Decision Report – Executive Decision
Forward Plan Reference: FP/22/06/21
Decision Date – 15/03/23

SOMERSET County Council

2022/23 Revenue Budget Monitoring Report – Month 10 – End of January 2023

Lead Member(s): Cllr Liz Leyshon – Deputy Leader of the Council and Lead Member on Finance and Human Resources
Local Member(s) and Division: All
Lead Officer: Jason Vaughan, Director of Finance & Governance
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1. Executive Summary

The overall projection is for an overspend of £23.1m which is an improvement from the previous month of £1.2m and against the net budget of £383.2m represents a 6% overspend. The significant variances are:

- Adult Services has a £11.9m adverse variance against their budget (7.4% of service budget); no movement in position from month nine. The overspend mainly relates to increased demand in residential and nursing placements. There are also pressures forecast due to inflation and potential home closures across Somerset.

- Children's Services has a £19.9m adverse variance against their budget (18.9% of service budget); an improvement of £0.9m from month nine. Most of this pressure is seen in the external placements budget (for children looked after) which is forecasting a £13.9m overspend.

- Economic & Community Infrastructure (ECI) has a £0.8m favourable variance against their budget (1.1% of service budget); a strengthening in position of £0.1m from month nine. This improved position is mainly due to reductions in costs within Somerset Waste due to the Recycling More role out.

- Finance & Governance are reporting a £0.1m favourable variance which is an improvement of £0.1m from month 9. The projected underspend is within Democratic Services and is mainly because of savings within staffing and increased income generation.

- Corporate Costs has a £3.4m favourable variance due to an increase in investment income following interest rate increases, additional grant funding, and uncommitted Resilience for Business-as-Usual budget.

- Corporate Contingency is a favourable variance of £3.3m after taking account of the additional costs of the national pay award of £1,925 and the reduction of 1.25% in employers National Insurance from November 2022.

2. Recommendations

a) Note the forecast overspend for 2022/23 of £23.1m (section 12).

3. Reasons for recommendations

To ensure that the Council continues to maintain tight financial control over its budget, and to ensure the Finance team has adequate resources to devote to the work of the MTFP.

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) 2022-23 to 2026-27 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 service variances, explanations and comments have been provided by the Directors and are set out below.

7. Financial and Risk Implications

The financial implications are set out in the report and to represent a significant strategic risk for the council.

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 07 March 2023; comments arising will be made available to the Executive at the subsequent meeting.

11. Background

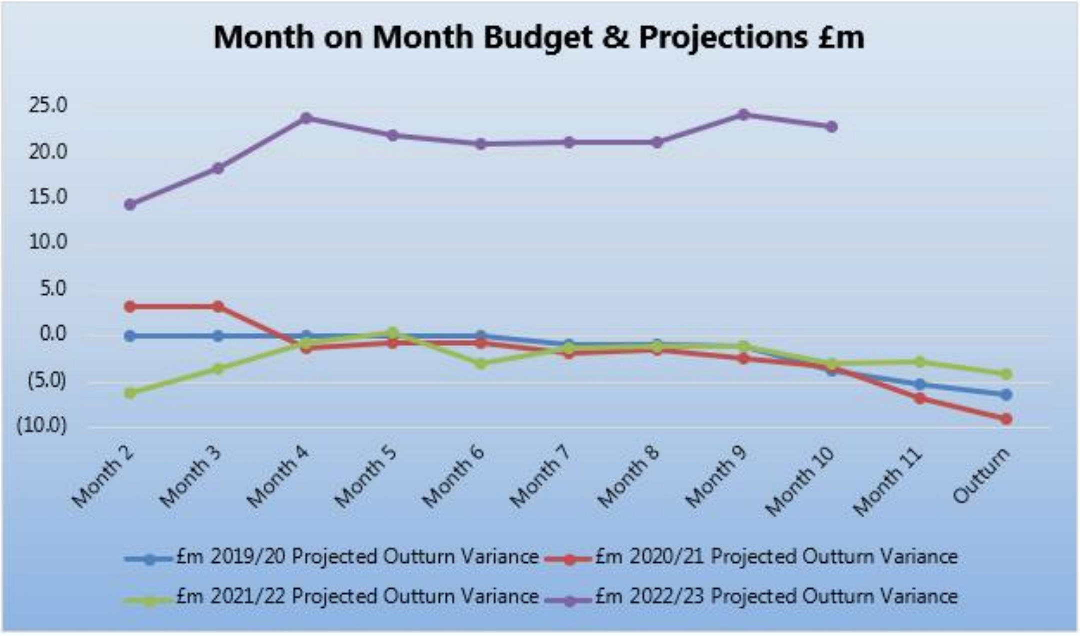
Full Council approved the revenue budget of £378.7m for 2022/23 in February 2022. Budget monitoring is delegated to Executive and Scrutiny and revenue service reports will be presented monthly with a full overview of revenue, capital, and reserves quarterly. This report outlines the forecast year-end position of services against the current 2022/23 budget of £383.2m (the current budget includes carry forwards and reserve movements) as at the end of January 2023.

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 January 2023 (Month 10)

2021/22 Outturn Variance	Service Area	Original Budget £m	Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
(0.2)	Adult Services	159.7	160.1	172.0	11.9	A	0.0	→
4.2	Children's Services	105.0	105.5	125.4	19.9	A	(0.9)	↑
0.0	Public Health	1.3	1.3	1.3	0.0	-	0.0	→
(1.7)	Economic & Community Infrastructure	71.9	74.4	73.6	(0.8)	(F)	(0.1)	↑
2.3	**Direct Services Position**	**337.9**	**341.3**	**372.3**	**31.0**	**A**	**(1.0)**	↑
(0.2)	Customers, Digital & Workforce	16.9	17.0	16.7	(0.3)	(F)	(0.1)	↑
0.0	Finance and Governance	12.1	14.0	13.9	(0.1)	(F)	(0.1)	↑
0.0	Accountable Bodies	4.3	4.5	4.5	0.0	-	0.0	→
(2.6)	Corporate Costs	1.5	0.4	(3.0)	(3.4)	(F)	0.0	→
0.0	Trading Units	0.0	0.0	0.2	0.2	A	(0.0)	→
(0.5)	**Total Service Position**	**372.7**	**377.2**	**404.6**	**27.4**	**A**	**(1.2)**	↑
(3.6)	Corporate Contingency	6.0	6.0	2.7	(3.3)	(F)	0.0	→
(4.1)	**Total after Contingencies**	**378.7**	**383.2**	**407.3**	**24.1**	**A**	**(1.2)**	↑
0.0	Reserves	(8.3)	(12.8)	(12.8)	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 10 Position**	**(0.0)**	**(0.0)**	**23.1**	**23.1**	**A**	**(1.2)**	↑



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

- 2022/23 net budget £160.1m, projected adverse variance £11.9m, No movement.
- 2021/22 net budget £146.2m, outturn favourable variance £0.2m

Table 2: 2022/23 Adult Services as at the end of January 2023 (Month 10)

Service Area		Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
Adult Social Care - Physical Disability/Sensory Loss/65 Plus							
	Residential & Nursing	40.2	46.9	6.7	A	0.0	
	Home Care	24.8	24.4	(0.4)	(F)	0.0	
	Direct Payments	10.7	12.0	1.3	A	0.0	
	Staffing Costs	10.2	8.4	(1.8)	(F)	0.0	
	Transport, Daycare & Other	3.0	3.0	0.0	-	0.0	
	sub total	**88.9**	**94.7**	**5.8**	**A**	**0.0**	
Mental Health							
	Residential & Nursing	11.0	13.0	2.0	A	0.0	
	Home Care/Supported Living	4.5	5.3	0.8	A	0.0	
	Staffing/Deprivation of Liberty Safeguards	4.5	4.5	0.0	-	0.0	
	Direct Payments, Day Care & Other	1.0	1.4	0.4	A	0.0	
	sub total	**21.0**	**24.2**	**3.2**	**A**	**0.0**	
Learning Disabilities							
	Residential & Nursing	20.6	22.2	1.6	A	0.0	
	Supported Living/Home Care	25.1	27.0	1.9	A	0.0	
	Direct Payments/In Control	9.1	9.8	0.7	A	0.0	
	Day Care	3.5	5.0	1.5	A	0.0	
	Discovery	29.8	27.9	(1.9)	(F)	0.0	
	Transport, Shared Lives & Other	8.2	8.7	0.5	A	0.0	
	sub total	**96.3**	**100.6**	**4.3**	**A**	**0.0**	
Commissioning							
	Commissioning	13.0	12.6	(0.4)	(F)	0.0	
	Better Care Fund	(34.7)	(34.7)	0.0	-	0.0	
	LD Pooled Budget Income	(24.4)	(25.4)	(1.0)	(F)	0.0	
	sub total	**(46.1)**	**(47.5)**	**(1.4)**	**(F)**	**0.0**	
Adult Services Total		**160.1**	**172.0**	**11.9**	**A**	**0.0**	

Adult Services - key explanations, actions & mitigating controls.

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

This area of Adult Social Care spend is currently projected to be £5.8m 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 £6.7m. Including £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.

Spend on people living in their own homes which includes home care and direct payments is projecting to be £0.9m. We continue to offer choice and have a varied market that includes micro-providers.

Mental Health

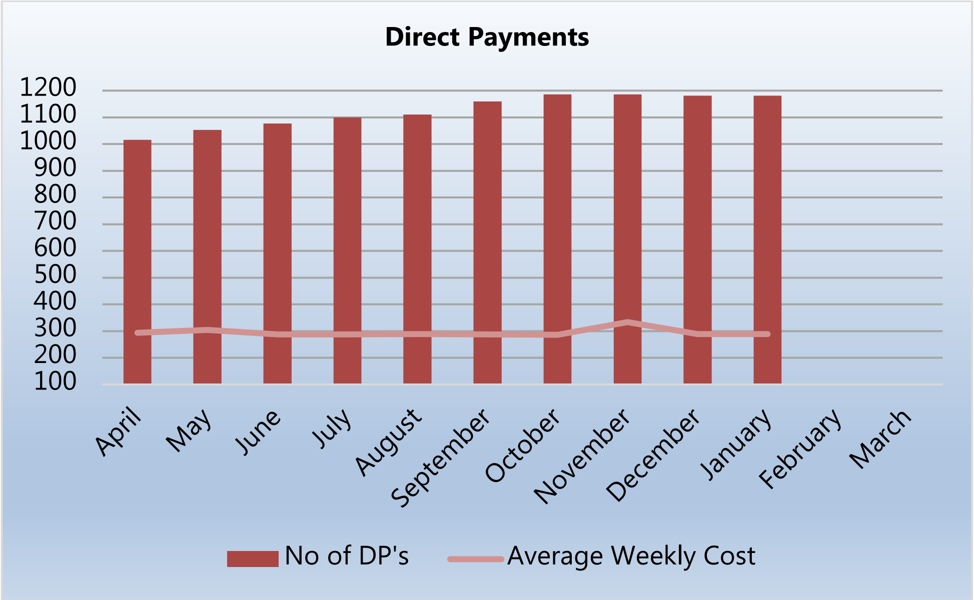
The Mental Health budget is projected to be overspent by £3.2m. Residential and nursing continues to be a pressure for the service due to a combination of increasing numbers and high unit costs. This budget includes individuals who have a diagnosis of dementia.

Learning Disabilities

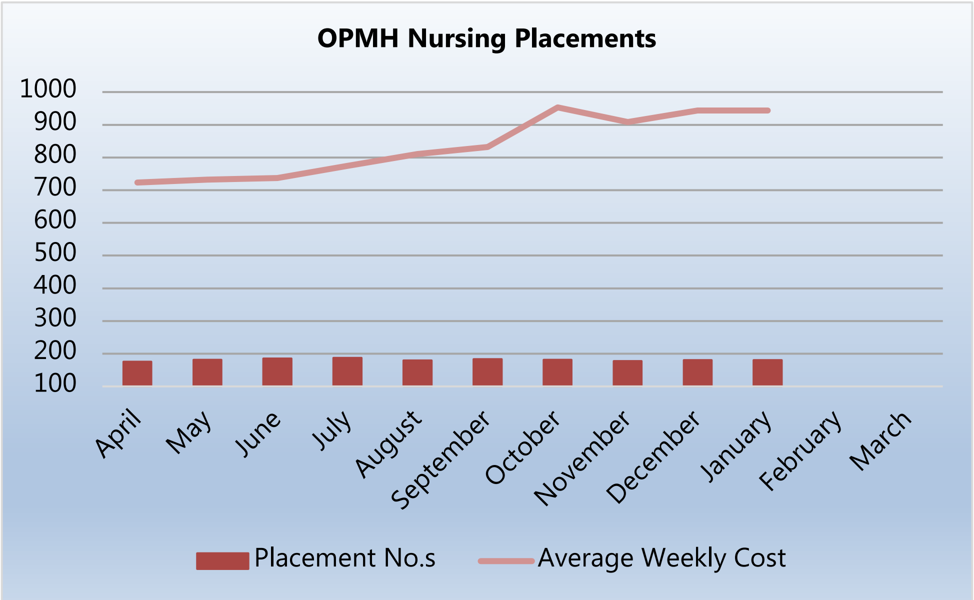
Overall, the cost of Learning Disabilities is projected to overspend by £4.3m. We are currently projecting an overspend of £1.9m within Supported Living and homecare, due to market sustainability. Supported Living is in the best interest of people but is an area where unit costs can be high.

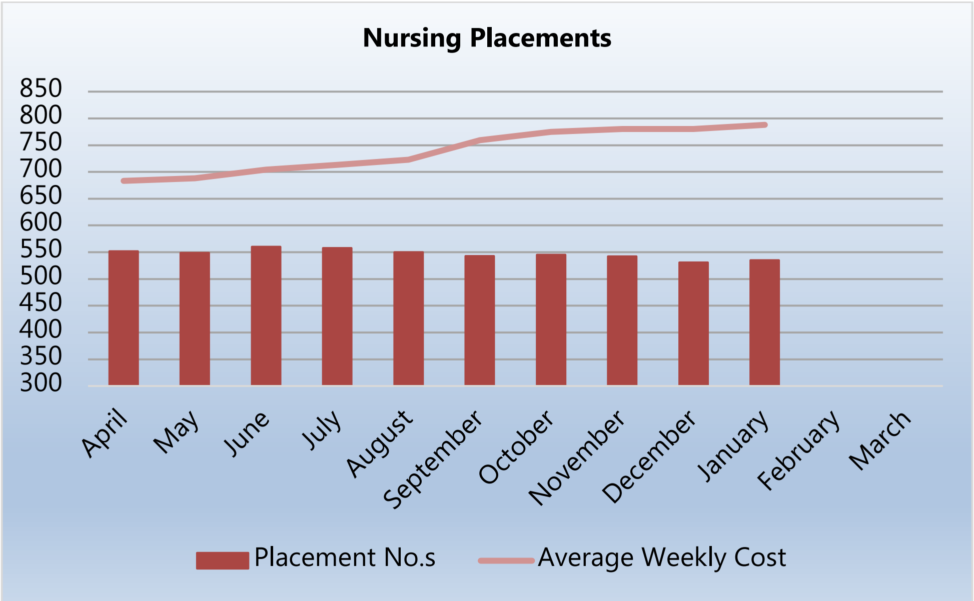
As families feel more self-assured of living with Covid they feel more confident of using day services as an option for a carer's break/respite. Consequently, we are seeing increased need and subsequent spend. Therefore, resulting in a current projected overspend of £1.5m.

Adult Services - key performance cost drivers



Since month 9, we have seen the number of people receiving a Direct Payment stay the same, with total packages 1,181. The currently weekly average cost of a Direct Payment is £289 per package.





The number of Older People Mental Health (OPMH) Nursing placements has remained stable at 180. The current weekly average cost for OPMH Nursing is £944 per placement.

Nursing placements increased by four since month 9 from 531 to 535. The current weekly average cost for Nursing is £788 per placement, compared to £780 within month 9.

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 fuel costs 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 are working with the provider market to make sure we have adequate beds but the cost of these is significantly higher that our usual fee rates.

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

- 2022/23 net budget £105.4m, projected adverse variance £19.9m, favourable movement £0.9m.
- 2021/22 net budget £101.8m, outturn adverse variance £4.2m.

Table 3: 2022/23 Children's Services as at the end of January 2023 (Month 10)

Service Area		Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
Children's Social Care							
	Prevention	5.7	5.8	0.1	A	0.0	→
	Fostering & Permanence	12.8	12.3	(0.5)	(F)	(0.1)	↑
	External Placements	27.4	41.3	13.9	A	(0.6)	↑
	Fieldwork	8.9	10.6	1.7	A	0.0	→
	Disabilities	3.6	4.1	0.5	A	0.1	↓
	Partnership, Audit & Quality	2.6	2.5	(0.1)	(F)	0.0	→
	Safeguarding	0.0	0.0	0.0	-	0.0	→
	Children Looked After	4.4	5.3	0.9	A	0.0	→
	Leaving Care	2.0	2.1	0.1	A	(0.2)	↑
	Residential Homes	2.2	1.7	(0.5)	(F)	(0.3)	↑
	Central	0.6	1.1	0.5	A	0.0	→
	sub total	**70.2**	**86.8**	**16.6**	**A**	**(1.1)**	↑
Commissioning							
	Commissioning Services	10.8	10.8	0.0	-	(0.1)	↑
	Supporting Families	(0.4)	(0.4)	0.0	-	0.0	→
	Central	0.7	0.7	0.0	-	0.0	→
	sub total	**11.1**	**11.1**	**0.0**	**-**	**(0.1)**	↑
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	5.1	5.3	0.2	A	0.0	→
	Home to School Transport	10.9	12.5	1.6	A	0.2	↓
	SEND Transport	6.6	8.1	1.5	A	0.1	↓
	sub total	**22.6**	**25.9**	**3.3**	**A**	**0.3**	↓
Children's Services Total		**105.4**	**125.3**	**19.9**	**A**	**(0.9)**	↑

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

Children's Social Care

Children's Social Care services are forecasting an overspend of £16.6m, a favourable movement from month 9 of £1.1m. Much of this pressure is seen in the external placements budget (for children looked after) which is forecasting a £13.9m overspend, a favourable change of £0.6m predominantly due to detailed analysis of agreed contributions from Dedicated Schools Grant (DSG) and Health. A further £0.3m of the change relates to projected underspends in fees and allowances in Fostering and Leaving Care. Plus, £0.2m relates to a saving within children with disabilities services.

At the end of January 2023 there were 573 children in care (575 in month 9). This equates to a rate per 10,000 of 51.5 (51.7 in month 9). Of these 573 children, 47 were unaccompanied asylum seeker children (UASC) compared to 37 at month 9 and 8 at the same time last year. The rate for Somerset's statistical neighbours is 64.1 and the England average is 68.7. 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 highest areas of spend are in residential and unregistered sectors, with the greatest pressure on this year's budget being the unregistered placements, which were not forecast at the time we set the 22/23 budget this time last year.

There are currently 72 children (as at the end of January) in residential care (compared to 71 at the same point last financial year). The cost of the 72 children in residential care this financial year is projected at £20.1m compared to 71 children projected at £19.4m 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.

Most of the pressure we are seeing in this year's budget relates to the cost of 14 children who have been in unregistered care at various points during the financial year (compared to 7 up to the same point in the last financial year), with a net projection of £10.9m. 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 often daily requests. 8 of these children receive partner contributions from the NHS and DSG, with the total NHS contribution projected at £3.3m and DSG of £0.6m (already included in the net projection of £10.9m).

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 with the first two children's homes expected to open in January/February 2023 and Homes 3 and 4 anticipated to open by April/May 2023. Cost avoidance of £0.5m has been calculated based on the first 2 young people moving into homes 1 and 2.

Partnership funding is regularly agreed to offset costs of more complex children, as part of the Multi-Agency Complex Care Needs Panel (MACCNP). The total forecast income from all partners (which includes the NHS, DSG High Needs Block and other Government grants specifically relating to UASC) is £12.8m in 2022/23 (this includes £3.3m of NHS income and £0.6m of DSG 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 (£3.3m pressure); and
- the extension of timescales for care placements during care proceedings due to backlogs in the Family Proceedings Court (£2m pressure).

Disabilities and Residential Homes

This area has seen a net favourable movement of £0.2m due to the closure of one of the short break care homes for disabled children. This has partly been offset by an increase in packages of support for disabled children at home.

Fieldwork

Several support packages are currently in place across the county to provide 24/7 support to families at home, reducing the need for children to come into care. This has resulted in a projected pressure of £1.7m. Court delays have extended the period of support; however current costs will be less than if those individuals were brought into care.

Fostering and Permanence

Fostering & Permanence is forecasting an underspend of £0.5m for fees and allowances. This is a favourable movement of £0.1m from month 9 due to a small decrease to the number of projected placement days, particularly in-house fostering placements.

Transport

Transport costs across Children's Social Care for families and children looked after is currently forecasting an overspend of £0.4m, (remained the same as M9) 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 cost of living crisis will also be contributing to these pressures, with providers raising costs to cover the increase in wages. 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.

Commissioning and Early Help

Funding of £0.4m for the Data Accelerator Programme, a collaboration between five local authorities and the Police, is being held by Somerset as the lead partner and will be requested as a carry forward into 23/24. This grant will be used to support greater partnership information sharing, improving data maturity and the use of analytical products.

Earmarked funds of £0.3m within the Supporting Families grant is to support the Family Connections model in 23/24 and will be requested as a carry forward for the investment in early help transformation.

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 10 of £3.1m 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 have been retendered at significantly higher contract rates.

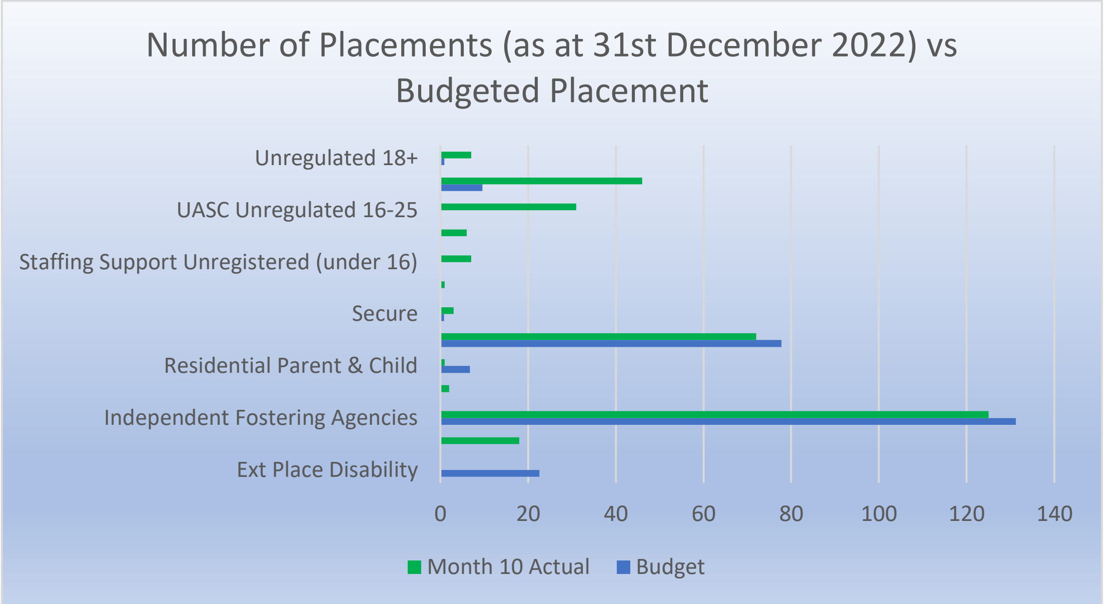
In addition, the increase in children and young people with Education, Health, and Care Plans (EHCPs) who require transport has contributed to the overspend.

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. A consultancy, Edge Public Solutions, has recently been engaged jointly by ECI and Children's Services, to review home to school transport policy and practice with the aim of both reducing costs and improving journey predictability.

Inclusion Services

The month 10 adverse variance in Inclusion Services of £0.2m has arisen from a budget overspend relating to the statutory duty to provide equipment, and housing modifications though the Disabled Facilities Grant (DFG), for children with care needs arising from their disability. These modifications and the equipment enable children to live at home with their families. From April 2023, the new unitary Somerset Council will fully manage the DFG. This will enable a centralised approach to allocation which will negate the pressures in this area.

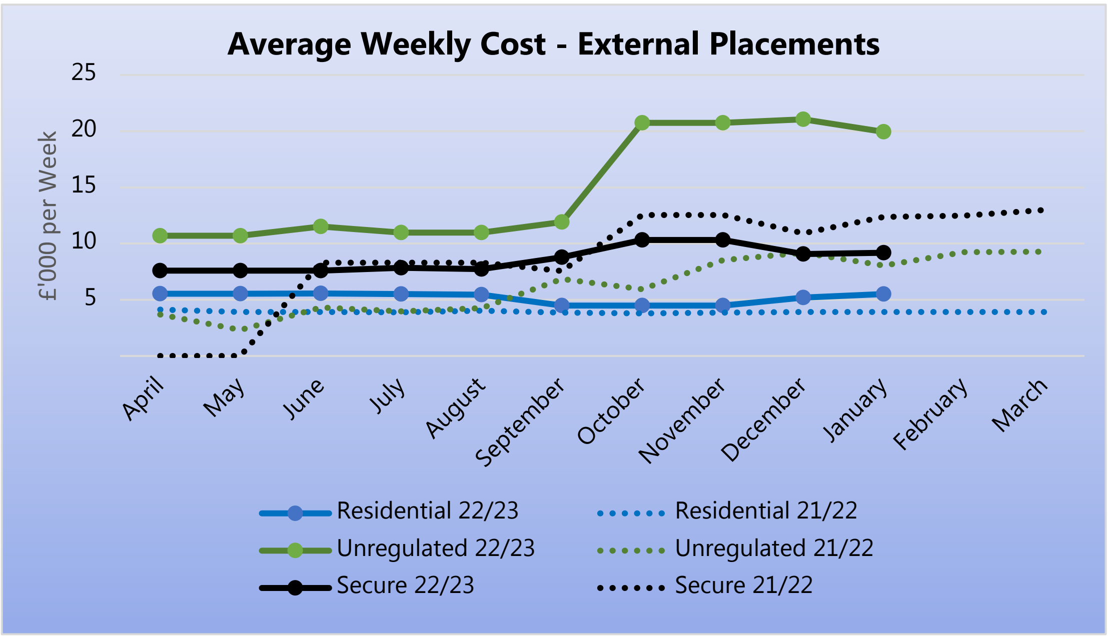
Children's Services - key performance cost drivers



Most of the external placements are in Independent Fostering Agencies (125), Residential (72), Semi-Independent 16/17 (46) and IFA Staying Put (18).

The current level of demand is 75 more than was built into the budget for the year, the most obvious variance being in Semi-Independent 16-17 (36 more than assumed).

The number of placement days projected to be provided for the year is higher than at any point in 2021/22, currently at 113,637. Demand is 30.7% 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).

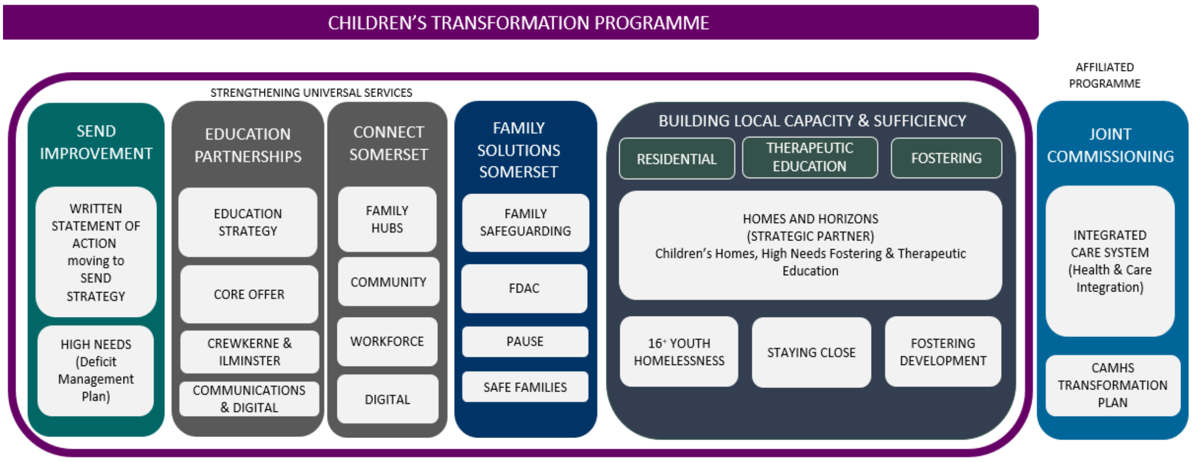
However, the increasing number of children with complex needs is putting a significant capacity and resource strain on the service. This is due in part to increased need but also changes in the nationally in the provision of care to those children with the most complex needs, these include:

- 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.



<u>Building Local Capacity & Sufficiency</u>

- Homes and Horizons:
    - The first two children's homes are expected to open in January/February 2023 with Homes 3 and 4 anticipated to open by April/May 2023. £1.85m capital funding has been secured from the DfE for the next wave of homes. A decision is expected in Feb/March 2023 on the internal capital bid for £3.6m which would support the development of the next phase of homes alongside a second therapeutic education site.
    - Development of the High Needs Fostering Service continues to progress well with an initial positive response to the Christmas recruitment campaign.
    - Discussions are continuing with the DfE around the delivery model for therapeutic education with the aim of going live in Autumn 2023.
- 16+ Homelessness - work continues in preparation for the tendering of the service in April 2023, building on the learning from recent innovation pilots.

<u>Family Solutions Somerset</u>

The York Consulting financial evaluation report for the Family Safeguarding model is expected in February 2023.

<u>Education Partnerships</u>

The redesign of Education, Partnership & Skills is now complete with the majority of posts filled.

Planning is underway for the launch of the new Education Strategy in March 2023, and work continues to implement the 'LA Maintained Core Offer' following Executive approval of the Full Business Case in December.

SEND Improvement

The revisit inspection for the Somerset Written Statement of Action closed on 1st December 2022. Inspectors judged that the area had made sufficient progress in addressing seven of the nine areas of significant weakness. Partners are developing an accelerated progress plan that will address the remaining two areas of significant weakness, which will be monitored by the DfE. SEND improvement governance has been reviewed an updated to align with the end of the written statement of action, SEND revisit, ICS, and new SEND strategy.

The Inclusion service has restructured over the last quarter. Following on from this, new strategic managers are working to develop to a new operating model, enabling improved integration for the service and for families.

The Deficit Management Plan has been superseded by the DfE commissioned "Delivering Better Value" programme. We have submitted a grant application to DfE for a £1m grant to support an 18-month transformation programme to mitigate increasing cost pressures on high needs expenditure.

Emerging Programmes of Work

- Somerset Connect (Early Help) - work is progressing to develop the model and the detailed implementation plan in line with wider County-wide initiatives.
- Staying Close - continued early scoping work in collaboration with CAMHS for the provision of our 'Staying Close' model (for young people leaving care who need additional support), supported by £1.4m of DfE revenue funding.

Diagnostic Work

- Work has recently commenced with Impower to help us better understand the high cost and overspend in external placements with recommendations for potential future savings expected by mid-February.
- Work is also underway with Edge Solutions to assess education transport costs and any transformation that can be undertaken to inform school transport planning and costs going forward. The outcomes of this work are expected by end March 2023.

15. Dedicated Schools Grant (DSG) – Director Claire Winter, Lead Member Cllr Tessa Munt

- 2022/23 total revised DSG allocation is £468.0m before recoupment and deductions.
- 2022/23 allocation after recoupment and deductions, and excluding individual school budgets, is £104m, projected adverse variance £5.4m, adverse movement from Month 9 of £1.6m.
- 2021/22 allocation after recoupment and deductions, and excluding individual school budgets, was £93.4m, outturn adverse variance £4.3m
- DSG cumulative deficit at 31 March 2022 was £20.1m

Table 4: 2022/23 Revised 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	8.8	67.5
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**	**242.1**	**225.9**

* 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. £1.8m 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 5: 2022/23 DSG as at the end of January 2023 (Month 10)

DSG Block	Current Budget (£m)	Full Year Projection (£m)	Month 10 variance (£m)	A/(F)	Movement from Month 9	Direction from Month 9
High Needs Block (HNB)	67.5	72.7	5.2	A	1.1	↓
Central Schools Block (CSB)	5.6	5.5	(0.1)	(F)	(0.0)	↑
Early Years (EYB)	29.1	29.4	0.3	A	0.5	↓
De-delegated	1.8	1.9	0.1	A	0.0	→
Total	**104.0**	**109.5**	**5.5**	**A**	**1.6**	↓

DSG - key explanations, actions & mitigating controls.

The significant adverse variance within the DSG High Needs Block (£5.2m) has increased by £1.1m from Month 9

The main areas contributing to the £5.2m adverse variance are:

- Independent & Non-Maintained Schools (INMS) (£3.0m adverse variance, a favourable movement from Month 9 of £0.1m) – The effect of the significant increase in new INMS placements agreed through the LA's Placement and Travel Panel or ordered by the SEND Tribunal has continued in Month 10. In part, this is due to insufficient availability of maintained specialist provision for pupils with social, emotional, and mental health needs.
- Children Looked After (CLA) (£1.7m adverse variance, an adverse movement from Month 9 of £0.6m) – The High Needs Block contribution to the costs of Children Looked After (CLA) has increased due to an increase of 48 relevant CLA placements during Months 9 and 10.
- Mainstream Maintained Schools & Academies (£1.0m adverse variance, an adverse movement of £0.1m from Month 9) - Additional increases in the number and cost of new and extended 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.
- Direct Payments (£0.3m adverse variance, no movement from Month 9) - an 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.
- Pupil Referral Units (£0.9m adverse variance, £0.2m adverse movement from Month 9) – The forecast reflects a reduction in the income due to be received from schools. This has resulted from a high number of exclusions and corresponding reduction in the number of places available for recharge.

The adverse £0.5m movement in Early Years is due to an adjustment in the number of hours forecast to be claimed at year end now that Spring term estimates have been allocated.

DSG - key risks, future issues & opportunities

There has been a longstanding in-year deficit for the high needs block for the DSG. The size of the in-year deficit has reduced in absolute and relative terms for each of the last three years – a trend that is forecast to continue in the current year. However, the result of the overspend is a cumulative deficit that is forecast to stand at £25.5m at the end of the current financial year.

There have been two key programmes of work to address this challenge. The specialist capital programme has been a four-year programme of work, supported by investment from the council, to expand and improve Somerset's specialist estate. This has resulted in an increase of 450 additional places in specialist SEND provision across the county.

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

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

Newton's analysis has suggested that there are opportunities for reducing high needs expenditure, which could realise a £1.05m benefit by the end of 2024/25, and a cumulative benefit of £7.93m by the end of 2027/28. However, based on Newton's model, it is still expected that the cumulative deficit will continue to grow each year, unless there were to be significant changes to SEND policy or funding at a national level. Newton have reported that in each of the local authorities they have worked with, they are projecting that deficits will continue to grow, so Somerset is in line with other areas in this respect.

The service has identified three key risks:

- Increased demand for education, health, and care (EHC) plans

The key driver for increases in high needs spending is increased demand for EHC plans. Having had one of the lowest rates of EHC plans nationally in 2018, Somerset has seen a continued increase in rates of EHC plans and the current rate of 4.0%, is now just above the national average of 3.9% (2021/22 figures). Increasing numbers of EHC plans is resulting in a gradual movement of children from mainstream settings into specialist settings, with demand for places exceeding the growth in specialist provision. There is further work to implement a £10.1m programme of capital investment, as well as a bid for another special free school to address the sufficiency challenge, in addition to improving interventions and support at an early stage to prevent the need for so many EHC plans.

- 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.

- 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 was due to conclude at the end of the 2022-23 financial year but has now been extended for a further three years and it is proposed that this will now cease at the end of the 2025-26 financial year.

16. Public Health – Director Professor Trudi Grant, 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 6: 2022/23 Public Health as at the end of January 2023 (Month 10)

Service Area	Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
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 SCC budget.

Public Health - key risks, future issues & opportunities

There are ongoing significant pressures on this budget due to contract and pay inflationary increases. We are still awaiting a decision by the treasury to pay the inflationary pay increase for staff on active NHS Agenda for Change Terms and Conditions.

There is a systemic underfunding of public health in Somerset. The Public Health Grant is significantly below the national average being 141st out of 152 local authorities nationally. The grant would increase by £13.235m if it were funded in line with the average local authority in England.

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

- 2022/23 net budget £74.4m, projected favourable variance £0.8m, favourable movement £0.1m.
- 2021/22 net budget £76.6m, outturn favourable variance £1.7m.

Table 7: 2022/23 Economic & Community Infrastructure as at the end of January 2023 (Month 10)

Service Area	Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
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	1.0	(0.2)	(F)	0.0	→
Civil Contingencies	(0.2)	(0.2)	0.0	-	0.0	→
ECI Management	0.4	0.4	0.0	-	0.0	→
Transporting Somerset	9.4	9.2	(0.2)	(F)	0.1	↓
Registration Service	(0.2)	(0.4)	(0.2)	(F)	(0.1)	↑
Library Service	4.2	4.2	0.0	-	(0.1)	↑
Infrastructure Programme Group	0.4	0.5	0.1	A	0.0	→
Highway Operations	12.9	14.3	1.4	A	0.3	↓
Business Support	0.8	0.7	(0.1)	(F)	0.0	→
Heritage Service	1.6	1.6	0.0	-	0.0	→
Traffic Management	1.2	0.6	(0.6)	(F)	0.0	→
Somerset Waste Partnership	31.9	30.6	(1.3)	(F)	(0.3)	↑
SCC Waste	0.1	0.1	0.0	-	0.0	→
Strategic Property	6.2	6.4	0.2	A	0.0	→
Commissioning Development	0.1	0.1	0.0	-	0.0	→
Economic & Community Infrastructure Total	**74.4**	**73.6**	**(0.8)**	**(F)**	**(0.1)**	↑

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

Economic & Community Infrastructure is currently forecasting an underspend of £0.8m at outturn, there has been a favourable movement of £0.1m since month nine.

The movements shown above can be explained as follows:

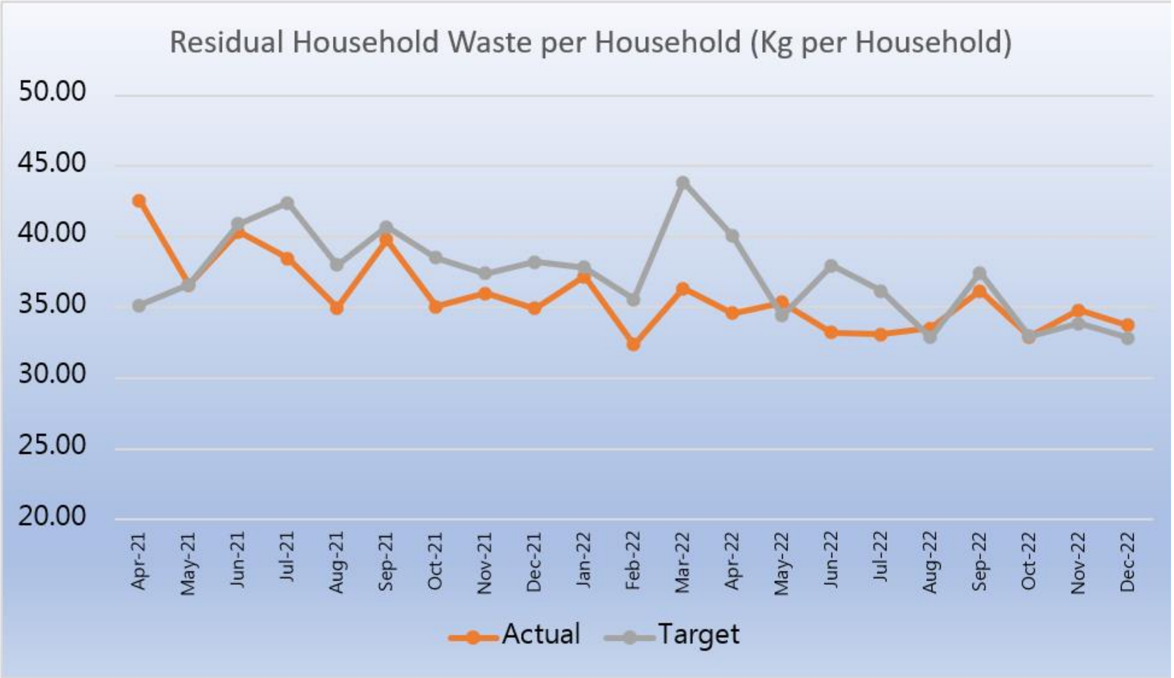
- Highways is currently forecasting an overspend of £1.4m this is an adverse movement of £0.3m since month nine. The movement of £0.3m in the main is due to an increase in winter maintenance but also includes a compensation event, additional enforcement action and IT costs. Highways services are also requesting a further £0.2m draw from a reserve to cover costs for Ash dieback maintenance.
- Somerset Waste is forecasting an underspend of £1.3m a favourable movement of £0.3m since month 9, the services continue to see reductions in costs due to the Recycling More role out.
- Transporting Somerset is currently forecasting an underspend of £0.2m at outturn, this is an adverse movement of £0.1m since month 9. This is due to additional costs occurred by consultancy costs looking at Home to School transport, updates to Salary costs and a reduction in income due a reduction of bus routes.
- Registration Services is forecasting an underspend of £0.2m, a favourable movement of £0.1m since month 9. This is due to updated forecasts within Salary costs and income levels being higher than anticipated.
- Library Services is forecasting to be within budget at outturn, this is a favourable movement of £0.1m since month 9, and is due to updated forecasts across Salary, training, and reprographic budgets.

Economic & Community Infrastructure - key performance cost drivers

Waste

The graph below shows residual household waste (kg per household), with the target trend calculated using a formula based on the results for the previous year. With all Districts now on Recycle More 3-weekly refuse collections, the positive results can be seen, with residual waste continuing to fall.

Although, as the target is linked to historical performance, we are now beginning to see actuals mirroring the target.



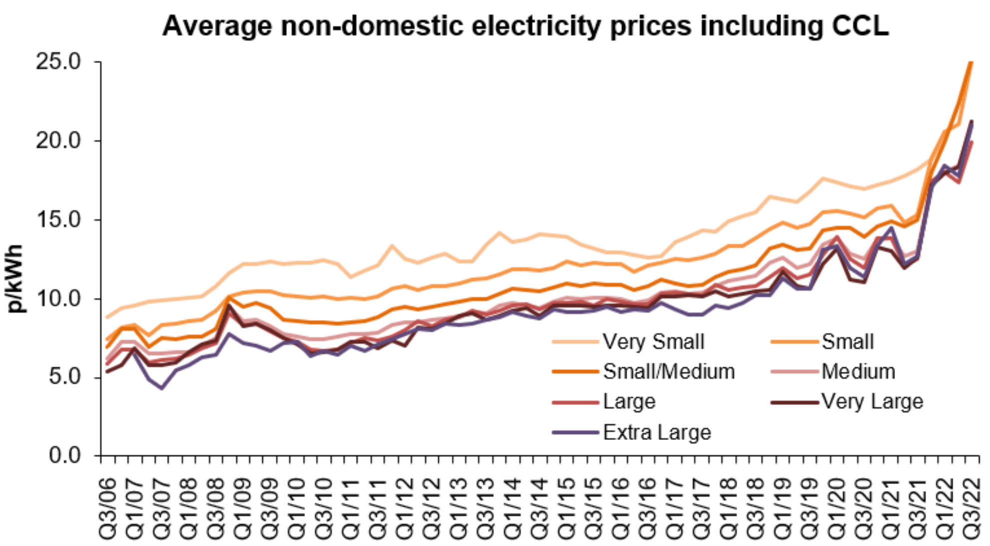
Energy

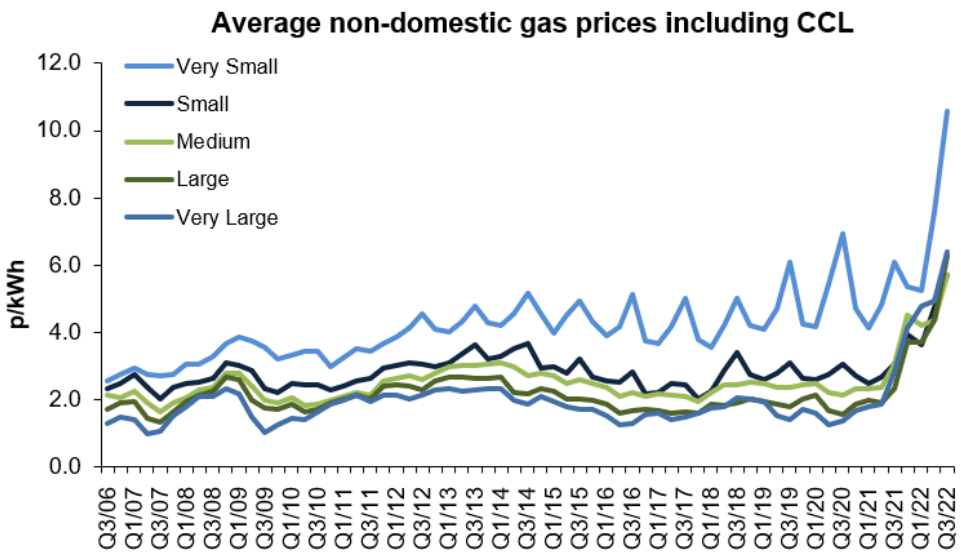
Energy for the Council is procured centrally, and costs are recharged to services to allow each service to manage usage appropriately. Energy is purchased in advance of delivery over several tranches and volumes are aggregated with other public sector consumers. This approach provides best value and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

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 average gas and electricity prices (including the Climate Change Levy) have increased by 124% (including the Climate Change Levy) and 63% (excluding the Climate Change Levy) respectively over the last 12 months.

More information can be found here:
[Quarterly Energy Prices, December 2022 (publishing.service.gov.uk)]

Graph data can be found via the following link:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1086583/table_341.xlsx





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 another 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 minor 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 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 various times throughout the year, as the increase in contract could be led by RPI or CPI it is currently difficult to predict accurately what the impact for each contract might be.

- **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.

- **Winter Pressures.** With the colder weather Highways Operations have seen an increased demand for services. With the icy conditions there has been a need to continue to grit both primary and secondary routes up to three times a day. The weather has also had an impact on road surfaces which has meant that an increase in safety defects to investigate and repair potholes. If the wintry weather continues it is possible that Highways services will see further increases in expenditure due to trying to maintain a usable road network.

- **Flooding.** As well as the wintry weather the county has experienced a significant amount of rain fall over the last month leading to flooding across the levels. This has meant that Services have helped with emergency planning and Traffic Management – for example road closures and diversion routes. Although water levels are starting to fall it is important to note that the levels are saturated with water, and it is possible that flooding will return with any further rain fall.

Economic & Community Infrastructure continues to work within budget constraints to provide services effectively. Work continues across the service to look at new ways of working and works that can be delayed achieving a balanced budget which includes savings of £1.2m as per the MTFP for this Financial Year.

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

- 2022/23 net budget £17.0m, projected favourable variance £0.3m, favourable movement £0.1m.
- 2021/22 net budget £16.7m, outturn favourable variance £0.2m

Table 8: 2022/23 Customers, Digital & Workforce as at the end of January 2023 (Month 10)

Service Area	Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
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	1.3	(0.2)	(F)	(0.1)	
Human Resources	2.9	2.9	0.0	-	0.0	
Customers, Digital & Workforce Total	**17.0**	**16.7**	**(0.3)**	**(F)**	**(0.1)**	

Customers, Digital & Workforce - key explanations, actions & mitigating controls.

Customers, Digital & Workforce is projecting a favourable variance of £0.3m, which is a favourable movement of £0.1m to the position reported at month 9.

Communications is forecasting an underspend of £0.1m and Transformation & Change an underspend of £0.2m mainly due to savings within staffing and 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 Communications in future years regards the funding of then Head of Communications position.

19. Finance and Governance - Director Jason Vaughan, Lead Member Cllr Liz Leyshon

- 2022/23 net budget £14.0m, favourable variance £0.1m, favourable movement £0.1m.
- 2021/22 net budget £9.8m, no outturn variance

Table 9: 2022/23 Finance and Governance as at the end of January 2023 (Month 10)

Service Area	Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
Democratic Services	3.8	3.7	(0.1)	(F)	(0.1)	↑
Legal Services	5.4	5.4	0.0	-	0.0	→
Finance	3.4	3.4	0.0	-	0.0	→
Commercial and Procurement	1.4	1.4	0.0	-	0.0	↓
Finance and Governance Total	**14.0**	**13.9**	**(0.1)**	**(F)**	**(0.1)**	↑

Finance and Governance - key explanations, actions & mitigating controls.

The overall Finance & Governance budget is projecting a favourable variance of £0.1m at Month 10, which is a favourable movement of £0.1m to that reported at month nine.

The projected underspend is within Democratic Services and is mainly as a result of savings within staffing and increased income generation.

The previously reported projected overspend in Procurement (resulting from the non-achievement of a prior year cross-cutting MTFP saving), and the forecast increased overspend within Legal Services (mainly due to an increase in external Legal service provider costs) have been offset by a supplementary approval of £0.5m transfer from the Resilience for Business-as-Usual budget (included in the month 9 report).

Finance and 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 help address this, but this is a common pattern across local government.

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

- 2022/23 net budget £4.5m, no projected variance, no movement.
- 2021/22 net budget £7.4m, no variance at outturn.

Table 10: 2022/23 Accountable Bodies as at the end of January 2023 (Month 10)

Service Area	Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
Somerset Rivers Authority	2.6	2.6	0.0	-	0.0	⇨
Local Enterprise Partnership	1.1	1.1	0.0	-	0.0	⇨
Connecting Devon & Somerset	0.8	0.8	0.0	-	0.0	⇨
Accountable Bodies Total	**4.5**	**4.5**	**0.0**	**-**	**0.0**	⇨

Accountable Bodies - key explanations, actions & mitigating controls.

Somerset Rivers Authority (SRA) is forecasting to be within budget in 2022/23. A draw on the reserve is now required of £4.5m due to works on the Enhanced programme.

The Heart of the Southwest Local Enterprise Partnership (LEP) is forecasting to be within budget at outturn and a contribution of £0.9m will be made to the reserve.

Connecting Devon & Somerset (CDS) is forecasting to be within budget at outturn. Following a review CDS are now looking at adding £0.3m to reserves, which is an additional £0.1m since the previous month. A review of budgets and works within CDS have avoided the need to make an addition funding request through the MTFP process for 2023/24. Due to movement in project timelines the expenditure savings that have been made and transferred to the reserve will be realised later than originally planned.

Accountable Bodies - key risks, future issues & opportunities

Somerset County Council (SCC) acts as the accountable body for the Heart of the Southwest LEP, providing a service across the core functions of the LEP and its programmes. This is in the context of an assurance framework for this programme funding meeting Government principles and expectations. In performing these functions 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, Lead Member Cllr Liz Leyshon

- 2022/23 net budget £0.4m, projected favourable variance £3.4m, no movement.
- 2021/22 net budget (£5.2m), outturn favourable variance £2.6m.

Table 11: 2022/23 Corporate Costs as at the end of January 2023 (Month 10)

Service Area	Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
Local Government Reform	6.9	6.9	0.0	-	0.0	➩
Contributions	0.9	0.9	0.0	-	0.0	➩
Corporate Costs	10.0	9.4	(0.6)	(F)	0.0	➩
Financing Transactions	18.5	16.0	(2.5)	(F)	0.0	➩
Special Grants	(35.9)	(36.2)	(0.3)	(F)	0.0	➩
Corporate Costs Total	**0.4**	**(3.0)**	**(3.4)**	**(F)**	**0.0**	➩

Corporate Costs - key explanations, actions & mitigating controls.

Corporate Costs
The projected favourable variance of £0.6m relates to the current uncommitted Resilience for Business-as-Usual (BAU) budget which is available to ensure business continuity is maintained whilst delivering LGR and the implementation of the new Business Support System.

Note: The forecast also includes a favourable variance of £0.1m within the Discontinued Services budget and a favourable variance of £0.1m within the Corporate Democratic Core/Non-Distributed Costs budget (CDC/NDC). These variances are due to reduced costs within the Teachers Pensions element of the Discontinued Services budget and historic unallocated income that cannot be attributed to a service therefore has been coded to the CDC/NDC budget. These favourable variances have been offset by a £0.2m adverse variance which relates to a redundancy, including pensions strain costs, attributable to the Central Redundancies budget.

Financing Transactions
The favourable variance of £2.5m 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 more 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 3.0% to 3.5% from December 2022 forms part of the latest forecasting.

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

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

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

Table 12: 2022/23 Trading Units as at the end of January 2023 (Month 10)

Service Area	Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
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 £0.590m, after use of reserves the deficit is £0.263m.

Operating costs continue to increase, particularly food, drink, and utility bills. Salary costs have also increased significantly, with the 2022/23 pay award exceeding what was budgeted. Market rates 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.

Income levels across some activity areas were lower than forecast for the first six months, due to the ongoing impact from Covid and financial pressures on customers. We experienced some recovery for a few months but have now experienced some impact from the cost-of-living increases. We continue to review future forecasts and 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 £0.6m an adverse movement of £0.1m from Month 9. The £0.6m will be offset against SSE reserves. The pressure is due to a projected shortfall in traded income across several services, as well as the impact of inflation. Work is underway to try and reduce the pressure.

23. Contingencies – Director Jason Vaughan, 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 utilised, leaving £3.6m unallocated.

Table 13: 2022/23 Contingencies as at the end of January 2023 (Month 10)

Service Area	Original Budget £m	Contingency movements £m	Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
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.

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 budget assumed a pay award of 2.5% but the final agreed offer of £1,925 is the equivalent to a 5.5% increase. The forecast also includes the announcement for the reversal of the Social Care National Insurance percentage. 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, 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 14: 2022/23 Core Revenue Funding as at the end of January 2023 (Month 10)

Service Area	Original Budget £m	Current Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	Movement From Month 9	Direction From Month 9
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.

Report Sign-Off

		Signed-off
Legal Implications	Honor Clarke	23/02/2023
Governance	Scott Wooldridge	27/02/2023
Corporate Finance	Jason Vaughan	23/02/2023
Human Resources	Chris Squire	24/02/2023
Property	Paula Hewitt / Oliver Woodhams	23/02/2023
Procurement / ICT	Claire Griffiths	23/02/2023
Senior Manager	Jason Vaughan	23/02/2023
Commissioning Development	Sunita Mills / Ryszard Rusinek	27/02/2023
Local Member	All	
Executive Member	Cllr Liz Leyshon - Deputy Leader of the Council and Lead Member on Finance and Human Resources	27/02/2023
Opposition Spokesperson	Opposition Spokesperson – Finance and Human Resources – Cllr Mandy Chilcott	Sent on 28/02/223
Scrutiny Chair	Scrutiny for Policies and Place Committee - Cllr Gwil Wren	Sent on 24/02/2023