1.0) | (F) | 0.0 | → |
| 0.0 | Revenue Support Grant | (6.4) | (6.4) | (6.4) | 0.0 | - | 0.0 | → |
| **(4.1)** | **Total Month 6 Position** | **(0.0)** | **0.0** | **21.2** | **21.2** | **A** | **(0.8)** | ↑ |

Arrows show movement from the previous month:

↑ Favourable movement → No movement ↓ Adverse movement




## 13. Adult Services Director Mel Lock, Executive Lead Member Cllr Heather Shearer

- 2022/23 net budget £160.1m, projected adverse variance £12.7m, favourable movement £0.3m.
- 2021/22 net budget £146.2m, outturn favourable variance £0.2m.

## Table 4: 2022/23 Adult Services as at the end of September 2022 (Month 6)

| Service Area | | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|---|
| **Adult Social Care - Physical Disability/Sensory Loss/65 Plus** | | | | | | | |
| | Residential & Nursing | 40.2 | 46.5 | 6.3 | A | 0.2 | ↓ |
| | Home Care | 24.8 | 24.3 | (0.5) | (F) | 0.3 | ↓ |
| | Direct Payments | 10.7 | 12.0 | 1.3 | A | (0.2) | ↑ |
| | Staffing Costs | 10.2 | 9.2 | (1.0) | (F) | (0.1) | ↑ |
| | Other | 3.0 | 3.4 | 0.4 | A | 0.2 | ↓ |
| | **sub total** | **88.9** | **95.4** | **6.5** | **A** | **0.4** | ↓ |
| **Mental Health** | | | | | | | |
| | Residential & Nursing | 11.0 | 13.4 | 2.4 | A | (0.5) | ↑ |
| | Home Care/Supported Living | 4.5 | 5.1 | 0.6 | A | 0.1 | ↓ |
| | Staffing/Deprivation of Liberty Safeguards | 4.5 | 4.5 | 0.0 | - | 0.0 | → |
| | Other | 1.0 | 1.5 | 0.5 | A | 0.1 | ↓ |
| | **sub total** | **21.0** | **24.5** | **3.5** | **A** | **(0.3)** | ↑ |
| **Learning Disabilities** | | | | | | | |
| | Residential & Nursing | 20.6 | 21.8 | 1.2 | A | 0.4 | ↓ |
| | Supported Living/Home Care | 25.1 | 26.7 | 1.6 | A | (1.1) | ↑ |
| | Direct Payments/In Control | 9.1 | 9.6 | 0.5 | A | 0.3 | ↓ |
| | Day Care | 3.5 | 5.0 | 1.5 | A | (0.1) | ↑ |
| | Discovery | 29.8 | 28.2 | (1.6) | (F) | 0.0 | → |
| | Other | 8.2 | 8.6 | 0.4 | A | (0.1) | ↑ |
| | **sub total** | **96.3** | **99.9** | **3.6** | **A** | **(0.6)** | ↑ |
| **Commissioning** | | | | | | | |
| | Commissioning | 13.0 | 13.0 | 0.0 | - | 0.0 | → |
| | Better Care Fund | (34.7) | (34.7) | 0.0 | - | 0.0 | → |
| | LD Pooled Budget Income | (24.4) | (25.3) | (0.9) | (F) | 0.2 | ↓ |
| | **sub total** | **(46.1)** | **(47.0)** | **(0.9)** | **(F)** | **0.2** | ↓ |
| **Adult Services Total** | | **160.1** | **172.8** | **12.7** | **A** | **(0.3)** | ↑ |

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

### <u>Adult Social Care - Physical Disability/Sensory Loss/65 Plus</u>

This area of Adult Social Care spend is currently projected to be £6.5m overspent. There remains a cost pressure against both Residential and Nursing placements as the need to use more beds than budgeted for continues, resulting in a projected overspend of £5.1m. We are projecting £1.2m for potential home closures across Somerset due to difficult financial stability within the current market.

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 funded from the Intermediate Care budget but could have a longer-term impact on the social care budget as evidence shows that 48% of people going into interim beds end up going into permanent care, compared with 27% who go from our pathway bed base.

Home Care delivery has increased this month, due to an increase in capacity being created within the market. We are projecting home care to be £0.5m underspent.

As we continue to offer choice and have a varied market that includes micro-providers, we are projecting overspend of £1.3m. This is mainly due to an increase in one off payments and ongoing packages due to additional demand.

**Mental Health**

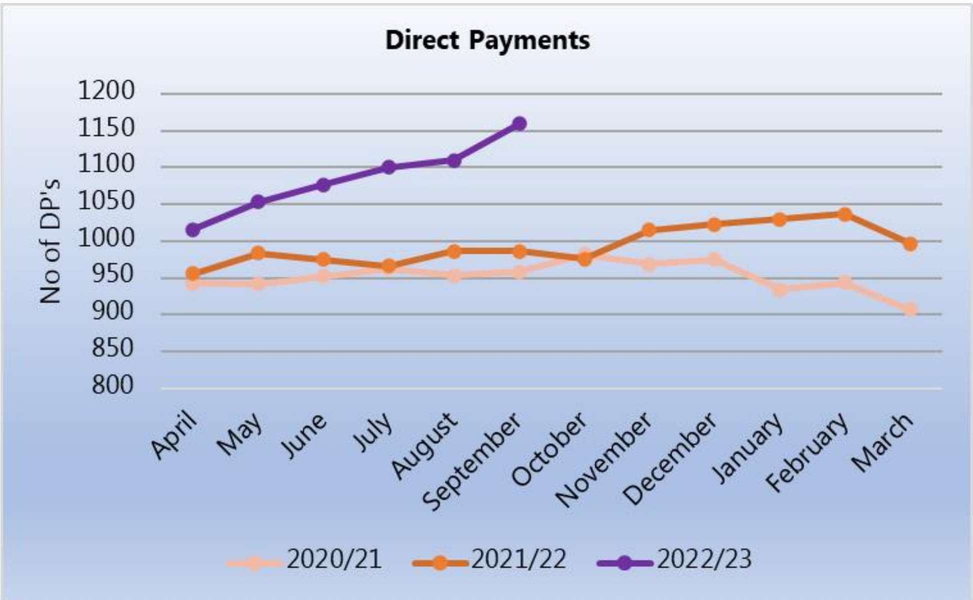
The Mental Health budget is projected to be overspent by £3.5m. Residential and nursing continues to be a pressure for the service due to a combination of increasing numbers and high unit costs. This budget includes individuals who have a diagnosis of dementia.

**Learning Disabilities**

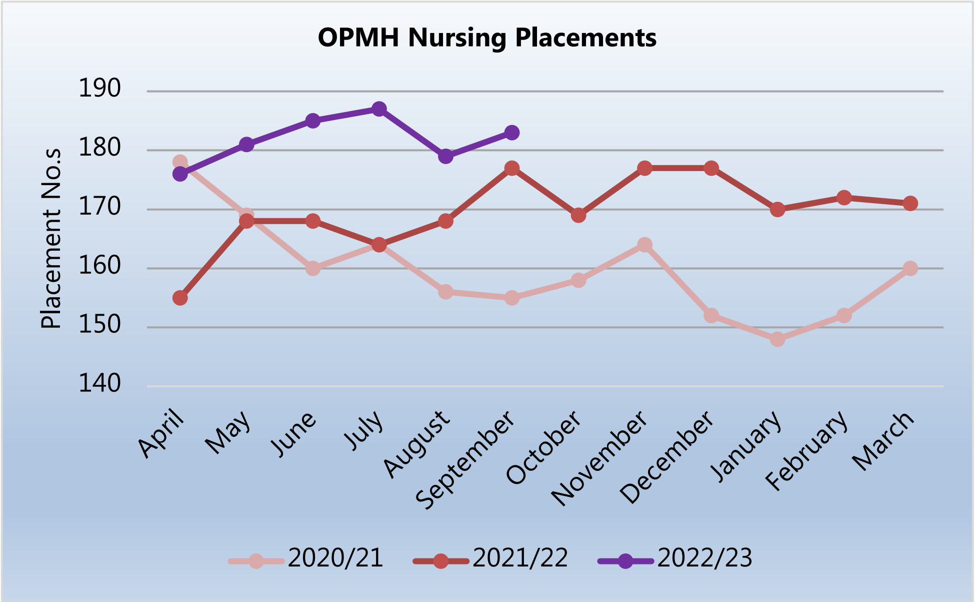
Overall, the cost of Learning Disabilities is projected to overspend by £3.6m. We are currently projecting an overspend of £1.6m within Supported Living and homecare, due to market sustainability. Supported Living is in the best interest of people but is an area where unit costs can be high, this month we have seen a number of placements within Supported Living come to an end due to a number of reasons.

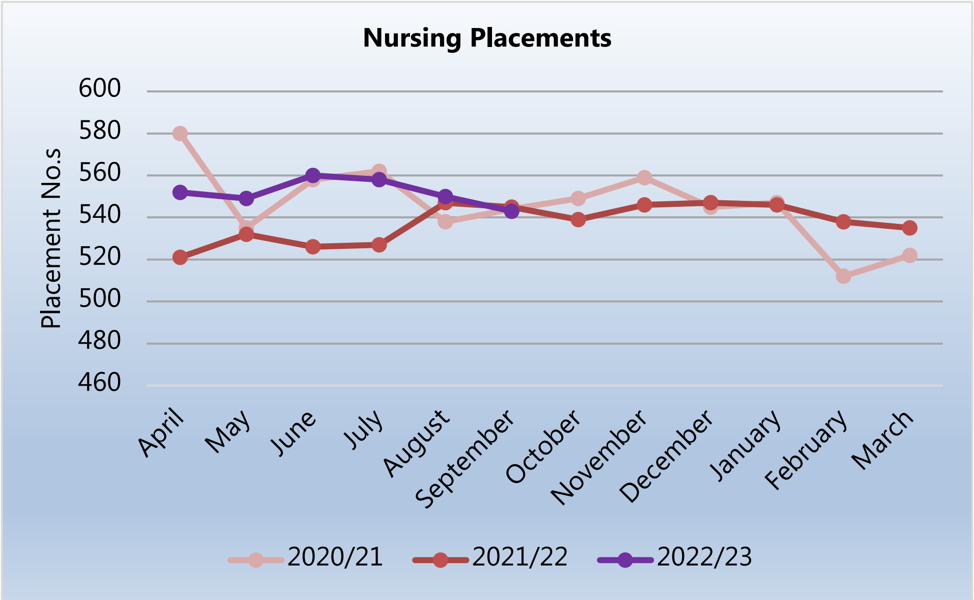
As families feel more self-assured of living with Covid they feel more confident of using day services as an option for a carer's break/respite. Consequently, we are seeing increased need and subsequent spend. Therefore, resulting in a current projected overspend of £1.5m.

**Adult Services - key performance cost drivers**




Since month 5, we have seen an increase in the number of people receiving a Direct Payment, with total packages increasing from 1,110 to 1,160. The currently weekly average cost of a Direct Payment is £287.73 per package, compared to £289.06 within month 5.




The number of Older People Mental Health (OPMH) Nursing placements has increased by four since month 5 from 179 to 183. The current weekly average cost for OPMH Nursing is £832 per placement, compared to £810 within month 5.

Nursing placements decreased by seven since month 5 from 550 to 543. The current weekly average cost for Nursing is £759 per placement, compared to £723 within month 5.

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

Adult Social Care had £7.2m of one-off money last year the budget therefore came in underspend. ASC has seen significant additional funding this year, however the inflation uplift, increase in demand post covid and the increased cost of living has resulted in this projection.

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 increase demand, the cost-of-living rise, particularly the increase in petrol, gas, electric, and food. Alongside this our neighbouring authorities, due to lack of supply in their areas, are wanting to purchase additional beds in Somerset at significantly higher cost than we currently purchase these beds. We have therefore built into this budget £5.4m amount to stabilise and have sufficiency in the market.

When we consider the market spend on supporting people to remains independent at home, we need to take into consideration the spend on Home Care and Direct Payments you will see increase in both these areas.

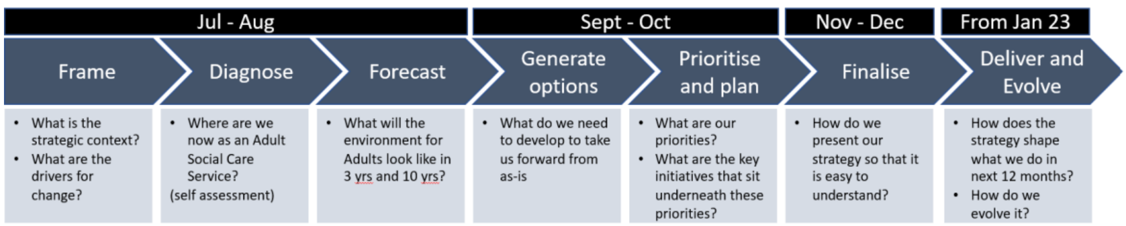
We have several system changes that should begin to impact on the overspend position in month 6 alongside the additional funding agreed to stabilise the market which will begin to have an impact in September.

**Adult Social Care Transformation Q2 Update**

**ASC Strategy Development:**
We need to develop a refreshed Adult Social Care Strategy that is informed by

- the views and experiences of staff, service users and other key stakeholders,
- reflects the context within which we are working
- clearly sets out our key ambitions and vision for the future

We have agreed the plan and approach with SMT which will focus on the following areas:




We have identified existing strategies being delivered within the system to ensure connection, avoid duplication, and understand how all these components contribute to the wider strategy that needs to be developed.

We have worked with leaders in the service to map the strategy content. Capturing the views of all key partners in this process remains important, and a comms and engagement action plan has been drafted for October so that all our key stakeholders have a chance to influence what our revised Strategy looks like.

**Co-production**
In Somerset, we know that we need to make significant improvements with how we co-produce changes with people, so they have a voice in shaping our services. We are currently forming our ambition with this project.

**Operational Restructure**
Further options for the ASC Operational restructure are currently being developed and costed as a result of budget restrictions. A phased approach has been agreed and detailed within the Business Case and job profiles being drafted and going through job evaluation.

**Assurance and Inspection Readiness**
New Policy, Performance and Assurance Service Manager now in post and successfully appointed a Policy & Assurance Lead Officer
First draft of the Self-Assessment shared with SMT and is being used to inform strategy development. Liaison with North Somerset and other LA areas to share ideas and progress in relation to assurance and inspection readiness. TriX ASC Procedures contract starting 29 August 2022 – initial implementation meeting scheduled early September 2022.
A final draft of the Local Authority Assurance inspection framework was shared by CQC to support preparation activity. This is pending sign off by Secretary of State in 2023.

**Liberty Protection of Safeguards**
Somerset County Council has formed and submitted its response to the national consultation to the codes and practice. We are expected to hear the outcome of the consultation in by the end of 2022.

**Charging Reform**
The Government issued their response to the consultation on the operational guidance for implementing reforms. There is greater clarification on many points of detail, and a delay for the ability of self-funders already in residential care to request placements at Local Authority rates.

We have also received the detailed technical specification for the care cost calculator. This will enable us to begin to plan the implementation of the software and business processes that will support the cap on care costs.
The cost of care exercise concluded in August with over 30% of home care providers contributing which is a great result and in line with national expectations. This information will contribute to a Market Sustainability Plan that will be submitted to DHSE in October.

The team has also been busy looking at different self-assessment tools available that will form part of our solution to managing the additional demand that reforms will bring. Consultation is now open concerning the options for government distribution of funding to support implementation of the charging reforms. Business case and non-key decision paper draft to support the award for the financial self-assessment tool.

**Homecare Recommissioning**
We have identified a number of challenges and opportunities with our Homecare market, and with the contract due for renewal from April 2024, we are taking the opportunity to revisit our model and what we commission. This project will look to understand and deal with the current challenge this section of the market faces, whilst looking to transform the model in the future.

**PAMMS**
**This project is working on embedding a regional market management toolkit to support the coordinate measurement of quality, spend and activity within commissioned services at the request of SW ADASS. We are piloting the QA module with volunteer care providers from September 2022, with weekly regional project meetings to monitor implementation.**

### 14. Children's Services – Director Claire Winter, Executive Lead Member Cllr Tessa Munt

- 2022/23 net budget £105.3m, projected adverse variance £16.8m, adverse movement £0.3m.
- 2021/22 net budget £101.8m, outturn adverse variance £4.2m.

## Table 5: 2022/23 Children's Services as at the end of September 2022 (Month 6)

| Service Area | | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|---|
| **Children's Social Care** | | | | | | | |
| | Prevention | 5.7 | 5.9 | 0.2 | A | (0.1) | ⇧ |
| | Fostering & Permanence | 12.8 | 12.2 | (0.6) | (F) | 0.2 | ⇩ |
| | External Placements | 27.4 | 39.5 | 12.1 | A | (0.3) | ⇧ |
| | Fieldwork | 8.9 | 9.9 | 1.0 | A | 0.3 | ⇩ |
| | Disabilities | 3.6 | 3.8 | 0.2 | A | 0.2 | ⇩ |
| | Partnership, Audit & Quality | 2.6 | 2.5 | (0.1) | (F) | (0.1) | ⇧ |
| | Safeguarding | 0.0 | 0.0 | 0.0 | - | 0.0 | ⇨ |
| | Children Looked After | 4.4 | 5.1 | 0.7 | A | (0.1) | ⇧ |
| | Leaving Care | 2.0 | 2.1 | 0.1 | A | 0.1 | ⇩ |
| | Residential Homes | 2.2 | 2.0 | (0.2) | (F) | 0.0 | ⇨ |
| | Central | 0.6 | 0.8 | 0.2 | A | 0.1 | ⇩ |
| | **sub total** | **70.2** | **83.8** | **13.6** | **A** | **0.3** | ⇩ |
| **Commissioning** | | | | | | | |
| | Commissioning Services | 10.8 | 10.9 | 0.1 | A | 0.0 | ⇨ |
| | Supporting Families | (0.4) | (0.4) | 0.0 | - | 0.0 | ⇨ |
| | Central | 0.7 | 0.7 | 0.0 | - | 0.0 | ⇨ |
| | **sub total** | **11.1** | **11.2** | **0.1** | **A** | **0.0** | ⇨ |
| **Education Partnerships and Skills** | | | | | | | |
| | School Improvement | 0.1 | 0.1 | 0.0 | - | 0.0 | ⇨ |
| | Education System Development | 0.9 | 0.9 | 0.0 | - | 0.0 | ⇨ |
| | Early Years | 0.5 | 0.5 | 0.0 | - | 0.0 | ⇨ |
| | Schools Statutory | 0.0 | 0.0 | 0.0 | - | 0.0 | ⇨ |
| | **sub total** | **1.5** | **1.5** | **0.0** | **-** | **0.0** | ⇨ |
| **Inclusion** | | | | | | | |
| | Inclusion Services | 5.0 | 5.3 | 0.3 | A | 0.0 | ⇨ |
| | Home to School Transport | 10.9 | 12.3 | 1.4 | A | 0.0 | ⇨ |
| | SEND Transport | 6.6 | 8.0 | 1.4 | A | 0.0 | ⇨ |
| | **sub total** | **22.5** | **25.6** | **3.1** | **A** | **0.0** | ⇨ |
| **Children's Services Total** | | **105.3** | **122.1** | **16.8** | **A** | **0.3** | ⇩ |

## Children's Services - key explanations, actions, & mitigating controls

## Children's Social Care

Children's Social Care services are forecasting an overspend of £13.6m. Much of this pressure is seen in the external placements budget (for children looked after) which is forecasting a £12.1m overspend, a decrease from month 5 of £0.3m. This is due to a slight decrease to the number of placements and a reduction in timescales for an unregistered placement.

At the end of September 2022 there were 589 children in care (595 in month 5). This equates to a rate per 10,000 of 52.9 (53.5 in month 5). The rate for Somerset's statistical neighbours is 59.5 and the England average is 65.4. Somerset has a consistently low rate of children in care largely due to the effective early intervention and community services which work to keep children with their families whenever it is safe to do so.

External Placements
The net pressure for external placements for last financial year (2021/22) was £1.6m which included £3.3m of one-off Covid funding to mitigate the overall pressure. The greatest areas of budgetary pressure for this financial year are in the residential and unregistered sectors.

There are currently 71 children (as at the end of September) in residential care (compared to 68 at the same point last financial year). The cost of the 71 children in residential care this financial year is projected at £19.7m compared to 68 children projected at £19.1m at the same point last year. The impact of the pandemic has been that children entering the care system have had more complex needs and therefore their care needs are higher costs in their own right. The Medium-Term Financial Plan (MTFP) had already taken account of likely increases in residential care and these costs are approximately in line with our assumptions.

Therefore, most of the pressure we are seeing in this year's budget relates to the cost of 9 children in unregistered care (compared to 1 at the same time last financial year), with a net projection of £11.5m. It is worth noting that 4 of these are in short-term placements, with plans in place to move on over the next few months. Unregistered placements began in Q2 2021 with 1 child, increasing to 6 children at the end of Q3 and Q4, and 9 in Q1 2022. These children have such complex needs predominately in relation to self-harm and complex mental health presentations that no registered provider locally, regionally, or nationally, have offered to provide care despite weekly requests. 7 of these children are joint funded with the NHS, with the NHS contribution projected at £1.9m (already included in the net projection of £11.5m).

These are national issues which have been highlighted by independent reports commissioned by central Government and published in 2022, from the Competition and Markets Authority and The Care Review.

Our strategic partnership with The Shaw Trust is mobilising well, and 2 homes have been purchased, with recruitment well underway. Subject to planning and Ofsted registration, these homes will be operational from the end January 2023, offering homes for up to 6 of our most complex children in care. A further 2 homes are planned to open for up to 4 children in Spring 2023. Based on average costs of the most complex children in residential placements, cost avoidance of £0.3m has been included in the projection to be achieved in Q4 during 2022/23.

If it were possible to match the children in unregistered placements to these homes, cost avoidance in 22/23 from January 2023 would be between £0.6m and £1.9m. Full year effect in 2023/24 would be between £2.7m and £8.2m in reducing the reliance on unregistered provision during that time.

Partnership funding is regularly agreed to offset costs of more complex children, as part of the Multi-Agency Complex Care Needs Panel (MACCNP). There are currently 55 children with funding agreed between partners, with forecast income of £10.8m in 2022/23 from NHS and the Dedicated Schools Grant High Needs Block (this includes £1.9m of NHS income for the unregistered children already mentioned above).

The service continues to work with individual children and their families to identify the best long-term home for them. Our Step Forward scheme helps children living in residential care to move to a foster home where this is in their best interest and a suitable foster home is available. This scheme also reduces costs within the external placements budget. Currently 6 young people are placed with Step Forward foster carers, with cost avoidance of £0.5m estimated to be achieved during the year.

The other areas of unanticipated increased spend are:

- semi-independent placements for 16–17-year-olds (£3.4m pressure); and
- the extension of timescales for parents and children in assessment placements together due to backlogs in the Family Proceedings Court (£0.6m pressure).

Disabilities

The Children with Disabilities (CWD) service has increased pressures, caused by the extension of costly support packages for children with very high needs in court proceedings. This has resulted in a pressure of £0.4m against the CWD External Placement budget.

There is also an increased number of direct payments (payments made to families to source care services directly) being made. 223 children received payments in August 2022, compared to 181 in the same month of 2021. This has also resulted in a financial pressure of £0.4m. There has recently been an agreed uplift of 15% for direct payments to bring children's rates in line with adults to maximise the availability of suitable carers for children which has contributed to the change in variance of £0.2m.
Due to the extremely vulnerable children supported by the service, £0.6m Contain Outbreak Management Fund (COMF) funding has been utilised in this area to mitigate pressures in year.

Fostering and Permanence

Fostering & Permanence is forecasting an underspend of £0.6m for fees and allowances. This is a reduction of £0.1m from month 5, due to a recently agreed increase in the fostering allowance rate from September 22 to support and retain our foster carers. Whilst the renewed recruitment drive has not yet had a significant impact the work of the restructured fostering service has enabled 14 additional children to be cared for by our existing foster carers

Transport

Transport costs across Children's Social Care for families and children looked after is currently forecasting an overspend of £0.4m. This is mainly due to the increased reliance on external providers since the COVID-19 pandemic, following a reduction in the availability of volunteer drivers (50% in 2018/19 compared to 17% in 2022/23). The current national fuel crisis will also be contributing to these pressures, with providers raising costs to cover the increase in fuel prices. The increased complexity of children coming into care, as mentioned above, is also resulting in the reduction of suitable volunteer drivers, with many children requiring specialist assistants to accompany along the route.

Fieldwork

Several support packages are currently in place across the county to provide 24/7 support to families, with the aim of reducing the likelihood of children coming into care. This has resulted in a projected pressure of £0.9m. Court delays have extended the period of support; however current costs will be less than if those individuals were brought into care.

The pressure within fieldwork has increased by £0.2m since month 5. This is due to the forecast extension of court ordered independent assessments in the context of a large backlog within the court timetable to final hearings.

**Inclusion**

Home To School Transport

The cost of transporting children and young people to their place of education continues to be an area of pressure in 2022/23 with a total forecast adverse variance at month 6 of £2.8m across Home to School and Special Educational Needs and Disability (SEND) transport.

Contractual inflation of 5% was built into the 2022/23 budget, however, following rising fuel costs, driver hourly rates and other related costs, some contracts are being retendered by up to 30% more than the original contract rate.

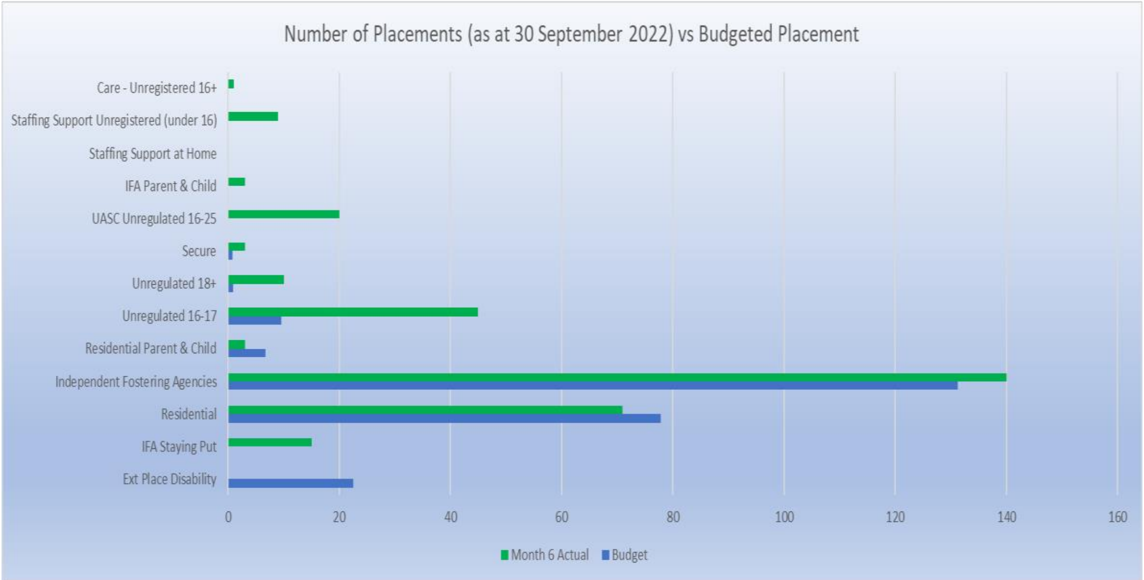
In addition, the increase in children and young people with Education, Health and Care Plans (EHCPs) who require transport has also had a contributing factor to the overspend.

To control costs through the year the service has robust policies in place that only provide the basic statutory transport entitlement. Following an internal audit of Home to School Transport, a programme of work is underway to address the findings and improve assurance around the practices and commissioning of transport.

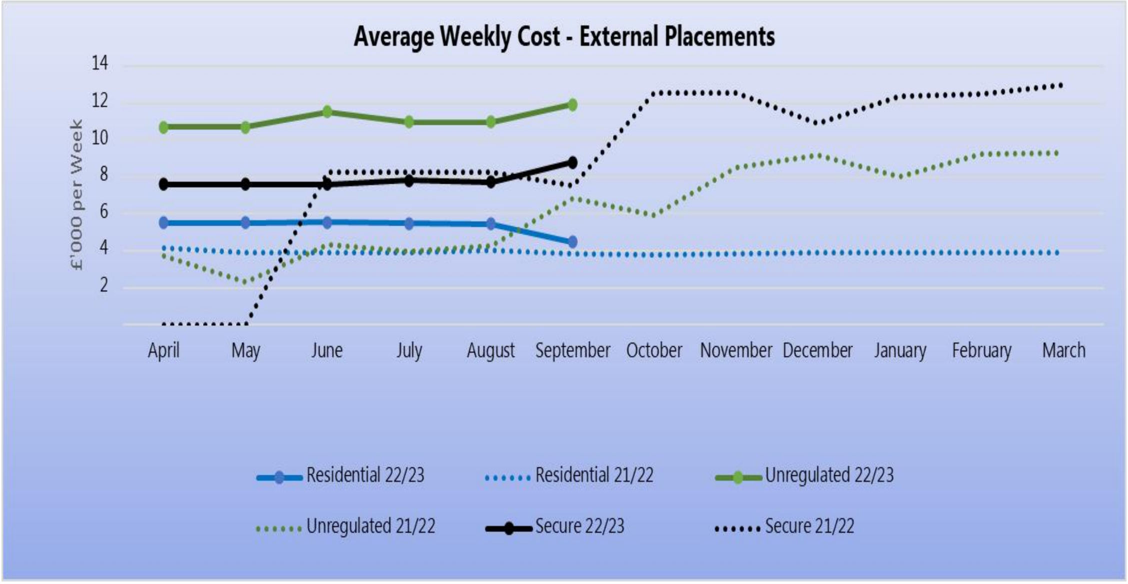
Inclusion Services

The month 6 adverse variance in Inclusion Services of £0.3m has arisen from the statutory duty to provide equipment and other disabled facilities for children with social care needs. This equipment and the other facilities enable children to live at home with their families.

**Children's Services - key performance cost drivers**




| |
|---|
| The majority of external placements are in Independent Fostering Agencies (140), Residential (71), Semi-Independent 16/17 (45) and IFA Staying Put (15).<br><br>The currently level of demand is 74 more than was built into the budget for the year, the most obvious variance being in Semi-Independent 16-17 (35 more than assumed).<br><br>The number of placement days projected to be provided for the year is higher than at any point in 2021/22, currently at 112,771. This is an increase of 1.2% compared to the anticipated level of placement days at the end month 4 (111,566). Demand is 29.8% higher than the level estimated in the budget. This is largely due to longer than expected parent and child assessment placements and fostering and residential placements, for children in care proceedings due to a backlog in the family court system. |




Average weekly costs across external placements remain high – see narrative above for details.

**Children's Services - key risks, future issues & opportunities**

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. The corporate performance report demonstrates the demand on early help services.

Compared to other local authorities, overall need for social work intervention and care placements are significantly lower, due in part to the Council's investment in Family Safeguarding and the Family Intervention Service (SCCs Early Help Service).

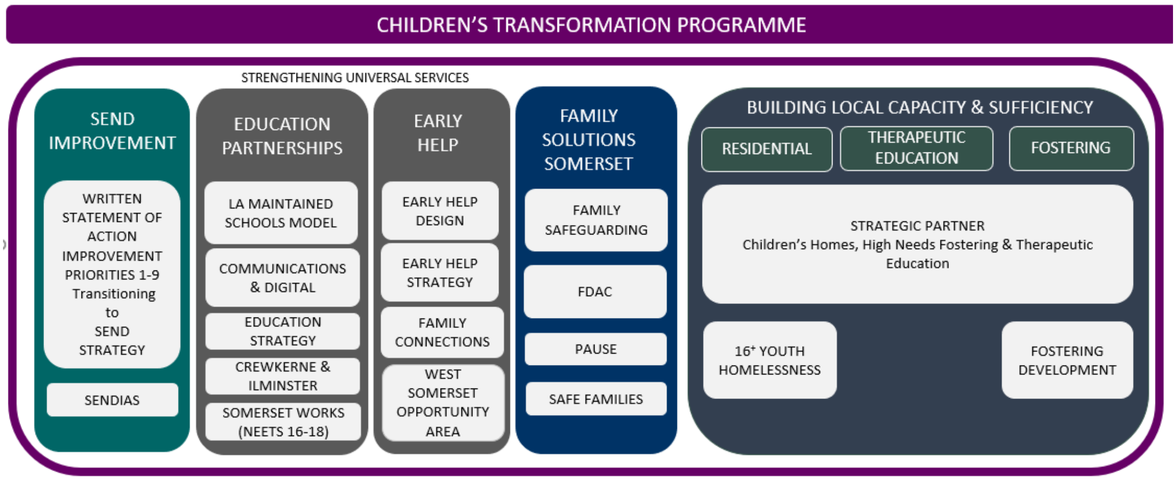
However, the increasing number of children with complex needs is putting a significant capacity and resource strain on the service. This is due in part to increased need but also changes in the nationally in the provision of care to those children with the most complex needs, these include:

- Regulations which came into force in Autumn 2021 prohibiting the use of unregulated (i.e., not registered with Ofsted) provision for under 16s – this had unintended (but predictable) consequences of putting even more pressure on an already saturated residential care market.
- Changes in access to Tier 4 CAMHS provision (not consulted beyond the NHS) – restricting access to children with a diagnosed mental health disorder who require inpatient treatment.
- Secure Estate – issues about the quality of care have led to restrictions to this provision, resulting in children who would have entered the secure estate requiring other residential care provision
- Residential Care Staffing – longstanding recruitment and retention issues in the sector have further deteriorated post pandemic.

These are national issues which have been recently highlighted by independent reports commissioned by central Government from the Competition and Markets Authority and an independent expert report – The Care Review. The former has highlighted the profits from private care companies.

Local proposals to improve the availability of local high-quality care placements are being progressed, specifically through the mobilisation of the Strategic Partnership as described above.

The Children's Transformation Programme continues at pace; working with families to deliver sustainable change, enabling them to reduce reliance on statutory services and to achieve excellent outcomes.




The Strategic Partnership (with Homes 2 Inspire and the Shaw Trust) is developing into a strong partnership model which will increase our capacity for providing high quality Somerset homes for our most complex young people, reduce our reliance on unregulated provision and enable improved long-term outcomes.

Recruitment and retention challenges for both Foster Carers and Children's residential staff reflect the national picture, but the development of an innovative partnership career pathway offer has started to generate positive results.

Recent benchmarking undertaken against national and southwest trends has evidenced that the Family Safeguarding service is holding off the rise in numbers of younger children coming into care. Interim evaluation of the multi-disciplinary staffing model has evidenced positive feedback from staff and families, who feel supported and empowered to lead their own change. Learning from this model is influencing how we work with partners and agencies to build successful integrated teams.

Colleagues in the Economic and Communities Infrastructure directorate are exploring innovative approaches to address rising Home to School Transport costs.

## 15. Dedicated Schools Grant (DSG) – Director Julian Wooster, Executive Lead Member Cllr Tessa Munt

- 2022/23 total DSG allocation is £468m before recoupment and deductions.
- 2022/23 allocation after recoupment and deductions, and excluding individual school budgets, is £103.9m, projected adverse variance £5.9m, adverse movement £0.2m.
- 2021/22 allocation after recoupment and deductions, and excluding individual school budgets, was £93.4m, outturn adverse variance £4.3m

**DSG cumulative deficit as at the 31 March 2022 is £20.1m**
**Table 6: 2022/23 DSG Allocation**

| DSG Block | Allocation (before recoupment and deductions) | Recoupment and Deductions (Academy/ NNDR) | Allocation (after recoupment and deductions) |
|---|---:|---:|---:|
| High Needs Block (HNB) | 76.3 | 9.0 | 67.3 |
| Central School Services Block (CSSB | 5.6 | 0.0 | 5.6 |
| Early Years (EYB) * | 29.1 | 0.0 | 29.1 |
| Schools Block (SB) ** | 357.0 | 233.3 | 123.7 |
| **Total DSG** | **468.0** | **242.3** | **225.7** |

In July, the Department for Education (DfE) issued a funding adjustment to the Early Years Block to account for the January 2022 census which increased funding for this block by £0.9m to £29.1m.

** The Schools Block allocation after recoupment and deductions is £123.7m which is then delegated to Local Authority (LA) maintained individual school budgets and to the growth fund for new and growing schools. £1.9m is then de-delegated back to the LA for services that are delivered by the LA to our LA Maintained Schools – this can be seen in Table 7.

## Table 7: 2022/23 DSG as at the end of September 2022 (Month 6)

| DSG Block | Current Budget (£m) | Full Year Projection (£m) | Month 6 variance (£m) | A/(F) | Movement from Month 5 | Direction from Month 5 |
|---|---|---|---|---|---|---|
| High Needs Block (HNB) | 67.3 | 73.3 | 6.1 | A | 0.1 | |
| Central Schools Block (CSB) | 5.6 | 5.6 | (0.0) | (F) | (0.0) | |
| Early Years (EYB) | 29.1 | 28.9 | (0.2) | A | 0.1 | |
| De-delegated | 1.9 | 1.9 | 0.0 | - | (0.0) | |
| **Total** | **103.9** | **109.7** | **5.9** | **A** | **0.2** | |

## DSG - key explanations, actions & mitigating controls

The significant adverse variance within the DSG is in the High Needs Block (£6.1m) with the main areas contributing to this being:

1. Independent & Non-Maintained Schools (INMS) (£4.2m adverse variance) - the service is experiencing a significant increase in new INMS placements being agreed through the LA's Placement and Travel Panel including some placements that have been ordered by the SEND Tribunal. In part this is due to insufficient availability of maintained specialist provision for pupils with social, emotional, and mental health needs. Increasing numbers of inflation-driven fee increase requests, increasing case complexity and the agreement of existing placement extensions aligned to key education stages has increased placement costs beyond the expectation within the budget.
2. Special Schools External Placements for Children Looked After (£0.50m adverse variance) – demand, linked with the increases seen in the number of Children Looked After, has exceeded the budget assumptions.
3. Mainstream Maintained Schools & Academies (£0.80m adverse variance) the current increase in the number and cost of Education, Health and Care Plans (EHCPs) and related costed packages was not anticipated within the budget. The service is continuing to review packages to limit the overspend.
4. Direct Payments (£0.33m adverse variance) – the increase in the number of Direct Payment recipients in the second half of 2021/22 was not incorporated into the budget for 2022/23 because it was assumed that the increase was temporary, but this has not been the case and numbers have remained higher than expected throughout 2022.
5. Pupil Referral Units (£0.53m adverse variance) – The forecast reflects a 40% reduction in the expected income. This is due to the high number of exclusions from schools and the corresponding reduction in the number of places available which can be recharged to schools.

## DSG - key risks, future issues, & opportunities

In November 2021, the local authority was required to develop and submit a DSG Deficit Management Plan (DMP) to the Education & Skills Funding Agency (ESFA). This DMP was designed to help manage in year and future DSG spend, particularly in the High Needs Block.

Following the development of the DMP, and as a result of continuing high levels of demand and rising costs, in March 2022 the local authority commissioned IMPOWER Consulting to develop and pilot interventions designed to improve the early identification and the support for children with Special Educational Needs and Disabilities (SEND) and to explore further opportunities to ensure that children and their families receive the right support at the right time.

Two focused pilots (Valuing SEND tool and the SEND advice line) were trialled between April and July 2022 which both demonstrated that significant impact could be achieved for children & young people from scaling up this work.

In August 2022, the DfE invited the Council to participate in the Delivering Better Value (DBV) in SEND Programme. This programme aims to provide dedicated support and funding to help 55 local authorities with substantial, but less severe, deficit issues (than those who are part of the DfE Safety Valve Programme) to reform their high needs systems. The aim is to put more LAs on a more sustainable footing so that they are better placed to respond to the SEND Review reforms. Colleagues from the service, finance and business intelligence have attended DBV SEND training and, in conjunction with both the DfE commissioned consultants, Newton CIPFA, and IMPOWER Consulting, are developing a new strengthened approach to identifying opportunities for improvement and service performance management.

The service has identified two key risks:

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 until in April 2024. These issues result in SEMH needs being met by higher cost INMS providers. Partly in response to this situation, proposals are being developed to establish specialist therapeutic education provision as part of the Council's strategic partnership with the Shaw Trust.

Proposed removal of the statutory override for DSG deficits

In 2020, the Department for Levelling Up, Housing and Communities (DLUHC) introduced a statutory override that separated DSG deficits from local authorities' wider finances. This statutory override is due to conclude at the end of the 2022-23 financial year. DLUHC is currently consulting local authorities about the impact of removing the override on their financial positions. Depending on the outcome of the consultation, there is a risk that the DSG deficit may need to be incorporated back into the Council's finances from 31 March 2023.

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

- 2022/23 net budget £1.3m, no projected variance, no movement.
- 2021/22 net budget £1.7m, no variance at outturn.

**Table 8: 2022/23 Public Health as at the end of September 2022 (Month 6)**

| Service Area | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|
| Public Health Grant | 21.9 | 21.9 | 0.0 | - | 0.0 | ⇨ |
| S.C.C Budget | 1.3 | 1.3 | 0.0 | - | 0.0 | ⇨ |
| Grant Income | (21.9) | (21.9) | 0.0 | - | 0.0 | ⇨ |
| **Public Health Total** | **1.3** | **1.3** | **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 County Council budget.

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

Both the Public Health Grant and the SCC funding managed by public health are under pressures caused by inflationary increases and increasing demand for services due to a deterioration in health and wellbeing following the pandemic. The Public Health Team are working hard to control the budget and keep it on target. Development work to improve the populations health is now largely funded through applications for external funding, as previous national cuts to the grant and a lack of inflationary increase has meant development funding has had to be diverted in order to pay for budget pressures.

Improvements in whole population health are not achievable within the constraints of the public health budget. A new operating model for public health is required 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.

## 17. Economic & Community Infrastructure – Director Paula Hewitt, Executive Lead Members Cllr Mike Rigby, Cllr Ros Wyke, Cllr Frederica Smith-Roberts, Cllr Val Keitch, and Cllr Sarah Dyke

- 2022/23 net budget £74.6m, projected favourable variance £0.2m, favourable movement £0.3m.
- 2021/22 net budget £76.6m, outturn favourable variance £1.7m.

### Table 9: 2022/23 Economic & Community Infrastructure as at the end of September 2022 (Month 6)

| Service Area | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|
| Economy & Planning | 2.5 | 2.5 | 0.0 | - | 0.0 | → |
| Highways & Transport Commissioning | 1.9 | 2.0 | 0.1 | A | 0.0 | → |
| Community Infrastructure Commissioning | 1.2 | 1.2 | 0.0 | - | 0.0 | → |
| Civil Contingencies | (0.1) | (0.1) | 0.0 | - | 0.0 | → |
| ECI Management | 0.4 | 0.4 | 0.0 | - | 0.0 | → |
| Transporting Somerset | 9.4 | 8.9 | (0.5) | (F) | 0.0 | → |
| Registration Service | (0.2) | (0.4) | (0.2) | (F) | 0.0 | → |
| Library Service | 4.2 | 4.3 | 0.1 | A | 0.0 | → |
| Infrastructure Programme Group | 0.4 | 0.4 | 0.0 | - | 0.0 | → |
| Highway Operations | 12.9 | 14.1 | 1.2 | A | 0.0 | → |
| Business Support | 0.9 | 0.8 | (0.1) | (F) | 0.0 | → |
| Heritage Service | 1.6 | 1.6 | 0.0 | - | 0.0 | → |
| Traffic Management | 1.2 | 0.9 | (0.3) | (F) | (0.1) | ↑ |
| Somerset Waste Partnership | 31.9 | 30.9 | (1.0) | (F) | (0.1) | ↑ |
| SCC Waste | 0.1 | 0.1 | 0.0 | - | 0.0 | → |
| Strategic Property | 6.2 | 6.7 | 0.5 | A | (0.1) | ↑ |
| Commissioning Development | 0.1 | 0.1 | 0.0 | - | 0.0 | → |
| **Economic & Community Infrastructure Total** | **74.6** | **74.4** | **(0.2)** | **(F)** | **(0.3)** | ↑ |

**Economic & Community Infrastructure - key explanations, actions, & mitigating controls**

Economic & Community Infrastructure is currently forecasting an underspend of £0.2m at outturn, this is a favourable movement of £0.3m since month 5.

There are three favourable variances of £0.1m from month 5 as follows:

- Traffic Management – Traffic Regulation Order income forecasts have improved by a further £0.1m.

- Waste – disposal tonnages for the year to date continue to be lower than budgeted resulting in a favourable adjustment of £0.1m to the full year forecast.
- Property – the forecast has improved by £0.1m largely due to reduced energy usage during the County Hall B Block building works.

The most significant variances to budget are as follows:

**Favourable variances:**

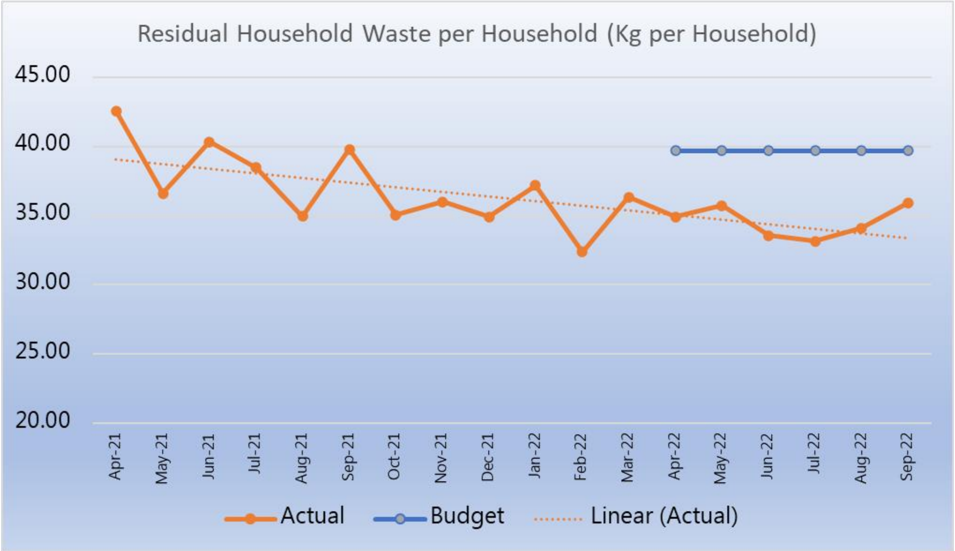
- **Waste -** £1.0m Favourable. Recycle More has performed much better than budget with reduced tonnages being sent to landfill due to increased recycling rates at the kerbside (budget £0.3m saving; forecast £1.2m saving). The remainder of the variance largely relates to adverse variances on inflation on the waste disposal contracts, which is estimated when the budget is prepared.
- **Transporting Somerset -** £0.5m Favourable. This is due to several factors: additional rental income at the Gateway Park & Ride being identified and cost savings across the services in accessible transport and concessionary fares.

**Adverse variances:**

- **Highway Operations -** £1.2m Adverse. There are forecast overspends in energy costs of £0.3m due to energy price increases in 2022/23 and signing and guarding costs of £0.8m. Signing and guarding costs are part of an ongoing review with our contractor, and we hope to show an improvement to the forecast over the coming months.
- **Strategic Property -** £0.5m Adverse. £0.3m of the adverse variance relates to energy price increases. A further £0.1m relates to delays in completion of the Saltlands Energy Park resulting in a delay in income compared to budget.

**Economic & Community Infrastructure - key performance cost drivers**

The graph below shows residual household waste (kg per household) since April 2021. With all Districts now on Recycle More 3-weekly refuse collections, the positive results can be seen. From April 2022, the budgeted average waste per month is also shown, demonstrating that for the current year there is a significant saving compared to budgets. This saving is forecast at £1.2m for the full year.

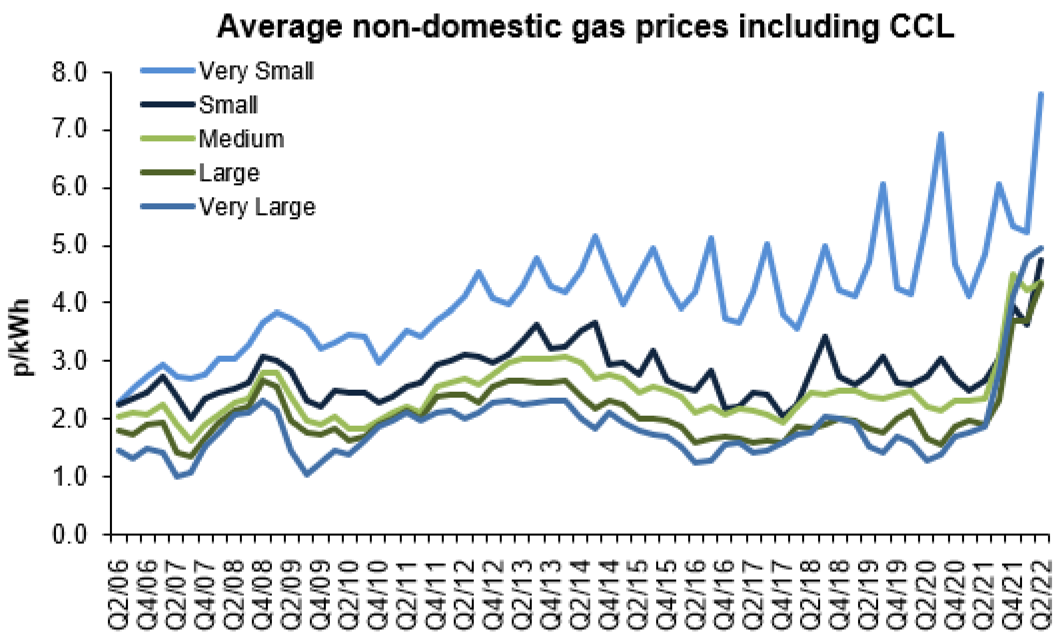


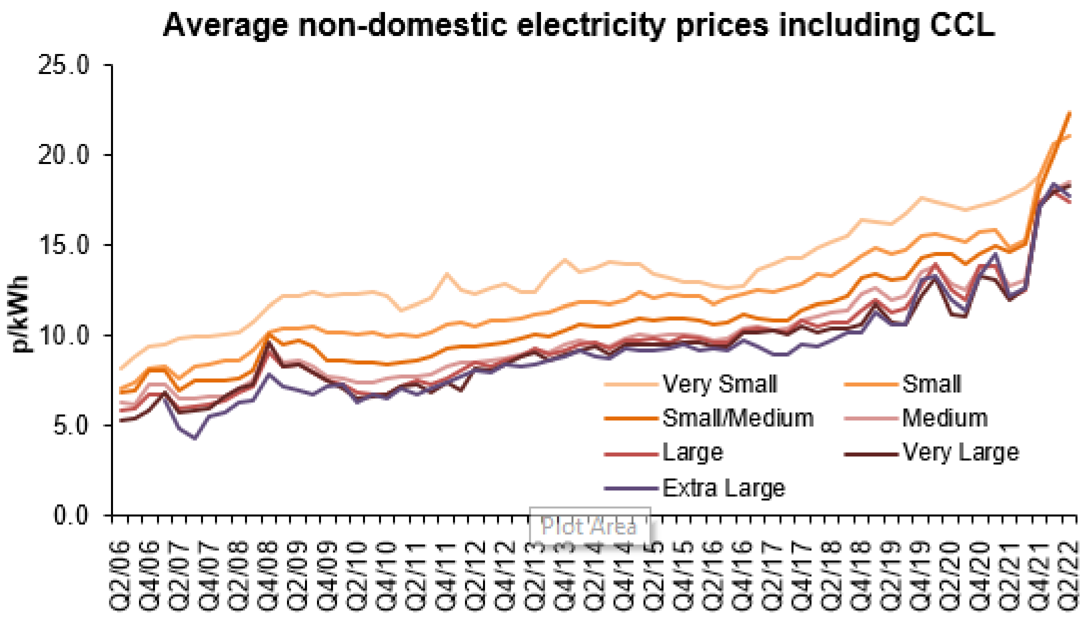

**Energy**

Energy is procured centrally for the Council and costs are recharged to services to allow each service to manage usage appropriately. Energy is purchased in advance of delivery over several tranches and volumes are aggregated with other public sector consumers. This approach provides best value and mitigates risk in a volatile market.

We are forecasting an overspend of £0.6m to budget within Highways and Property, an increase of approximately 3% from budgeted cost.

The graphs below have been taken from a report published by Department for Business, Energy, and Industrial Strategy (BEIS) which shows the continuing increase of gas and electricity costs purchased by non-domestic consumers in the UK. The source information can be found via the link below. This shows that average gas and electricity prices (including the Climate Change Levy) have increased by 62% and 39% respectively over the last 12 months.

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**Economic & Community Infrastructure - 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.

- **Energy Costs** continue to rise, and with a further increase anticipated due to a further increase to the price cap it is possible that the current projected spend will increase further. It is important to note that some services are currently projecting to be able to absorb the energy increases however this is reliant on other external factors beyond the control of the service. External contractors have also raised concerns with regards to the pressures this is causing on them and the impact it may have on scheme delivery.

- **Fuel costs**. It is currently difficult to forecast increases in spend on fuel due to the continuing fluctuation in fuel costs. This is having an impact on internal and external transport operators. At present Transporting Somerset is supporting operators with a small increase to contract payments, however, as increases in fuel continues this may not be enough to stop operators handing back contracts as they are no longer financially viable.

- **Scheme delivery** is also being impacted by the cost and supply issue of raw materials. Costs are increasing significantly, with a recent article in CIPFA's Public Finance suggesting increases of 89% for sawn wood, 73% for structural steel, 21% plastic doors and windows, and 18% for paint over the last year. Economic and Community Infrastructure will aim to absorb this increase within existing budgets, however it may be viable to delay projects or non-statutory services to be able to do this.

- **Contract inflation** is applied at different 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.

- **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.** Staff vacancies and difficulties in recruitment across ECI continue to impact on the ability to deliver services.

Economic & Community Infrastructure continues to work within their budget constraints to provide services effectively. Work is ongoing across the service to look at new ways of working and works that can be delayed.

## 18. Customers, Digital & Workforce – Director Chris Squire, Executive Lead Members Cllr Liz Leyshon, and Cllr Mike Rigby.

- 2022/23 net budget £17m, projected favourable variance £0.1m, no movement.
- 2021/22 net budget £16.7m, outturn favourable variance £0.2m

**Table 10: 2022/23 Customers, Digital & Workforce as at the end of September 2022 (Month 6)**

| Service Area | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|
| Communications | 0.5 | 0.4 | (0.1) | (F) | 0.0 | ➩ |
| Customers & Communities | 3.5 | 3.5 | 0.0 | - | 0.0 | ➩ |
| ICT | 8.6 | 8.6 | 0.0 | - | 0.0 | ➩ |
| Transformation & Change | 1.5 | 1.5 | 0.0 | - | 0.0 | ➩ |
| Human Resources | 2.9 | 2.9 | 0.0 | - | 0.0 | ➩ |
| **Customers, Digital & Workforce Total** | **17.0** | **16.9** | **(0.1)** | **(F)** | **0.0** | ➩ |

**Customers, Digital & Workforce - Revenue Summary - Key explanations, actions, & mitigating controls**

Customers, Digital & Workforce is projecting a favourable variance of £0.1m, nil movement of £0.0m to the position reported month 5. Communications is reporting a projected underspend of £0.1m due to savings within the staffing budget. All other services areas are currently reporting on budget.

All MTFP savings assigned in 2022/23 are on target or achieved except for income generation within HRAP from further new business which is highlighted as at risk due to being unknown at this point.

**Customers, Digital & Workforce - key risks, future issues & opportunities**

There is a key risk around the recruitment of some specialist roles due to higher salaries paid elsewhere. This may lead to some interim staff recruited at a higher cost.

A number of academies are moving to multi academy trust status which could have a negative impact on the income received for payroll services.

There is a potential pressure within the Communications budget in future years regarding the funding of the Head of Communications position.

## 19. Finance and Governance – Director Jason Vaughan, Executive Lead Member Cllr Liz Leyshon

- 2022/23 net budget £13.5m, no variance, no movement.
- 2021/22 net budget £9.8m, no variance at outturn.

**Table 11: 2022/23 Finance and Governance as at the end of September 2022 (Month 6)**

| Service Area | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|
| Democratic Services | 3.8 | 3.8 | 0.0 | - | 0.0 | ➩ |
| Legal Services | 5.1 | 5.1 | 0.0 | - | 0.0 | ➩ |
| Finance | 3.4 | 3.2 | (0.2) | (F) | 0.0 | ➩ |
| Commercial and Procurement | 1.2 | 1.4 | 0.2 | A | 0.0 | ➩ |
| **Finance and Governance Total** | **13.5** | **13.5** | **0.0** | - | **0.0** | ➩ |

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**Finance & Governance revenue summary - key explanations, actions, & mitigating controls**

The overall Finance & Governance budget is projecting a nil variance at month 6, and there is no movement to what was reported at month 5.

The projected overspend in Procurement from cross cutting MTFP saving is offset by a projected underspend within Finance. Reviewing opportunities to generate further income to reduce the overspend by year end is continuing within the Procurement Team.

**Finance & Governance key risks, future issues, & opportunities**

Capacity across all areas is currently stretched and LGR will further impact on this going forward.

The increased service demands and recruitment issues within Legal Services supporting Children's Services is a significant risk and actions are being taken to try and recruit staff to address this. However, this is a common pattern across local government.

**20. Accountable Bodies – Director Paula Hewitt, Executive Lead Members Cllr Mike Rigby, Cllr David Woan, and Cllr Mike Stanton**

- 2022/23 net budget £4.4m, no projected variance, no movement.
- 2021/22 net budget £7.4m, no variance at outturn.

**Table 12: 2022/23 Accountable Bodies as at the end of September 2022 (Month 6)**

| Service Area | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|
| Somerset Rivers Authority | 2.6 | 2.6 | 0.0 | - | 0.0 | ➩ |
| Local Enterprise Partnership | 1.0 | 1.0 | 0.0 | - | 0.0 | ➩ |
| Connecting Devon & Somerset | 0.8 | 0.8 | 0.0 | - | 0.0 | ➩ |
| **Accountable Bodies Total** | **4.4** | **4.4** | **0.0** | - | **0.0** | ➩ |

**Accountable Bodies - key explanations, actions, & mitigating controls**

Somerset Rivers Authority (SRA) is forecasting to be within budget in 2022/23, at present there is no need to draw or contribute to the reserve.

The Heart of the Southwest Local Enterprise Partnership is forecasting to be within budget at outturn for 2022/23 this includes a contribution to the reserve of £0.7m which is favourable movement of £0.1m since month 6.

Connecting Devon & Somerset (CDS) is forecasting to be within budget at outturn. Following a review CDS has reduced the need to draw on reserves. CDS are now forecasting to add £0.2m to reserves at outturn. Due to movements in timelines, assurance works will now be completed later than originally forecast.

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

Somerset County Council (SCC) acts as the accountable body for the Heart of the Southwest Local Enterprise Partnership (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, SCC works closely with the LEP core team, and the services SCC provides are specified and resourced via a service level agreement between the LEP and SCC.

LEP performance is subject to periodic assessment and an annual formal review by Government; the most recent of these for 2021/22 recognised the LEP's performance as good and likewise commended SCC's accountable body services to the LEP.

LEPs have been reviewed by Government and in April 2022 a LEP integration letter was issued by Government setting out routes over time for the integration of LEPs into local democratically elected institutions. LEP integration plans need to be prepared by SCC and the Devon LAs by early 2023 and will have implications for the future role of SCC as accountable body as this transition is planned and implemented.

## 21. Corporate Costs – Director Jason Vaughan, Executive Lead Member Cllr Liz Leyshon

- 2022/23 net budget £1.1m, projected favourable variance £3.9m, favourable movement £0.5m.
- 2021/22 net budget (£5.2m), outturn favourable variance £2.6m.

**Table 13: 2022/23 Corporate Costs as at the end of September 2022 (Month 6)**

| Service Area | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|
| Local Government Reform | 6.9 | 6.9 | 0.0 | - | 0.0 | ⇨ |
| Contributions | 0.9 | 0.9 | 0.0 | - | 0.0 | ⇨ |
| Corporate Costs | 10.7 | 9.6 | (1.1) | (F) | 0.1 | ⇩ |
| Financing Transactions | 18.5 | 16.0 | (2.5) | (F) | (0.6) | ⇧ |
| Special Grants | (35.9) | (36.2) | (0.3) | (F) | 0.0 | ⇨ |
| **Corporate Costs Total** | **1.1** | **(2.8)** | **(3.9)** | **(F)** | **(0.5)** | ⇧ |

**Corporate Costs - key explanations, actions, & mitigating controls**

**Corporate Costs**
The favourable variance of £1.1m mostly relates to the current uncommitted Resilience for Business-as-Usual budget which is available to ensure business as usual is maintained whilst delivering LGR and the implementation of the new Business Support System. The forecast also includes a projected favourable variance of £0.1m within the Discontinued Services budget due to reduced costs in the Teachers Pensions element of the budget. The adverse movement of £0.1m from month 5 relates to a redundancy, including pensions strain costs, attributable to the Central Redundancies budget.

**Financing Transactions**
The favourable variance of £2.5m, and favourable movement of £0.6m from month 5 for Financing Transactions relates to an increase in income from strategic and comfund investments, with interest rates achieved higher than budgeted.

**Special Grants**
The favourable variance of £0.3m for Special Grants is due to receiving confirmation that the Extended Right to Free Travel grant will be higher than budgeted. The grant determination was received after the budget setting process.

**Corporate Costs - key risks, future issues & opportunities**

A key risk is the ability to accurately forecast interest rates. The impact of the recently announced base rate increase of 0.50% to 2.25% from October 2022 forms part of the latest forecasting.

The opportunity to this budget is maximising returns through strategic investments.

## 22. Trading Units – Director Julian Wooster, Executive Lead Member Cllr Tessa Munt

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

**Table 14: 2022/23 Trading Units as at the end of September 2022 (Month 6)**

| Service Area | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|
| Dillington | 0.0 | 0.2 | 0.2 | A | 0.0 | ↓ |
| Support Services for Education | 0.0 | 0.0 | 0.0 | - | 0.0 | → |
| **Trading Units Total** | **0.0** | **0.2** | **0.2** | **A** | **0.0** | ↓ |

**Trading Units - key explanations, actions, & mitigating controls**

Trading units are required to set a net nil budget with full costs offset by income generated. Any over/underspends at year-end will be transferred to the services reserve.

**Dillington**
Dillington House is currently forecasting a deficit of £0.550m, this is an increase of £0.049m from month 5.

Salaries across the hospitality sector have significantly increased since the pandemic and Dillington's staff costs have had to increase to ensure we can recruit and retain staff needed to carry out the weddings, adult education courses and conferences. The figures have also been updated to take into account the proposed pay award for 2022/23. Operating costs continue to increase, particularly food and drink and estimated costs for utility bills have also increased significantly and will be reviewed monthly along with other ways that we might be able to reduce our expenditure.

Income levels across some activity areas were lower than forecasted for the first six months, due to the ongoing impact from Covid and financial pressures on customers.

We are reviewing future forecasts and continue to look at ways to increase future income and make savings against the budget.

**Support Services for Education**
Support Services for Education (SSE) are forecasting an overall pressure of £0.5m which will be offset against SSE reserves. This overspend is due to a projected shortfall in traded income across a small number of services, as well as the impact of inflation. Work is underway to try and reduce the pressure.

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

- 2022/23 allocation of £6m, £3.3m is uncommitted.
- 2021/22 allocation of £16.8m, approved use of £13.2m being utilised, leaving £3.6m unallocated.

**Table 15: 2022/23 Contingencies as at the end of September 2022 (Month 6)**

| Service Area | Original Budget £m | Contingency movements £m | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|---|---|
| Corporate Contingency | 6.0 | 0.0 | 6.0 | 2.7 | (3.3) | (F) | 0.0 | ➩ |
| **Contingencies Total** | **6.0** | **0.0** | **6.0** | **2.7** | **(3.3)** | **(F)** | **0.0** | ➩ |

**Contingencies – key explanations, actions, & mitigating controls**

**Corporate Contingency**
When setting the 2022/23 budget, it was clear that there were significant uncertainties and to mitigate against this a Corporate Contingency budget of £6m was approved. The 2022/23 assumed a pay award of 2.5% but the latest offer by the employers of £1,925 would be equivalent to a 5.5% increase. The uncommitted contingency balance is now £3.3m.

| **Corporate Contingencies 2022/23** | **£m** |
|---|---|
| Original Budget | 6.0 |
| 2022/23 Pay Award | (3.4) |
| Reduction in National Insurance | 0.7 |
| **Remaining Balance** | **3.3** |

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

- 2022/23 net budget (£370.4m), projected favourable variance £1.0m, no movement.
- 2021/22 net budget (£332.5m), no variance at outturn.

**Table 16: 2022/23 Core Revenue Funding as at the end of September 2022 (Month 6)**

| Service Area | Original Budget £m | Current Budget £m | Full Year Projection £m | Month 6 Variance £m | A/(F) | Movement From Month 5 | Direction From Month 5 |
|---|---|---|---|---|---|---|---|
| Council Tax | (279.9) | (279.9) | (279.9) | 0.0 | - | 0.0 | |
| Business Rates | (84.1) | (84.1) | (85.1) | (1.0) | (F) | 0.0 | |
| Revenue Support Grant | (6.4) | (6.4) | (6.4) | 0.0 | - | 0.0 | |
| **Core Revenue Funding Total** | **(370.4)** | **(370.4)** | **(371.4)** | **(1.0)** | **(F)** | **0.0** | |

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

There is a favourable variance of £1m against business rates which is additional financial benefit of being in the business rates pool for 2022/23.

**Core Revenue Funding - key risks, future issues & opportunities**

Any collection fund deficit during this year will impact on next year's budget and is being monitored as part of the ongoing Medium Term Financial Planning activity.

## 25. Transformation, Savings, and Income Generation Proposals

The Council's 2022/23 revenue budget includes £5m of approved MTFP transformation, savings, and income generation proposals (TSIGP). As at the end of quarter two, it is forecast that 67% will be delivered against this target.

**Table 17** shows the forecast achievement of TSIGPs against the original approved amounts. Services monitor these monthly based on their achievement to date and the forecast profile for realising the savings over the year. Any over or under achievement is reflected in the forecast outturn position.

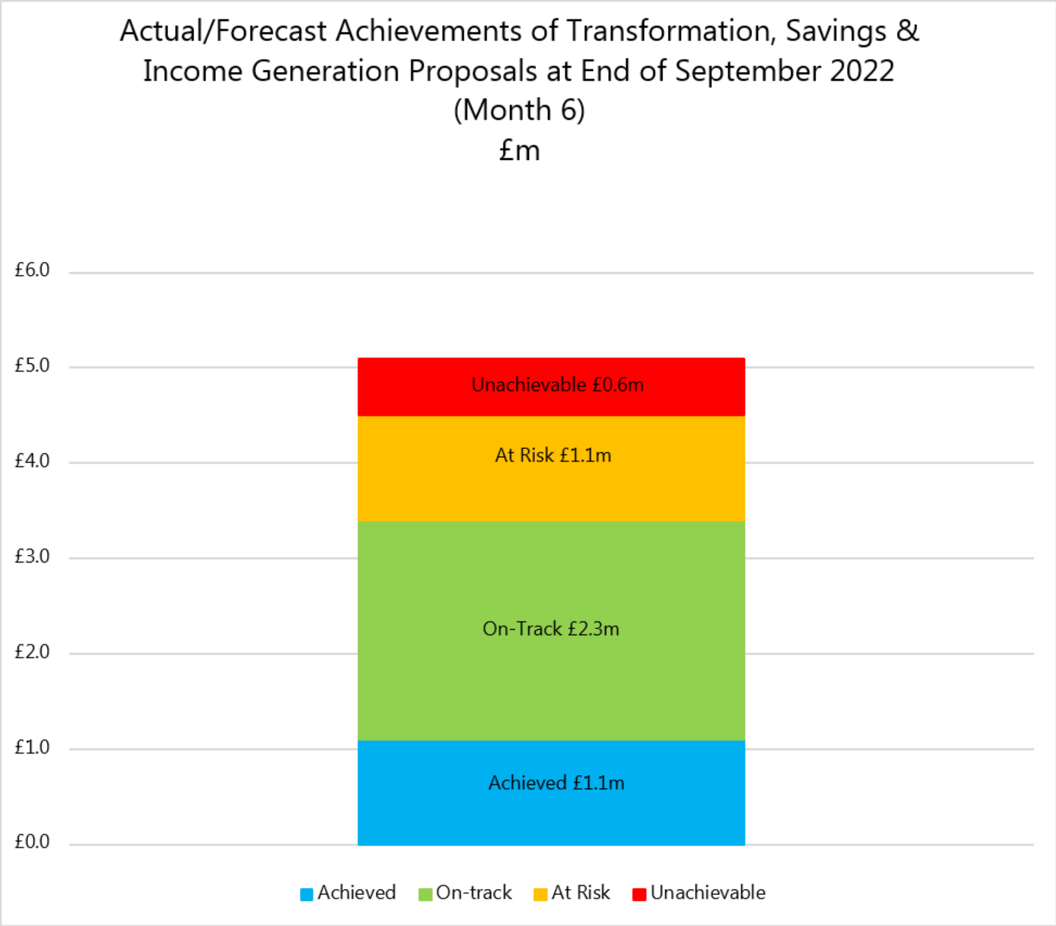
Within the overall profile, £3.4m (67%) are either achieved or on-track to be delivered.

**Table 17: Performance of Agreed Transformation, Savings, and Income generation Proposals as at End of September 2022 (Month 6)**

| Service Area | Approved TSIGP £m | Achieved £m | On-track £m | At Risk £m | Unachievable £m |
|---|---|---|---|---|---|
| Adult Services | 0.6 | 0.0 | 0.6 | 0.0 | 0.0 |
| Children's Services | 2.1 | 0.0 | 1.1 | 1.0 | 0.0 |
| Public Health | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Economic & Community Infrastructure | 1.2 | 0.8 | 0.2 | 0.1 | 0.1 |
| Customers Digital & Workforce | 0.4 | 0.2 | 0.2 | 0.0 | 0.0 |
| Finance & Governance | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 |
| Corporate Costs | 0.6 | 0.0 | 0.1 | 0.0 | 0.5 |
| **Total** | **5.1** | **1.1** | **2.3** | **1.1** | **0.6** |

**At risk savings total £1.1m (22%) and include:**

- Children's Services – Total savings £2.1m, £1.0m at risk.
  - Family Safeguarding £1.0m at risk. Family Safeguarding savings were over-achieved for the last financial year, but targets this year are challenging following recent increases in CLA numbers. Analysis on fluctuations, trends, and alignment with York Consulting evaluation findings to be undertaken to establish whether there is any long-term impact on savings targets.
- Economic & Community Infrastructure - Total savings £1.2m, £0.2m at risk/unachievable.
  - Property Services have an MTFP saving of £0.1m that is currently unachievable as not being achieved due to Saltlands Energy Park not being completed in 2022/23, this therefore will not generate any income. It is currently anticipated that the saving will be achieved in 2023/24 onwards.
- Customers Digital & Workforce - Total savings £0.4m, £0.1m at risk.
  - The at risk saving of £0.1m relates to anticipated income being received when onboarding clients to a replacement payroll system. Unfortunately, uptake has been lower than anticipated and this saving was not achieved in 2021/22. It is therefore likely that uptake in this financial year will also be lower than expected, therefore it is likely that this saving will not be achieved again this year.




## 26. Capital

The following sections of the report provide information on the Council's capital programme, its forecasted outturn position, and any risks identified or key achievements during the first quarter. It also provides an update on the funding status of the capital programme.

### Capital Programme Forecasts and 2022/23 Outturn Position

Services have provided forecasts for their overall programmes, as well as a projected outturn position for 2022/23. These can be found in **Table 19** below.

### 2022/23 Outturn Position

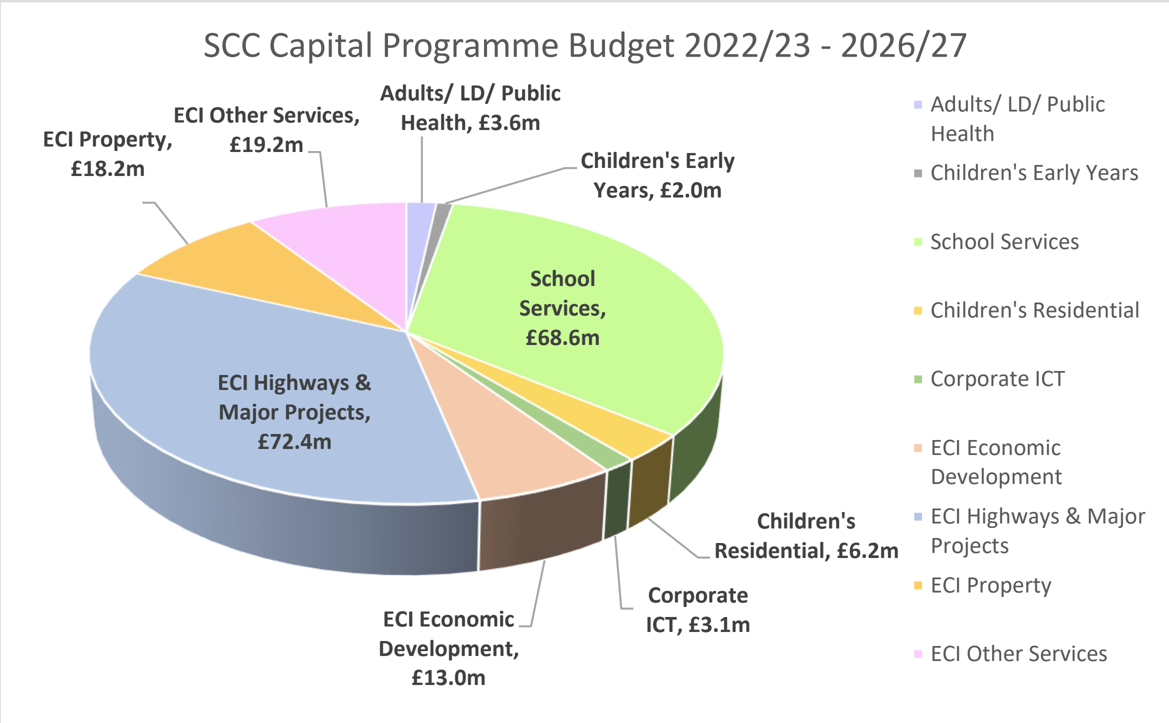
An overview of the Council's programme indicates that £110.6m of capital expenditure is forecasted in 2022/23. This is £19.4m less than originally budgeted. The majority of this is due to slippage in the forecasts, details of which can be found further down in the report.

## The Overall Programme

Over the life of the programme, the report shows that £197.0m of capital expenditure is forecast against a total budget of £206.3m, leaving a projected underspend of £9.3m.

The below chart provides an overview of the county council's capital programme budgets by service area, totalling £206.3m.

**Capital Programme Budgets by Service Area**




## Accountable Bodies

The capital programme of the Accountable Bodies indicates that £38.1m of capital expenditure is forecasted in 2022/23. This is £6.0m less than originally budgeted.

Over the life of their programmes, £62.5m of capital expenditure is forecast, with an on-budget position expected.

**Table 19: Capital Programme Forecasts and Projected 2022/23 Outturn Position**

| Scheme | Current Year Budget | | | Overall Scheme Budget | | |
|---|---|---|---|---|---|---|
| | 2022/23 Budget | Forecasted Outturn for 2022/23 | Year End Variance | Total Scheme Budget | Predicted Total Expenditure | Estimated Scheme Variance |
| | £m | £m | £m | £m | £m | £m |
| **Adult Services, Learning Disabilities and Public Health** | | | | | | |
| Adult Social Care | | | | 3.2 | 2.0 | (1.2) |
| Learning Disabilities | 0.3 | 0.2 | (0.1) | 0.4 | 0.4 | |
| **Children and Young People** | | | | | | |
| Childrens Residential | 3.3 | 4.2 | 0.9 | 6.0 | 6.0 | |
| Special Education Needs | 0.2 | 1.1 | 0.9 | 4.8 | 4.8 | |
| Schools Access Initiative | 0.6 | 0.7 | 0.1 | 1.3 | 1.3 | |
| Community Services | 0.1 | 0.1 | | 0.2 | 0.1 | (0.1) |
| Early Years | 0.9 | 0.1 | (0.8) | 2.0 | 1.2 | (0.8) |
| Schools Services | 30.1 | 27.4 | (2.7) | 62.5 | 61.7 | (0.8) |
| **Corporate and Support Services** | | | | | | |
| Corporate ICT Investment | 2.8 | 2.9 | 0.1 | 3.1 | 3.1 | |
| **Economic and Community Infrastructure - Economic Development** | | | | | | |
| Business Growth Fund | 1.7 | 1.7 | | 3.5 | 3.5 | |
| Taunton Digital Innovation Centre | 5.7 | 5.7 | | 7.7 | 7.7 | |
| Bruton Enterprise Centre | (1.2) | (1.2) | | (1.2) | (1.2) | |
| Chard Grow On Spaces | 2.5 | 2.5 | | 2.5 | 2.5 | |
| Other Schemes | (0.1) | (0.1) | | 0.5 | | (0.5) |
| **Economic and Community Infrastructure - Highways** | | | | | | |
| Bridge Structures | 3.6 | 2.7 | (0.9) | 6.7 | 6.6 | (0.1) |
| Road Structures | 28.8 | 28.0 | (0.8) | 31.8 | 31.6 | (0.2) |
| Traffic Control | 5.4 | 5.1 | (0.3) | 6.0 | 6.0 | |
| Traffic Management | 0.7 | 0.3 | (0.4) | 0.3 | 0.3 | |
| Active Travel | 0.4 | 1.4 | 1.0 | 1.4 | 1.4 | |
| Integrated Transport | 3.2 | 2.2 | (1.0) | 3.1 | 3.2 | 0.1 |
| Small Improvement Schemes | 3.5 | 2.5 | (1.0) | 3.5 | 3.5 | |
| Highway Lighting | 0.6 | 0.8 | 0.2 | 0.6 | 0.8 | 0.2 |
| Rights of Way | 1.4 | 1.1 | (0.3) | 1.4 | 1.4 | |
| **Economic and Community Infrastructure - Highway Major Projects** | | | | | | |
| M5 Junction 25 Improvements | 2.3 | 0.9 | (1.4) | 2.4 | 1.4 | (1.0) |
| Toneway Corridor Capacity Improvements | 5.3 | 4.6 | (0.7) | 5.3 | 5.3 | |
| Trenchard Way Residual Works | 0.8 | 0.8 | | 0.8 | 0.8 | |
| Major Road Network | 1.7 | 1.6 | (0.1) | 2.0 | 2.0 | |
| A38 Chelston Link | 5.7 | 0.5 | (5.2) | 5.7 | 5.7 | |
| Various Other Schemes | 0.2 | 0.9 | 0.7 | 1.4 | 1.5 | 0.1 |
| **Economic and Community Infrastructure - Property** | | | | | | |
| Property Services | 12.6 | 7.1 | (5.5) | 18.2 | 18.2 | |
| **Economic and Community Infrastructure - Other Services** | | | | | | |
| Countryside and Canals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Fleet Management | 3.8 | 2.0 | (1.8) | 3.8 | 3.7 | (0.1) |
| Bus Service Improvement Programme | | 1.2 | 1.2 | 8.2 | 8.2 | |
| Heritage Services | 0.1 | 0.1 | (0.1) | 0.1 | 0.1 | |
| Library Services | 0.5 | 0.3 | (0.2) | 0.9 | 1.0 | 0.1 |
| Somerset Waste Partnership | 2.5 | 1.2 | (1.3) | 6.2 | 1.2 | (5.0) |
| **Total SCC Capital Programme** | **130.0** | **110.6** | **(19.4)** | **206.3** | **197.0** | **(9.3)** |
| **SCC Accountable Body Status** | | | | | | |
| Broadband Project (CDS) | 6.0 | 3.0 | (3.0) | 24.3 | 24.3 | |
| HoTSW Local Enterprise Partnership | 37.8 | 35.0 | (2.8) | 37.9 | 37.9 | |
| Somerset Rivers Authority | 0.3 | 0.1 | (0.2) | 0.3 | 0.3 | |
| **SCC Accountable Body Status Total** | **44.1** | **38.1** | **(6.0)** | **62.5** | **62.5** | |
| **Total Capital Programme** | **174.1** | **148.7** | **(25.4)** | **268.8** | **259.5** | **(9.3)** |

## Capital Programme – key explanations, actions, & mitigating controls

The following narrative has been provided to explain any variances within the 2022/23 budget position. It includes any risks individual programmes are facing and possible recommendations required to mitigate them. It also details opportunities that have arisen and will highlight achievements, such as completed schemes, as we progress through the year.

### Adults Services

A review of the current Adults Residential Programme has presented an opportunity to report an underspend of £1.1m. This will have no impact on the delivery of the programme or the projected outputs.

**Recommendation 2c** is for member to agree to the removal of £1.1m of borrowing funded approval from the capital programme.

### Schools

Start on the site of the new Comeytrowe Primary School has been delayed due to the requirement for the developer to drop overhead power cables before construction starts on the school. This has led to £2.1m of expenditure slipping back to 2023/24.

Two school projects, Polden Bower Special School and Somerton King Ina are currently forecasting a combined underspend of £0.8m. These will be monitored during the final stages of the projects with a view to providing a robust position in the next quarter.

### Early Years

Final costs for part of the Early Years condition programme have now been confirmed, resulting in an underspend of £0.8m. These funds are currently surplus to requirements and will be reviewed with a view to providing members with a recommendation in the next report.

### Highways and Traffic Management

The Bridge Structures team are forecasting slippage into next year. This is due to a large and complex programme, including three major projects. Additional staffing resource has been recruited and it is hoped this will allow the programme of works to accelerate during the year.

The Traffic Signals Recovery Programme is a complex programme of individual projects across Somerset. The start dates of some schemes have changed since the last report, resulting in slippage of £0.3m into 2023/24.

Highway Lighting are reporting an overspend of £0.2m on their capital programme. Funding for this has been found within the overall Highway capital approvals, with Road Structures currently forecasting a £0.2m underspend.

**Integrated Transport and Small Improvements Schemes**
It is anticipated that Safety schemes within the Small Improvements programme will not commence until the end of this financial year, with the bulk of works to be carried out in 2023/24.

**Major Highway Engineering Projects**
The M5 Junction 25 Improvement project has been completed. However, some post construction costs remain which will filter into the next financial year.

The Toneway Corridor Improvements scheme is due for completion in Autumn 2022. Although some of the post construction costs are likely to slip into 2023/24.

The A38 Chelston Link project, which aims to replace the old concrete road between the M5 and Chelston Roundabout, is due to commence later this year. The majority of the works are programmed for 2023/24, which has resulted in slippage of £5.2m from the original forecast.

**Property Services**
The Saltlands Solar Park has seen a shift in the forecast of £3.1m from 2022/23 into 2023/24 due to delays caused by commercial negotiations and applications for grid connections. As a result of this, the window for construction has slipped to Spring/ Summer 2023.

**Fleet Management**
Following the delays to the procurement of new vehicles as part of the 2021/22 programme, it is likely that the 2022/23 programme will suffer the similar issues. The 2022/23 programme also includes the purchase of electric vehicles and their associated infrastructure, which will take longer to plan and implement.

**Somerset Waste Partnership**
With the fleet replacement programme completed last year, and depot improvement works due to be completed this year, Somerset Waste Partnership is currently forecasting a £5.0m underspend within their capital programme. Some of which will be used by District Councils to purchase their recycling containers.

**Capital Programme - key risks, future issues & opportunities**

Forecasting capital programme expenditure can be difficult, with reliance on contractor activity, impact from adverse weather and capacity within the Council's providers to design and support the programme. The detail within the programme is fully developed as individual projects are finalised and specifically programmed from the generic programmes. It is at this stage that a more accurate estimate of the profile and timing of expenditure is made.

There are two key risks to the capital programme. Firstly, a shortage of materials within the construction industry (cement, steel, timber, etc.) which, not only has an impact on timescales for projects, but also has the potential to increase costs.

Secondly, the rise in inflation brought on by the demand for materials along with current economic conditions.

Projects currently underway all have contingency built into their budgets to deal with unforeseen costs, but the Council needs to carefully look at projects currently being commissioned to ensure they remain affordable and can be delivered on time.

**Changes to the Capital Programme Approvals in Quarter Two**

**Recommendation 2d** is for members to note the addition of external funding contributions to the capital programme approvals since the Outturn report:

- £8.161m of grant funding from the Department for Transport towards the Bus Service Improvement Programme.
- £0.271m of contribution funding from various sources towards School projects.

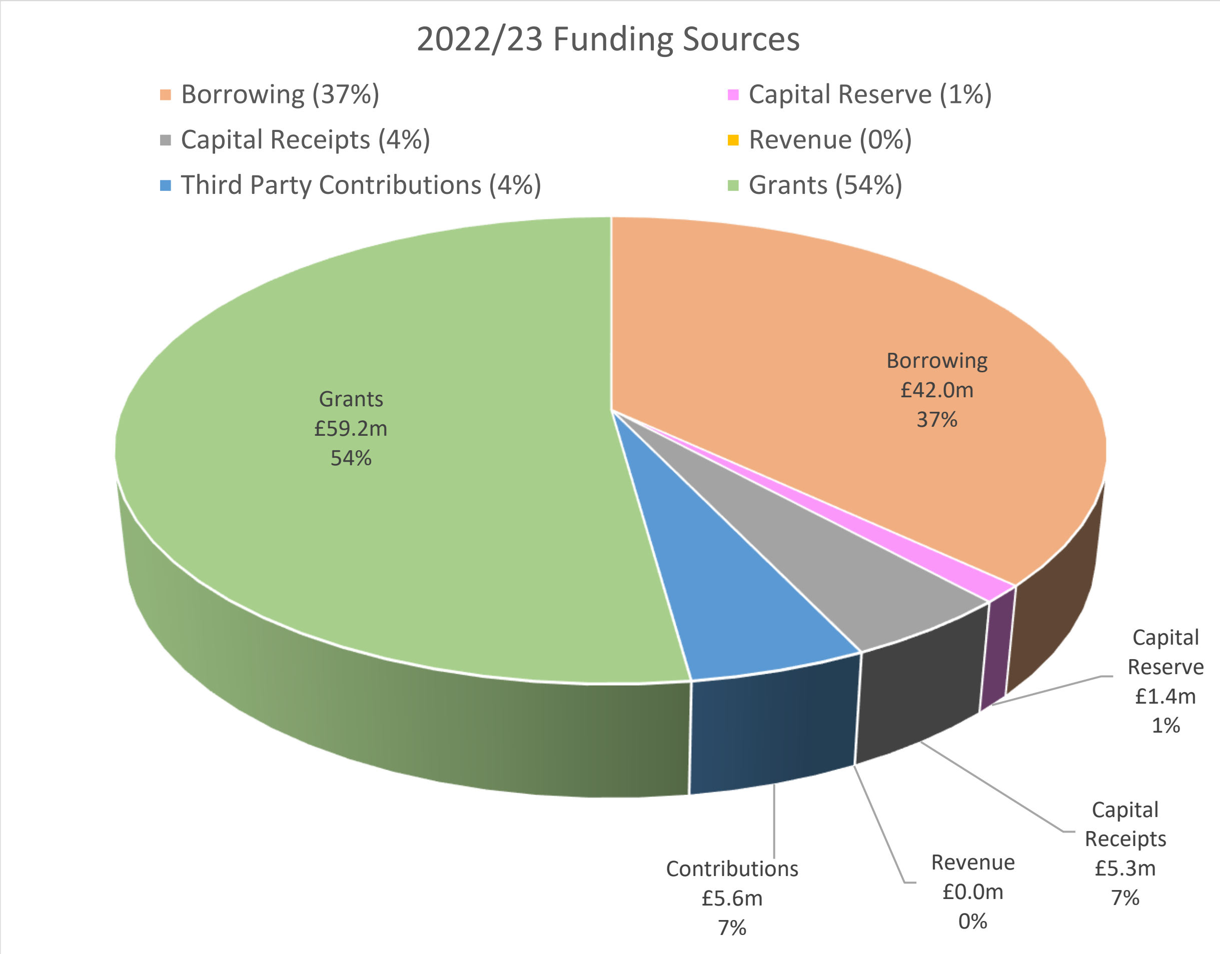
A number of virements (budget transfers) have also been processed in the quarter. Virements are the movement of approvals between budget lines. Virements are examined to identify their purpose; they do not require formal ratification by members as they are classed as technical changes. Virements are undertaken to enable the effective management of generic approvals by creating individual projects as detailed proposals are developed and cost estimates become available.

All cross service virements relate to the funding of claims made to the Local Enterprise Partnership from SCC projects.

**Capital Programme – Funding Sources**

The capital programme is funded by a variety of sources. Where possible external funds, such as grants and contributions, are utilised to limit any additional revenue costs as result of borrowing requirements to complete the programme. The chart below indicates the proposed funding sources for the 2022/23 capital expenditure.

**SCC Capital Programme Funding sources for 2022/23 Expenditure**




## Borrowing for the Capital Programme

The capital programme is approved fully funded. This means that the Council have approved the use of borrowing to ensure that resources are available to enable delivery of the capital programme. The timing of taking borrowing from the external market is part of the Treasury Management activity.

Within the £42.0m of borrowing required to fund the 2022/23 programmed expenditure, £41.2m of this will be internal borrowing and the remaining £0.8m relates to historic borrowing that has already been taken

## 27. Treasury Management

Average investment balances for Q2 2022-23 were over £12m higher than the equivalent period last year.

No further investment has been made in pooled funds during the quarter, we have maintained the £15m maximum in each of the 3 chosen funds, £45m in total.  We are not currently actively sourcing any further funds.

Outside of pooled funds the investment rate environment has improved considerably through the first six months of the financial year, with Bank of England base rate increasing from 0.75% in March to 2.25% at period end. Further rises are expected in the next quarter despite the likelihood of an imminent recession. Supply and demand dynamics have kept local to local rates subdued relative to base rate, but rates offered by banks have adjusted to the rate rises fairly quickly. The Comfund return stood at 1.86% at the end of September 2022, and it should be possible to increase rates further even without further base rate rises.

A summary of investment balances and movements during the last three months is shown in **Table 20** below:

**Table 20: Investment Balances and Movements for Quarter 1**

| | **Balance as at 30-06-2022 £m** | **Balance as at 30-09-2022 £m** | **Movement £m** |
|---|---|---|---|
| Short-Term Balances (Variable) | 49.8 | 10.3 | -39.5 |
| Comfund (Fixed) | 245.0 | 255.0 | +10.0 |
| Pooled Funds | 45.0 | 45.0 | +0.0 |
| **Total Investments** | **339.8** | **310.3** | **-29.5** |

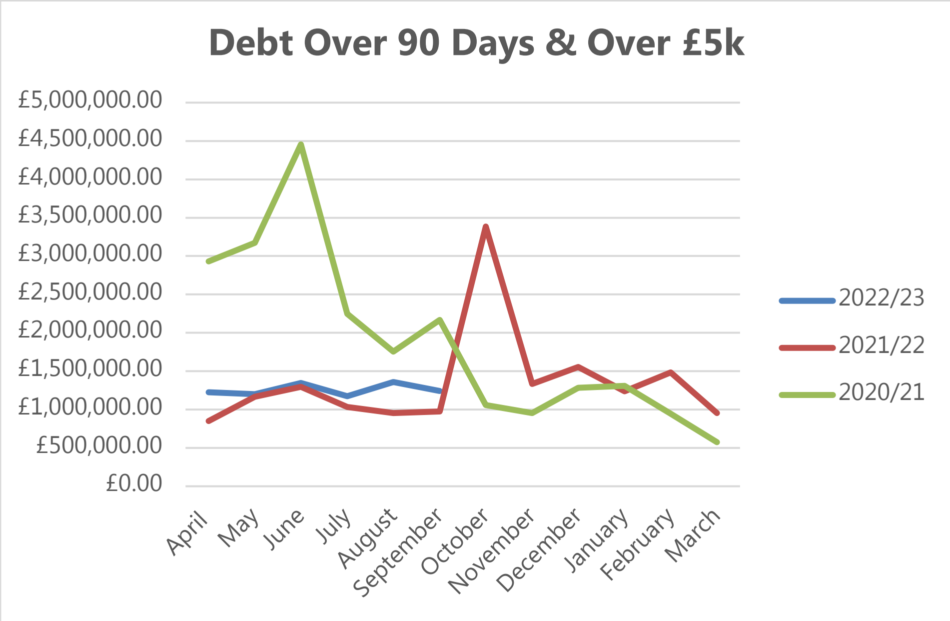
The Council is currently managing the cost of borrowing through its Treasury Management activities, as set out in the approved Treasury Management Strategy, by utilising cash funds available rather than taking external debt. This is known as internal borrowing and the council has utilised this strategy over the past three years.

External borrowing stands at £324.5m. The cost implications of this borrowing are factored into the revenue budget. All our current long-term debt is fixed rate and so there is no impact on interest costs from the increases in Bank of England base rate.

## 28. Debtor Management

As of 30th September 2022, the total outstanding debt reported on the Accounts Receivable system stood at £9m. This compares with £16.2m at the end of the previous quarter. The debt over 90 days as of 30th September 2022 was £2.3m, this was £2.2m at the end of the previous quarter. Of this, the debt over £5K are detailed below.

**Debt over 90 days & over £5k by month for each of the last three years**




**Exchequer Services - key explanations, actions, & mitigating controls**

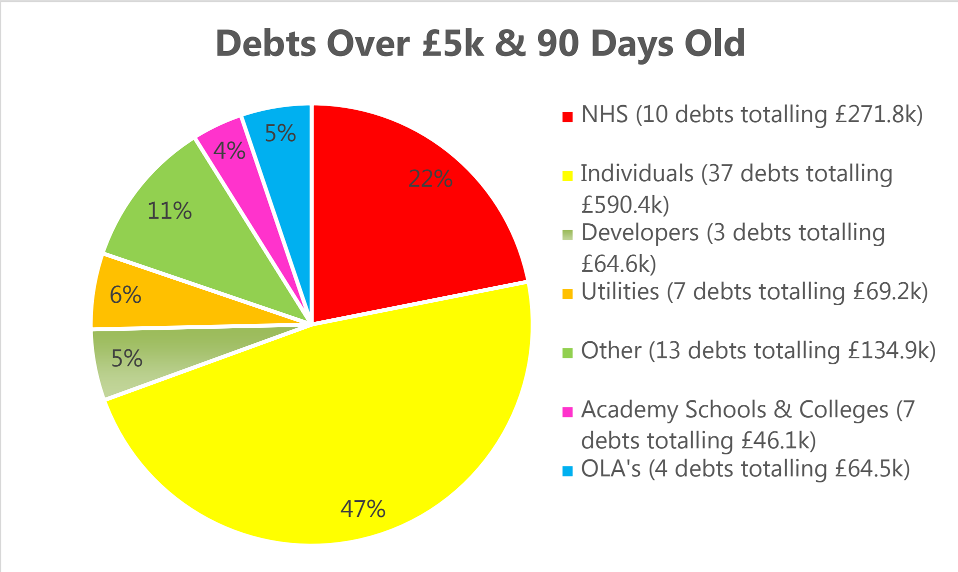
The value of outstanding debt over 90 days and over £5k reported on 30th September 2022 is less than reported at the end of the previous quarter. The decrease is due to:

- Other debts - 13 debts outstanding for £134.9k. These have decreased in value and compares with 10 debts from last quarter totalling £197.7k. The 2 debts relating to Defra in excess of £102.7k were paid and cleared during August 2022.
- OLA's (Other Local Authorities) - 4 debts outstanding for £64.5k. This compares with 7 debts totalling £236.5k from last quarter. The decrease in part relates to debt for Sedgemoor District Council for £60.2k being credit noted in September 2022 due to recharges being paid on 18 March 2022 and allocated to codes. Debts for Swindon Borough Council, Oxfordshire County Council, Dorset County Council and Wiveliscombe Town Council totalling £121.8k have also been paid and allocated since this report was run.
- Individual debts in value have decreased since last quarter – 37 debts outstanding for £590.4k. This compares with 38 debts from last quarter totalling £638.8k.
- NHS CCG (Clinical Commissioning Groups) at the end of previous quarter had 6 debts outstanding totalling £144.6k. This is significantly lower than the current position where there are 10 invoices totalling £271.8k unpaid, however two CCG invoices in excess of £30.2k have been paid and allocated since report was run.

All Finance staff responsible for chasing debt are asked to provide confirmation that debts are being chased and referred for further enforcement action, in line with the Income Code of Practice (ICOP, updated January 2022), and all actions are expected to be completed within 60 days. The Accounts Receivable Team are currently monitoring all debt over 90 days old on a monthly basis.

An E-Learning module for the Income Code of Practice went live in February 2022 for signposting to finance staff who are debt chasers and will be mandatory for new starters with this role.

The majority of the debt over 90 days is expected to be collected and not expected to become irrecoverable debt. The following chart highlights the more significant debts over 90 days by sector theme.




96 debts have been written off in the past 3 months totalling £16.9k. This is due to the following themes:

- £2k – Not cost effective to pursue
- £1k - All debt recovery options exhausted
- £11.9k - Unenforceable
- £2k - Other

**Exchequer Services - key risks, issues & opportunities**

If debt is not recovered quickly and efficiently the likelihood of the debt being recovered in full is significantly reduced. If debt is not recovered in full it increases write off levels, hinders cash flow, reduces sales income, and gives a false representation of income, causing inaccurate financial projections. It also heightens the risk of debts becoming unenforceable due to time elapsing between actions.

The 'individuals' category accounts for 47% of the debts above, 35 of the 37 debts relate to Adult Social Care. This category continues to take up the vast percentage of debts over 90 days old and over £5K due to their nature and our duty of care as an Authority. One of the other debts under this category relate to Dillington House for wedding which is with the Legal Debt Recovery Officer for legal action to be taken as per ICOP. (Income Code of Practice).

## 29. Reserves

The Council holds reserves in two forms:

- The General Fund to mitigate against unforeseen spends or major unexpected events.
- Earmarked reserves which are amounts set aside for specific purposes. For each reserve established the purpose and usage must be clearly defined.
    - Resilience reserves are held to mitigate against future known or predicted liabilities and resilience.
    - Other earmarked reserves are held for specific purposes. This may be purposes agreed by the Council or grants which have no return conditions and where expenditure has yet to take place.
    - Funds held by other bodies do not have SCC as the lead decision making. An example of this reserve are funds held by the Somerset Rivers Authority.

**Table 21: Forecast Reserves Position as at End of September 2022 (Month 6)**

| Reserve Balance | General Fund Reserves £m | Earmarked Resilience Reserves £m | Other Earmarked Reserves £m | Total Reserves Held by SCC £m | Funds Held by Other Bodies £m |
|---|---|---|---|---|---|
| **Balance as at 01/04/2022** | (27.1) | (34.6) | (62.0) | (123.7) | (60.9) |
| Additional Movements Approved In-year | 0.0 | 0.0 | 0.1 | 0.1 | (0.8) |
| **Balance as at 30/06/2022** | **(27.1)** | **(34.6)** | **(61.9)** | **(123.6)** | **(61.7)** |
| Forecast In-Year Movements | 0.0 | 11.2 | 20.8 | 32.0 | 11.4 |
| **Proposed Balance as at 31/03/2023** | **(27.1)** | **(23.4)** | **(41.1)** | **(91.6)** | **(50.3)** |

Overall, the total balance of reserves held by SCC has remained the same since the start of the year.

It is currently forecast that by 31 March 2023 the total reserves held by SCC would decrease by £32m. This reduction includes draws from the Economic Recovery Fund, Corporate Priorities, the new Somerset Council Finance System, the Collection Fund, Budget Equalisation and Funding Volatility. The forecast outturn level of reserves held is £91.6m, however the forecast overspend of £21.2m will decrease this level of reserves at the end of the financial year.

A correction has been made to the SCC Waste budget which was set in February 2022 showing that a payback of £1.755m to the Recycle More reserve was due. However, the payback was achieved in 2021/22 and the contribution to the reserve is no longer required which has been included in the table above.

**Report Sign-Off**

| | | Signed-off |
|---|---|---|
| Legal Implications | Honor Clarke | 04/11/2022 |
| Governance | Scott Wooldridge | 04/11/2022 |
| Corporate Finance | Jason Vaughan | 02/11/2022 |
| Human Resources | Chris Squire | 04/11/2022 |
| Property | Paula Hewitt / Oliver Woodhams | 04/11/2022 |
| Procurement / ICT | Claire Griffiths | 03/11/2022 |
| Senior Manager | Jason Vaughan | 02/11/2022 |
| Commissioning Development | Sunita Mills / Ryszard Rusinek | 03/11/2022 |
| Local Member | All | |
| Executive Member | Cllr Liz Leyshon - Deputy Leader of the Council and Lead Member on Finance and Human Resources | 03/11/2022 |
| Opposition Spokesperson | Opposition Spokesperson – Finance and Human Resources – Cllr Mandy Chilcott | 07/11/2022 |
| Scrutiny Chair | Scrutiny for Policies and Place Committee - Cllr Gwil Wren | 04/11/2022 |