

## SWT Executive

Wednesday, 15th March, 2023,  
6.15 pm



Somerset West  
and Taunton

The John Meikle Room - The Deane  
House

[SWT MEETING WEBCAST LINK](#)

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**Members:** Federica Smith-Roberts (Chair), Derek Perry (Vice-Chair), Benet Allen, Chris Booth, Dixie Darch, Caroline Ellis, Mike Rigby, Francesca Smith, Andrew Sully and Sarah Wakefield

### Agenda

**1. Apologies**

To receive any apologies for absence.

**2. Minutes of the previous meeting of the Executive - to follow**

To approve the minutes of the previous meeting of the Committee.

**3. Declarations of Interest**

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

(The personal interests of Councillors and Clerks of Somerset County Council, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes.)

**4. Public Participation**

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

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

before Councillors debate the issue.

We are now live webcasting most of our committee meetings and you are welcome to view and listen to the discussion. The link to each webcast will be available on the meeting webpage, but you can also access them on the [Somerset West and Taunton webcasting website](#).

**5. Corporate Performance Report - Quarter 3 2022/23**

(Pages 5 - 22)

This matter is the responsibility of Executive Councillor for Communications and Corporate Resources, Councillor Benet Allen.

This paper provides an update on the council's performance for the first 9 months of the 2022/23 financial year. The report includes information for a range of key performance indicators and also includes the key business risks for the council.

**6. Local Authority Housing Fund - New Affordable Housing Supply to support the resettlement of Ukrainian and Afghan Refugees**

(Pages 23 - 60)

This matter is the responsibility of Executive Councillor for Housing, Councillor Francesca Smith.

It is anticipated expenditure for this scheme will fall within 2023/24 financial year. This report asks the SWT Executive to endorse the scheme which will be progressed by the new Somerset Council.

**7. 2022/23 Housing Revenue Account Financial Monitoring as at Quarter 3 (31st December 2022)**

(Pages 61 - 84)

This matter is the responsibility of Executive Councillor for Housing, Councillor Fran Smith.

This report provides an update on the projected outturn financial position of the Council's Housing Revenue Account (HRA) for the financial year 2022/23 (as at 31 December 2022).

**8. Access to Information - Exclusion of the Press and Public**

During discussion of the following items (Agenda Item 9 – Appendix F and Agenda Item 10 in its entirety) it may be necessary to pass the following resolution to exclude the press and public having reflected on Article 13 13.02(e) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of

the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. Executive will need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

Recommend that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the next items of business (Agenda Item 9 – Appendix F and Agenda Item 10 in its entirety) on the ground that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

**9. 2022/23 General Fund Financial Monitoring as at Quarter 3 (31 December 2022)**

(Pages 85 - 120)

This matter is the responsibility of Executive Councillor for Communication and Corporate Resources, Councillor Benet Allen.

This report provides an update on the projected outturn financial position of the Council's General Fund (GF) for the financial year 2022/23 (as at 31 December 2022 forecast).

**10. Coal Orchard Commercial Lettings**

(Pages 121 - 130)

This matter is the responsibility of Executive Councillor for Economic Development, Planning and Transportation, Councillor Mike Rigby.



**ANDREW PRITCHARD  
CHIEF EXECUTIVE**

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Members of the public are welcome to attend the meeting and listen to the discussions. There is time set aside at the beginning of most meetings to allow the public to ask questions. Speaking under "Public Question Time" is limited to 3 minutes per person in an overall period of 15 minutes and you can only speak to the Committee once. If there are a group of people attending to speak about a particular item then a representative should be chosen to speak on behalf of the group. These arrangements do not apply to exempt (confidential) items on the agenda where any members of the press or public present will be asked to leave the Committee Room.

If you would like to ask a question or speak at a meeting, you will need to submit your request to a member of the Governance Team in advance of the meeting. You can request to speak at a Council meeting by emailing your full name, the agenda item and your question to the Governance Team using [governance@somersetwestandtaunton.gov.uk](mailto:governance@somersetwestandtaunton.gov.uk)

Any requests need to be received by 4pm on the day that provides 1 clear working day before the meeting (excluding the day of the meeting itself). For example, if the meeting is due to take place on a Tuesday, requests need to be received by 4pm on the Friday prior to the meeting.

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The meeting rooms, including the Council Chamber at The Deane House, are on the first floor and are fully accessible. Lift access to The John Meikle Room (Council Chamber), is available from the main ground floor entrance at The Deane House. The Council Chamber at West Somerset House is on the ground floor and is fully accessible via a public entrance door. Toilet facilities, with wheelchair access, are available across both locations. An induction loop operates at both The Deane House and West Somerset House to enhance sound for anyone wearing a hearing aid or using a transmitter.

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# **Somerset West and Taunton Council**

## **Executive – 15 March 2023**

### **Corporate Performance Report - Quarter 3 2022/23**

**This matter is the responsibility of Executive Councillor Member Benet Allen.**

**Report Author: Malcolm Riches, Business Intelligence and Performance Manager.**

#### **1. Executive Summary / Purpose of the Report**

This paper provides an update on the council's performance for the first 9 months of the 2022/23 financial year. The report includes information for a range of key performance indicators and also includes the key business risks for the council.

Given the breadth of information contained in the report, it is unlikely that all questions can be answered at the meeting. It would be helpful if any detailed questions could be submitted in advance.

This will be the last performance report for SWT and future reports will be for the new council. Work is currently underway to align performance indicators across the 5 existing councils and it is likely that the out-turn performance for 2022/23 will be included as a baseline in the performance reports for 2023/24.

This report continues to demonstrate the improvements that have been made by the council and that good performance has been sustained. The council's strong performance management is underpinned by quality data and management information that has informed evidence based decisions, leading to improved outcomes.

#### **2. Recommendations**

Members are asked to note the Council's performance report.

#### **3. Risk Assessment**

Failure to regularly monitor performance could lead to the council not delivering on some of its corporate priorities or key services.

#### **4. Background and Full details of the Report**

As part of the Council's commitment to transparency and accountability this report provides an update on performance. The Covid pandemic and economic climate continue to have an impact and the Council's response to these issues is being achieved in addition to the regular day-to-day responsibilities. In addition, services are increasingly having to focus on the transition to the new unitary council from 1 April 2023.

Specifically, the report provides:

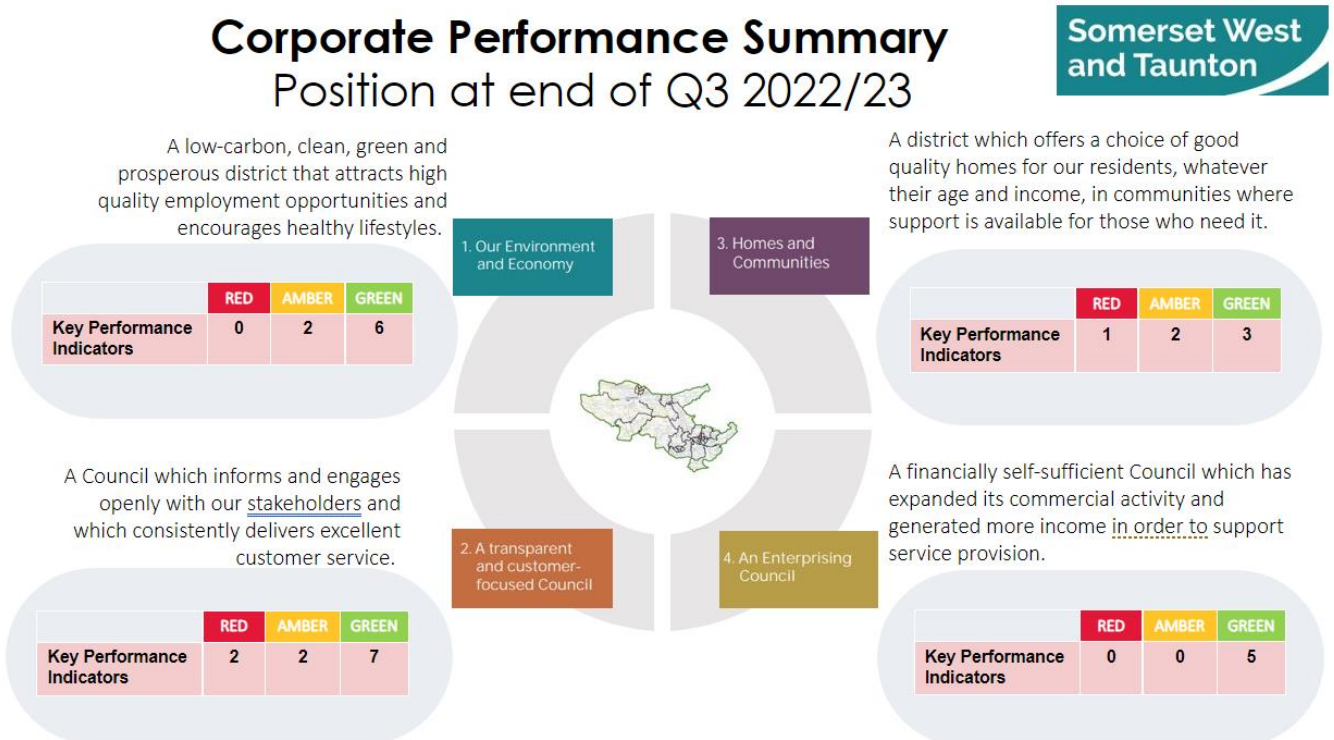
- The position in respect of our key performance indicators at the end of September,
- A summary of the Council’s key business risks and issues together with the current status of the actions being taken to respond to them.

#### 4.1 Summary of Performance

The Council’s Corporate Strategy contains four priority strategic themes. Each year the Council produces a plan (the Annual Plan) to identify actions to assist in the delivery of the strategic priorities.

Progress against a range of KPI’s is reported quarterly. These KPI’s are used to monitor progress in delivering key services and to enable us to quickly identify and rectify any problem areas. These indicators are also linked to the corporate priorities to indicate how they support the delivery of the Corporate Strategy.

Full details of the progress to date against each of the KPIs can be found in appendix 1. Of the Key Performance indicators, 21 are Green, 5 are Amber and 3 are Red.



#### 4.2 Key Performance Indicators

The table in Appendix 1 includes the councils Key Performance Indicators and shows how the council has performed during the first 9 months of the 2022/23 financial year. The table includes a “direction of travel” arrow to show whether performance has improved, worsened, or stayed the same, since the end of September.

For the majority of indicators, the target has either been met or, in many cases, has been exceeded. More information is provided below regarding the red and amber indicators:

### **Percentage of complaints responded to in 10 working days:**

The percentage of complaints responded to in 10 days for the first 9 months of the year is 75%, which is below the target of 90%.

The breakdown of the complaints response times across the Directorates is detailed below:

Directorate	Number of complaints (Apr-Dec)	Number of complaints answered in 10 working days	Percentage of complaints answered in 10 working days
Internal Operations	182	153	84%
External Operations	126	90	71%
Development and Place	70	59	84%
Housing and Communities	227	153	67%

The reasons for this are varied and are summarised below:

- *Increased numbers of complaints* - the number of complaints received continue to be significantly higher than in the previous financial years. Higher volumes of complaints present challenges in some areas in being able to respond within the target time.
- *Complexity* - we are continuing to receive a greater number of more complex complaints. These take longer to investigate and respond to and often cannot be responded to within target. Where this is the case officers are under instruction to contact the complainant and agree a new realistic deadline for response.
- *Capacity* - the increased volumes and complexity are highlighting capacity problems in some areas around having enough sufficiently skilled officers to respond to complaints. The demands of LGR transition are also having an impact here. In addition, this is particularly of note in areas where vacancies have been difficult to fill, and sickness and holiday periods have led to further capacity reductions.
- *Customer expectations* - customer expectations are increasing resulting in a growth in the number of complaints being registered. This is a sector wide trend across local government. For example, the Housing Ombudsman reported a 230% increase in the number of complaints reported for the period April to June 2021 from the same period in the previous year.

We have and are actively taking steps to improve our performance on response times. These steps include:

- We have trained additional staff within the Customer Services team in the processes for initially triaging complaints and distributing them to the relevant

services. This is helping to speed up the process for getting the complaints to the relevant officers.

- Refining and re-writing elements of the IT software (Firmstep) that manages the complaints process to make the routing of complaints easier. These changes have been implemented in the live system and are working as expected.
- Training is ongoing across the organisation to build both capacity and improve the quality of responses to complaints.
- Learning from complaints and complaint trends are driving new work. In Housing, for example, a working group is looking at damp and mould issues, and deep dive activity is being undertaken with other authorities to compare performance and share good practice.
- Our complaints lead continues to work closely with services to resolve issues and to ensure we can issue responses as quickly as possible. Localised reporting in some directorates has also continued in detail, for example weekly follow up on cases within Housing.
- Within Housing the average response rate of 67% is not indicative of the enhanced service to customers in terms of the quality of complaint investigations. We are challenged by the varied reasons above but our focus has been on the quality of investigation and response alongside complaint response times. This approach is supported by the Housing Ombudsman.
- Within Housing we have recently undertaken a six monthly assessment against the Housing Ombudsman complaint handling code and published those results to our website. Further details can be found [Self Assessment Form complaints \(somersetwestandtaunton.gov.uk\)](https://www.somersetwestandtaunton.gov.uk) The new Somerset Council complaints policy will trigger a new self assessment.
- Learning from complaints and complaint trends are continuing to drive new initiatives. In Housing, for example, a working group is looking at damp and mould issues, repair call handling has changed and deep dive activity is being undertaken with other authorities to compare performance and share good practice. We are also deep diving into complaints “communication” data to identify trends and learning which we will share with our Tenants’ Strategic Group.

We continue to monitor the workload in this area together with response times and implementing improvements. However, we are conscious that demand will continue to grow particularly in view of the anticipated impact of the fuel price increase, inflation and the worsening economic climate all of which will continue to make this a challenging target.

***Average call wait times:***

The indicator measures the length of time it takes one of our Customer Services Team to answer a call once the customer has listened to the initial recorded options and selected an appropriate queue.



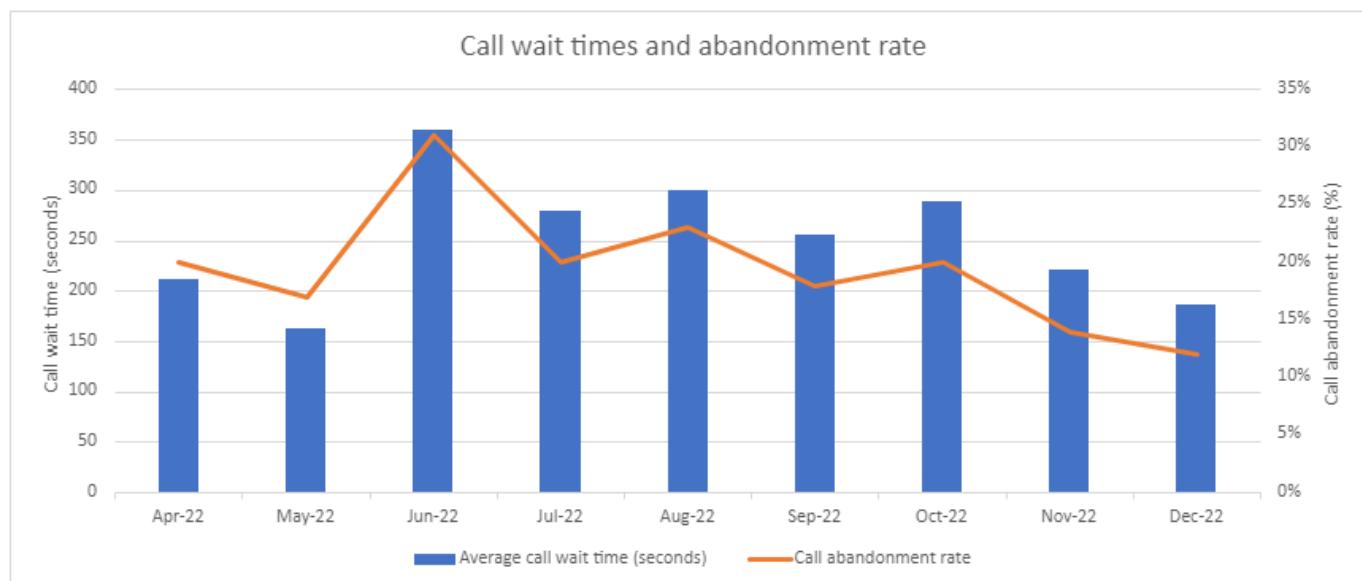
Our target is to answer all calls within 60 seconds. This is an ambitious target when compared with many other organisations where it is not uncommon to be waiting longer than 5 minutes. There is a clear relationship between the number and length of calls and the levels of staff resourcing required to maintain an answer rate of 60 seconds or below.

This target has proved extremely challenging over the past year, which has seen increases both in the number of calls we are receiving and the duration of calls. This trend has continued into the current year. During the first quarter of this financial year we received 60,000 calls, which represented a 5% increase on the same period for the previous year. In addition, the average duration of the calls received during quarter 1 this year has increased by 18%.

The increase in calls is driven:

- In part by business as usual activity (Council Tax bill issue in March 2022 and garden waste renewals), which are tending to generate more calls post-Covid; and
- By the Council Tax Fuel Rebate scheme announced by Government earlier in the year. This affected circa 60,000 properties. The delay between the Government communicating their intention in March 2022 and our actually being able to commence payments coupled with the requirement for a substantial number of people being required to apply for a rebate has inevitably driven up call volumes.

The chart below shows the call wait times and the abandonment rate for April to December. There is a clear correlation, and it is recognised that when call wait times are longer, the number of people who abandoned their call increases. The spike in June resulted from a combination of increased calls regarding Council Tax Fuel Rebates and garden waste renewals. While still above target, the graph shows a continued trend to lower call wait times, and lower abandonment rates over recent months.



Locally we have continued to face resourcing challenges. Turnover within our customer service teams is higher than the average. This is a nationally recognised issue and not unsurprising given the nature of the work and the fact that, in our case, this is very much an entry point into the organisation. However, we are now also

experiencing significant difficulties in being able to recruit, which again is a national problem.

In addition, a number of the senior staff within Customer Services are also having to spend increasing amounts of time focussing on the transition of the various elements of the service into the new unitary council. Customer services is one of the critical functions that needs to transition smoothly so this work is vital, but obviously will potentially distract from their ability to focus on immediate operational issues.

Call volumes have reduced which is expected over Quarter 3, we have also recruited 2 additional Agency team members to help us maintain our call performance.

It is worth highlighting that call volumes are anticipated to increase in Quarter 4 when our annual bills go out. In addition, Central Government has been given us the new Council Tax Support Fund Grant & and the Energy Rebate Scheme to administer, both of which will generate additional calls.

#### Customer Experience Project (CX):

Through 2022/23 we have maintained a focus on continuous improvement through our CX Project. The intended deliverables were the marginal improvements we could make in-house to enhance our customer offering, we would do this by better understanding pain points and taking a fresh view of some of our direct customer touch points. The focus areas of the project have been;

- Complaints & root cause analysis
- Customer enquiry management
- Website improvements
- Members case management review & pilot
- Lessons learned & training opportunities
- Increased digitalisation and accessibility

The deliverables have included:

- Analytical understanding of complaints in top 3 areas with dedicated actions plans to address.
- Improvements to web pages enhancing information which often leads to complaints (ex. Housing - damp & mould information)
- Training to help officer better respond to stage 1 complaints, reducing quality-based stage 2 complaints.
- A new 'Contact Us' page designed to highlight the extent of online services and improve navigation for customers to self-serve.
- New Customer Experience intranet page with guidance for staff.
- Improved complaints tracking tool to better manage data and understand themes.
- Members casework pilot conducted - did not deliver desired results, stopped.
- Excellence Champions trained to provide root cause analysis and lean reviews.

Early results:

- Increased click through rates from 'Contact Us' page, up 12%.

- Reduction in 'general enquiries' of 4%.
- Lowest quarter of calls received in the last 3 years Oct-Dec 2022.

### ***Sickness Absence (average days sickness per employee)***

Due to recent changes in HR systems as part of the LGR transition, we are struggling to collate data for staff sickness. We are continuing to record and monitor this, but were unable to validate the data in time for publication in this report. The data included is that from the end of Q2.

Although performance is rated as Amber, the target of 7.2 days sickness per employee for the year is aspirational and ambitious yet is very nearly being reached. Particularly given the make up of our workforce which includes a reasonable proportion of manual work. The unprecedented impact of the pandemic on working patterns over recent years has made it more challenging to set meaningful targets for sickness due to the issues with looking at trends in data from previous years. In 2021/22, this target was met and performance for the year was 7.2 days, which was a significant achievement given that levels of sickness in previous years had been much higher.

Undoubtedly home working is a positive factor in reducing sickness absence. We are very close to achieving this target again, and based on Q2 performance, the forecast for the year would be 7.9 days. Sickness data is closely monitored by Directorate management teams on a monthly basis and will be kept under review.

### ***Staff Turnover***

Due to recent changes in HR systems as part of the LGR transition, we are struggling to collate data for staff turnover. We are continuing to record and monitor this, but were unable to validate the data in time for publication in this report. The data included is that from the end of Q2.

The target for the year is to be under 12, which is very aspirational, and is very close to being met. In 2021/22, the figure for the year was 8.9. The Q2 performance is 6.47, suggesting a forecast for the year of 12.9. While not giving cause for concern at this stage, the data is monitored by Directorate management teams on a monthly basis and will be kept under review.

Risks to increased turnover include;

- The Local Authority sector is rapidly losing pace on pay with other employers. Whilst historically an increased salary is an outcome rather than a driver of job change. The current economic climate is likely to drive behaviour as employees feel the impact of inflation.
- Other employers (including the NHS) matching the flexibility that was previously a key selling point for Local Authorities.
- Post pandemic, employers are far more relaxed about staff living a considerable distance from their work base. This has resulted in employees moving to jobs with London salaries yet remaining in Somerset.
- There is some evidence of employees moving between districts to maximise their income. Indeed, one authority is offering incentives to planning staff to move to them.

- Job security related to LGR is a factor and this risk will heighten when news of the size of the MTFP gap becomes more widely known.

### ***% of reported fly tipping incidents responded to within 5 working days***

Performance for the year so far has been 76%, which is lower than the target of 80%. Although the majority of incidents have actually been collected in the required 5 working days a change in the contractors management team led to delays in the closing of the incidents on the CRM system.

### ***Current tenant arrears at the end of month %***

At the end of December, performance of 2.88 is slightly above the target of 2.72. This is largely due to seasonal fluctuations and is not unexpected due to Christmas and the impact on some tenants ability to pay rent. Benchmarking data indicates that our performance for October and November was in the top quartile, and despite the fall in performance for December it is still well above average.

### ***% of housing dwellings with a valid gas safety certificate (LGSR)***

Compliance is below 100% at the end of December due to 1 property with hybrid heating not being accessed by the anniversary date. The appointment was carried out in January 2023 and the required work has been undertaken. For all other months over the past year performance has been 100%.

### ***Completion of housing emergency repairs within 24 hours***

There are a small number of emergency repairs that were recorded as being over 24 hours, but in most cases the recording on the system was late, rather than the completion of the actual repair, especially when repairs were carried out overnight. We are working hard to strengthen the timeliness and completeness of the recording, especially with external contractors, to improve the accuracy of reporting. We are also ensuring that the data follows the criteria set out by Housemark.

## 4.3 Risk Management update

The quarterly Corporate Performance Reports include an update on the key business risks and issues for the Council.

Processes are in place within each directorate to regularly review existing and identify any new risks and issues. As new risks or issues are identified they are included on the risk register or issues log and mitigations are identified and planned. A target date is set as to when the mitigations should be in place, and a lead officer is appointed.

The risks are all scored based on their probability and potential impact. The Risk Scoring Matrix used to score the risks is attached at Appendix 2. Risks with a higher score are likely to have a more detailed mitigation plan. Issues are things which have already happened, so they are not scored in the same way as risks, but they have a RAG status which relates to the severity of the issue.

As of the end of December there were 5 Key Business Risks (with a score of 15 or higher) on the risk register which are shown in Appendix 3.

As of the end of December the Corporate Issues Log contained 2 Issues which are shown in Appendix 4.

Appendices 3 and 4 provide a summary of the key risk or issue together with the current status of the development and delivery of any mitigation plans required to address them.

The risk register and issues log are updated as necessary and new risks/issues can be added at any point. They are routinely reviewed each month through the regular cycle of meetings. The lead officer is responsible for updating the risk register with progress made regarding mitigations, and this is reported back to Directorate performance meetings, and to the Corporate Performance Board where SMT review the key risks monthly.

As part of the transition to the new council, the risk register for SWT is being aligned with those for the other councils. This will ensure that existing risks are appropriately transferred into the risk management process of the new council.

## 5. Links to Corporate Strategy

This performance report provides an update on Corporate Performance which is fundamental to the implementation of the Corporate Strategy.

## 6. Finance / Resource Implications

The detailed financial position is available in a separate budget monitoring report.

### Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – Yes**
- **Cabinet/Executive – Yes**
- **Full Council – No**

### Reporting Frequency: Quarterly

### List of Appendices

Appendix 1	Key Performance Indicators Report
Appendix 2	Risk Scoring Matrix
Appendix 3	Corporate Risk Register – Key Business Risks
Appendix 4	Corporate Issues

### Contact Officers

Name	Sean Papworth	Name	Malcolm Riches
Direct Dial	07385 396633	Direct Dial	01823 219459
Email	<a href="mailto:s.papworth@somersetwestandtaunton.gov.uk">s.papworth@somersetwestandtaunton.gov.uk</a>	Email	<a href="mailto:m.riches@somersetwestandtaunton.gov.uk">m.riches@somersetwestandtaunton.gov.uk</a>



Appendix 1

SWT Performance report 2022/23								
Link to Corporate Strategy	Full definition	Target 2022/23	Quarter 3	Direction of Travel	Denominator	Quarter 3	Numerator	Quarter 3
Transparent & Customer Focused	% of complaints responded to in 10 working days	90%	75%	↑	Total number of complaints received	605	Number of complaints responded to within 10 working days	455
	% of FOI requests responded to in 20 working days	75%	89%	↔	Total number of FOI requests received	343	Number of FOI responded to within 20 working days	306
	% of calls to Deane Helpline answered in < 60 seconds	90%	95%	↓	Total number of calls to Deane Helpline in the month	266897	Number of calls answered in under 60 seconds	254334
	Average call wait time (secs) for the last month	60 secs	186	↑				
	Cumulative percentage of the amount of Council Tax collected*	97%	88.09%	↑	Total amount of Council Tax to be collected by the 31st March	£114,631,540	Amount of Council Tax collected in the year so far	£100,974,565
	Cumulative percentage of the amount of Business Rates collected*	95%	87.97%	↑	Total amount of Business Rates to be collected by the 31st March	£47,096,427	Amount of Business Rates collected in the year so far	£41,428,498
	Average processing times of new Housing Benefit claims	19 dys	17.38	↑	Number of new Housing Benefit claims received	448	Total number of days	7787
	Average processing times for changes in circumstances for Housing Benefit claims	9 dys	5.84	↑	Number of new Housing Benefit Change of Circumstances received	5613	Total number of days	32757
	% of Licensing applications processed within required timescales	90%	92%	↑	Number of licensing applications processed	1257	Number of licensing applications responded within timescales	1157
	Sickness Absence - average days sickness per employee (target is for the year)	7.2 dys	3.96 (Q2*)	↑	Total working days lost for all employees (cumulative)	2379	Number of FTE staff	600
Staff Turnover (target is for the year)	< 12	6.47 (Q2*)	↑	Total number of staff	2404	Total number of leavers	44	
An Enterprising Council	Forecast budget variance for General Fund	£0	£-169k	↔				
	Forecast budget variance for Housing Revenue Account	£0	£-91k	↑				
	Forecast level of uncommitted reserves for General Fund.	£2.4m	£9.8m	↑				
	Forecast level of reserves for Housing Revenue Account.	£2m	£3.1m	↑				
	On target for Commercial Income Generation	£4.0m	Yes	↔				

Link to Corporate Strategy	Full definition	Target 2022/23	Quarter 3	Direction of Travel	Denominator	Quarter 3	Numerator	Quarter 3
Environment & Economy	% of reported fly tipping incidents responded to within 5 working days	80%	78%	↑	Number of fly tipping incidents	576	Number of fly tipping incidents responded to within 5 days	448
	% of service requests for street cleansing actioned within 5 working days	85%	87%	↑	Number of service requests for street cleansing	843	Number of service requests actioned within 5 working days	731
	% of major planning applications determined within 13 weeks or within agreed extension of time**	75%	78%	↓	Total number of major planning applications received	23	Total number of major planning applications determined within 13 weeks or agreed extension	18
	% of minor planning applications determined within 8 weeks or agreed extension of time**	65%	71%	↓	Total number of minor planning applications received	231	Total number of minor planning applications determined within 8 weeks	165
	% of other planning applications determined within 8 weeks or an agreed extension of time**	80%	81%	↑	Total number of other planning applications received	545	Total number of other planning applications determined within 8 weeks or an agreed extension	443
	% of planning appeals that have had the decision overturned	33%	24%	↑	Number of appeals received (last 12 months)	33	Number of appeals where the decision is overturned (last 12 months)	8
	% Play area inspections completed to schedule	100%	100%	↔	Play areas to be inspected	4932	Inspections carried out	4932
Homes and Communities	Current tenant arrears at the end of month %	2.72%	2.88%	↓				
	Number of families in B&B over 6 weeks (position at the end of the quarter)	0	0	↔				
	Average re-let time in calendar days (key to key)	49 dys	45	↓	Total Number of dwellings let following void process	238		
	% of housing dwellings with a valid gas safety certificate (LGSR)	100%	99.90%	↓	Total number of dwellings requiring a valid gas safety certificate in the quarter. (Total number required is 4447)	1330	Total number of dwellings without a valid gas safety certificate at the end of the quarter	1
	% of communal areas with a Fire Risk Assessment (FRA) in place and FRA Review complete (where applicable)	100%	100%	↑	Total number of communal areas requiring a Fire Risk Assessment (FRA) in place and FRA Review complete (where applicable) in the quarter. (Total number required is 339 blocks)	89	Total number of communal areas without a Fire Risk Assessment (FRA) in place and FRA Review complete (where applicable) at the end of the quarter	0
	Completion of housing emergency repairs within 24 hours	100%	99%	↓				

The column titled Direction of Travel, shows whether performance has improved, worsened or is similar to the last report.

↑ Performance has improved

↓ Performance has got worse

↔ Performance is similar

\* The current figures appear well below target, but these are cumulative totals.

\*\* The planning indicators included in this report are calculated using nationally prescribed definitions to ensure performance is consistently reported and to allow for benchmarking and comparisons. The indicators calculate timescales upon completion. Due to the current issues with Phosphates, there are a number of applications which are held in abeyance, the details of which are available here: <https://www.somersetwestandtaunton.gov.uk/planning/phosphates-on-the-somerset-levels-and-moors>

Q2\* Due to recent changes in HR systems, we are struggling to collate data for staff sickness and turnover. We are continuing to record and monitor both of these, but were unable to validate the data in time for publication in this report.



## APPENDIX 2

### Risk Scoring Matrix

#### Impact

Risk Impact/Severity The impact of the threat being realised is defined as:

	Score	Impact	Definition
<b>Very Low</b>	1	No impact	No notable impact identifiable
<b>Low</b>	2	Minor	Affects only one group of stakeholders, with minimum impact
<b>Medium</b>	3	Significant	Affects more than one group of stakeholders, with widespread but short-term impact. May attract the short-term attention of legislative/regulatory bodies
<b>High</b>	4	Major	Affects more than one group of stakeholders with widespread medium-term impact. Attracts the medium-term attention of legislative/regulatory bodies
<b>Very High</b>	5	Catastrophic	Medium to long term impact on performance and delivery of services. Affects all groups of stakeholders, with a long-term impact. National impact with the rapid intervention of legislative/regulatory bodies

#### Risk Likelihood

The likelihood of the threat being realised is expressed on a scale of 1-5, using the definitions below

	Score	Likelihood	Definition
<b>Very Low</b>	1	Rare	May occur in exceptional circumstances
<b>Low</b>	2	Possible	Risk may occur in the next 3 years
<b>Medium</b>	3	Likely	The risk is likely to occur more than once in the next 3 years
<b>High</b>	4	Almost certain	The risk is likely to occur this year
<b>Very High</b>	5	Certain	The risk has occurred and will continue to do so without action being taken



### Appendix 3 Key Business Risks at end of December 2022

REF	Risk details			Current score			Action summary		
	Name	Summary of the risk (cause) / What is the impact?	Date added	Imp.	Prob.	Total	Owner	Mitigation plan development status	Mitigation plan implementation status
CR11	Cyber attack	Cause - Cyber Attack Impact - Potential for financial, legal and reputational damage or that we are targeted and locked out of essential systems.	Jun-20	4	5	20	Sean Papworth	Green	Green
CR23	Landlord Safety Checks	Cause: Failure to comply with Landlord Property Safety Compliance requirements. Impact: Regulatory failure, failure to comply with the law, incident causing injury or death, negative PR, and financial loss (compensation and / or fine)	Mar-21	4	4	16	Ian Candlish	Green	Green
CR34	Unitary council transition	Cause: Inability to adequately resource the unitary transition activities, business as usual service delivery and key programmes. Impact: Failure to deliver corporate objectives, inability to maintain key services, inability to deliver key functions in the new council, reputational damage, financial loss, legal challenge.	Sep-21	4	4	16	Alison North	Green	Green
CR35	Impact of conflict in Ukraine	Cause: The conflict in Ukraine increases the unpredictability, which may have an impact on a number of aspects of the Council's business. Impact: This may impact on on oil/gas supply, other supply chains, add to inflationary pressures, which will add to further cost of living. This will have a knock-on Impact on other workloads, inc homelessness where our capacity to respond is already a challenge as the system is under pressure.	Apr-21	4	4	16	Alison North	Amber	Amber
CR36	Cost of living crisis	Cause: With the increase in the cost of living, there will be an increased growth in demand for key services (Revs and Bens, Debt Recovery, inc rent arrears etc). Impact: This will have a knock-on Impact on other workloads, inc homelessness where our capacity to respond is already a challenge as the system is under pressure.	Apr-21	4	4	16	Alison North	Amber	Amber

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Green = key actions identified & mitigation plan in place	Green = mitigation actions on target or completed
Amber = key actions identified but plan not fully developed	Amber = mitigation actions behind target, but impact not significant
Red = key actions NOT identified & NO plan in place	Red = mitigation actions significantly behind target



## Appendix 4 Corporate Issues at end of December 2022

REF	Issue details					
	Name	Summary of the issue	Date added	Owner	Mitigation plan development status	Mitigation plan implementation status
CI 9	Phosphates	Management of phosphate levels in Tone catchment, particularly regarding impact on planning applications.	Nov-20	Alison Blom Cooper	Amber	Amber*
CI 14	Health and Safety Improvement Programme	Low maturity health and safety management systems leading to increased risk of injury, reputational damage, legal challenge and financial loss.	Oct-21	Sean Papworth	Green	Green

Green = key actions identified & mitigation plan in place	Green = mitigation actions on target or completed
Amber = key actions identified but plan not fully developed	Amber = mitigation actions behind target, but impact not significant
Red = key actions NOT identified & NO plan in place	Red = mitigation actions significantly behind target

\* further details are available in:

The technical report, published in March 2022: <https://www.somersetwestandtaunton.gov.uk/media/3232/solutions-report.pdf>  
 The report to Scrutiny Committee in January 2023 on Planning performance contains an update on Phosphates.



# Somerset West and Taunton Council

## Executive – 15 March 2023

### Local Authority Housing Fund – New Affordable Housing Supply to support the resettlement of Ukrainian and Afghan Refugees

This matter is the responsibility of Executive Councillor Francesca Smith, Portfolio Holder for Housing

Report Author: Chris Brown, Assistant Director Development & Regeneration

#### 1 Executive Summary / Purpose of the Report

##### Summary / Background

- 1.1 On 21 December 2022 Government issued a Prospectus and Guidance document for a Local Authority Housing Fund (LAHF). The fund is to support selected local authorities in England to obtain and refurbish property to provide sustainable housing (for those unable to secure their own accommodation) who are here under the following schemes: Afghan Citizen Resettlement Scheme (ACRS), Afghan Relocations and Assistance Policy (ARAP) (collectively referred to as the Afghan Schemes), Ukraine Family Scheme, the Homes for Ukraine, and the Ukraine Extension Scheme (collectively referred to as Ukraine schemes).
- 1.2 The Government has issued provisional capital grant allocations to three of the four current districts in Somerset and required districts to submit a Validation Form by 25 January 2023 indicating the number of additional homes that could be delivered from commencement of the scheme through to November 2023 (although grant is expected to be provided for relevant expenditure incurred by 31 March 2024). The Somerset West and Taunton Districts contribution is 16 homes.
- 1.3 SWT along with other Somerset Local authorities are required to enter a Memorandum of Understanding (MOU) with the Department for Levelling Up, Housing and Communities (DLUHC) confirming agreed delivery plans and use of capital grant funding. The SWT MOU can be found at Appendix 2 of this report.
- 1.4 It is anticipated expenditure for this scheme will fall within 2023/24 financial year. This report asks the SWT Executive to endorse the scheme which will be progressed by the new Somerset Council.

#### 2 Recommendations

- 2.1 That the Executive Committee approves the following recommendations:

- a) supports the ambitions of the Local Authority Housing Fund as expressed in this report and in the report to Somerset County Council Executive (Appendix 1)
- b) delegate authority to SWTCs Assistant Director Development & Regeneration in consultation with the Director of Homes and Communities to progress the scheme up to 31<sup>st</sup> March 2023 and to SWTC's S151 Officer to sign the Memorandum of Understanding on behalf of SWT (appendix 2).

### 3 Risk Assessment

3.1 Below are the main risks relating to the proposal:

Risk	Score out of 25 based on probability x impact	Mitigation
Financial Risks	4 (1 x 4)	The Government fund circa 40% of the scheme and SCC has identified funding to support the balance for 31 units county wide. The scheme is not anticipated to call on general fund borrowing to achieve its ambitions. Up to £4m of grant funding received by Somerset County Council aimed at supporting refugees in Somerset will act as the match funding.
Cost inflation	15 (3 x 5)	Costs of the scheme are susceptible to housing market price volatility, and construction supply chain costs particularly in the current high inflation environment. There are also competing government funding schemes aimed at purchasing homes for the same purpose. The SC scheme will need to be mindful that purchase prices will escalate if the two government schemes compete for the same dwellings.
Timescales	16 (4 x 4)	Risk of failing to complete the investment within the agreed timescales, with DLUHC seeking acquisitions to be completed by November 2023 and all eligible expenditure incurred by March 2024. SWT is aware that the districts housing market remains strong with post-COVID resettlement, the demand for accommodation from Hinkley Point C and insufficient new build accommodation to meet need. The initiative will need to compete within this environment.
Availability of suitable market properties	16 (4 x 4)	The government funding is based on a calculation which relates to the average price of the lowest quartile properties in the district. This means that the funds are moderate and officers acquiring homes will need to be skilful in finding affordable units.



Risk	Score out of 25 based on probability x impact	Mitigation
Ensuring new tenants can sustain tenancies	15 (3 x 5)	A wrap around package of care will be required to help families sustain their new tenancy. The initiative will have two delivery themes which will be People and Homes. The people themes lead will set the brief required to successfully house the clients and be responsible for tenancy sustainment. The Homes leads will purchase properties to that brief.

#### 4 Background and full details of the report

- 4.1 The purpose of this initiative mirrors the details presented to SCC whose report can be found in Appendix 1.
- 4.2 The Government provides several resettlement schemes to play a role in the global response to humanitarian crisis which seek to save lives and offer stability to refugees most in need of protection.
- 4.3 The Government has several schemes providing accommodation often on a temporary basis throughout the United Kingdom. These temporary periods can be lengthy and the accommodation unsuitable for example bed & breakfast, hostel, or hotel accommodation.
- 4.4 There are currently 6 resettled Afghan families (including 15 adults and 17 children in the county placed in 3 Somerset districts. All cases have arrived under the Afghan Relocations and Assistance Policy (ARAP) and Afghan Citizens Relocation Scheme, families who were evacuated from Afghanistan in 2021.
- 4.5 There are 1,417 Ukrainian guests who have arrived safely in Somerset through the Homes for Ukraine scheme, hosted by 745 Somerset individuals. SCC has pledged to support a further 10 families (UKRS/ARAP/ACRS) in the next 14 months, 1 ARAP family will be arriving in March 23 and a further 9 (ARAP/ACRS/UKRS) over the course of the 2023/24). These families will be in addition to the Afghan families that will be supported through LAHF.
- 4.6 Most Afghan and Ukrainian refugees are housed in temporary accommodation with Afghan refugees having 'indefinite leave to remain' and Ukrainian refugees having three year visas. These households are located throughout the County however there are locations where the number of households are greater. The greatest number of households are in the Somerset West and Taunton District and particularly around Taunton. Many of these households will have started to create support networks and potentially links to schools, training, and employment.
- 4.7 In December 2022, the Government announced a £650m fund including £500m for Councils in England to acquire housing stock for those fleeing conflict including from Ukraine and Afghanistan and reduce homelessness.

- 4.8 Somerset Council proposes to match fund the LAHF with approximately £3.8m (with up to £4m potentially available) Ukrainian refugee Funding already received. This match funding should permit 31 homes to be acquired at a total programme cost of £7.5m.
- 4.9 In delivering the Somerset programme two workstreams will coordinate their activity and share their expertise. The workstreams are People and Property.
- 4.10 The People Team, using the skills and expertise of the Somerset Displaced Peoples service, will look to identify families ready for long term accommodation and ensure the localities and property characteristics are appropriate. The people theme will utilise some funding for tenancy sustainment work to ensure adequate support to families seeking long term accommodation. This support will be available before, during and after their move.
- 4.11 The Property team, using the skills of the Council's Asset managers both General Fund and Housing (Housing Revenue Account – HRA) will be tasked to acquire homes in locations and with the characteristics identified through the People workstream. The Property theme will have a budget to acquire the 31 homes in the County to the property brief provided. This paper seeks delegated authority to the Executive Director for Communities for LAHF acquisitions. Members should note that the new council will identify the most appropriate properties based on a county wide assessment. This means that that number of units purchased in the SWT district could be amended, higher or lower, post April 2023.
- 4.12 The workstreams will work together and benefit from a lead officer coordinating the programme under the direction of the Executive Director for Communities.
- 4.13 Recent experience including SWTs responses to the 'Everybody in' directive of Government reinforced that many residents are supportive of initiatives to support the most vulnerable. Indeed, we have seen new partnerships develop in the county with residents actively seeking a greater role and responsibility to support vulnerable households for example Trull Multifaith Group and Citizens Somerset. However, there is a need to ensure Somerset communities receive timely information, can ask their questions, and receive answers. A community communication strategy will be developed to manage information, promote positive outcomes, and seek to limit concerns.
- 4.14 The programme offers an early opportunity to use the combined expertise which will be present in the new Council to deliver positive outcomes for Somerset.
- 4.15 The Council's Housing landlord services (Housing Revenue Account funded services) in SWT and SDC offers an alternative host to the General Fund for any acquired properties. There are advantages for the new Council to use the HRA as it would allow new tenants of the Council to receive a secure tenancy agreement with compliance, property maintenance service and tenancy support delivered in line with circa 9000 other Somerset households.

## **5 Links to Corporate Strategy**

- 5.1 Maximising affordable housing remains a corporate objective and a Somerset Housing strategy objective. New affordable housing supply is important for the district and these homes will be remain assets of the authority post their initial let.
- 5.2 The schemes support the Council ambitions to minimise homelessness and tackle rough sleeping including the Somerset Homeless and Rough Sleeping Strategy and SWTs Single Homeless Accommodation Strategy.

## **6 Finance / Resource Implications**

- 6.1 The initial grant allocations presented to the three districts totals £6.003m, with a target to deliver 56 affordable homes (52 units – up to 3 bedrooms, 4 units – 4+ bedrooms). To deliver this quantum, match funding of at least £6.965m would need to be identified, giving a total potential investment of at least £12.968m.
- 6.2 The grants available have been calculated by government based on average house prices in locations across two types:
  - "Main" units – homes with up to 3 bedrooms, with average anticipated costs in the range £185,000 to £219,950. LAHF Grant can be applied towards 40% of costs up to the total allocation available for the number of properties delivered.
  - "Bridging" units – homes with 4+ bedrooms, with average anticipated costs in the range £335,000 to £398,288. LAHF Grant can be applied towards 50% of costs up to the total allocation available for the number of properties delivered.
  - An additional amount of £20,000 on average per property is also included for refurbishment and other costs required to bring properties into suitable habitable standard. LAHF Grant can be applied towards 100% of costs up to the total allocation available for the number of properties delivered.
- 6.3 In the time available to respond to DLUHC under this initiative the County Council has been able to identify up to £4,000,000 in match funding to support this scheme, using currently uncommitted funds from the local authority Homes for Ukraine tariff grant.
- 6.4 Officers have assessed the potential to acquire properties that will be suitable and affordable under this scheme and across the three districts have submitted indicative plans to deliver 31 additional homes within the timeframe set within the Prospectus. It is estimated the total capital costs will be £7,439,000 based on the Government's assumption of average costs. The capital grant available at this volume would be £3,668,000 and this would be capped at this level. The match funding for this total investment will be £3,771,000.
- 6.5 It is proposed to allow a small contingency within the requested budget giving a total budget of £7,500,000. The following table provides a summary of the capital budget requirement and funding plan.

Area:	Number of units		Total Costs £m	Funding	
	Up to 3 Bed	4+ Bed		LAHF Grant £m	LA Match £m
Mendip	7	1	2.098	0.975	1.123
Sedgemoor	6	1	1.585	0.751	0.834
Somerset West and Taunton	14	2	3.756	1.942	1.814
Contingency			0.061	0	0.061
<b>Totals</b>	<b>27</b>	<b>4</b>	<b>7.500</b>	<b>3.668</b>	<b>3.832</b>
	<b>Total Units: 31</b>			<b>Total Funding: £7.5m</b>	

- 6.6 Costs will need to be accounted for in line with standard and proper accounting practices.
- 6.7 Housing development and property management, procurement and legal resources will be required to progress the scheme and complete all necessary due diligence, as well as finance advice and support for financial planning and accounting. These skills and capacity are available within the new council.
- 6.8 Costs will be incurred in 2023/24 however DLUHC is seeking authorities enter MOUs by March 2023. The districts will each enter the MOU, as the recipients of the grant allocations, with SCC Executive on 15 March 2023 being requested to confirm S24 specific consent that commits Somerset Council to delivering the scheme.

### **Unitary Council Financial Implications and S24 Direction Implications**

- 6.9 The new Somerset Council will be responsible for the delivery and funding of the scheme and adopt the MOU and its responsibilities.

## **7 Legal Implications**

- 7.1 The Government require the MOU to be signed before 31<sup>st</sup> March 2023 and therefore the three somerset districts set to receive the funds are required to formally agree their MOU. However, in April 2023 the new Somerset Council will adopt the legal responsibilities associated with the MOU.
- 7.2 SCC Executive is considering the report found at Appendix 1 on 15<sup>th</sup> March 2023. The recommendation of this report is that SWT support this initiative subject to SCC's Executive approving the recommendations of its report.

## **8 Climate and Sustainability Implications**

- 8.1 All homes acquired will need to achieve standards set by Government. These standards for Council homes are EPC C by 2030 and zero carbon by 2050. If the properties are purchased and placed in the HRA account, then SWTs Low Carbon Retrofit Strategy and targets would be applied to the dwellings.

## **9 Equality and Diversity Implications**

- 9.1 An Equality Impact Assessment can be found at the end of Appendix 1.

- 9.2 The County has seen a decline in the number of households wanting to sponsor Ukrainians which means that more individuals who will need temporary accommodation and private/social housing will add further pressures to the Councils homeless service.

## **10 Social Value Implications**

- 10.1 There are no direct social value implications.

## **11 Health and Wellbeing Implications**

- 11.1 The initiative supports the aims of several high-level Somerset Strategies including Somerset Housing Strategy 2019-2023, Health and Wellbeing Strategy 2019-2028, Somerset Homelessness and Rough Sleeper Strategy 2019-2023, Somerset Growth Plan and Somerset Children and Young People Plan.
- 11.2 Providing secure and sustainable affordable accommodation for a wide range of customers is part of the new Council's business as usual. The new Council's housing services let and manage accommodation providing customers from diverse backgrounds with good quality homes in safe neighbourhoods. The new Council directly provides and works with partners to manage its homeless duties and partnerships with Registered Providers are well established throughout the County.

## **12 Asset Management Implications**

- 12.1 The portfolio of the new council will increase through this initiative and discussions will be led on the appropriate hosts account, General Fund or HRA, for these homes.

## **13 Consultation Implications**

- 13.1 The Council needs to be mindful that the resettlement of refugees must consider the needs of the recipient community as well as those of customers being rehoused. SWT has shown leadership during the everybody indirective as a result of high profile work with homeless customers community organisations have come forward to lead and support initiatives to support vulnerable families and adults.

## **14 Scrutiny/Executive Comments / Recommendation(s)**

- 14.1 Due to timescales the report has not been able to progress through Community Scrutiny Committee. The views of the Chair of the Community Scrutiny Committee have been requested and will be shared with the Executive at its committee meeting.

### **Democratic Path:**

- Scrutiny Committee - No
- Executive – Yes
- Full Council – No

**Reporting Frequency:** Once Only

## List of Appendices

Appendix 1	SCC Executive Report and Equality Impact Assessment
Appendix 2	Memorandum Of Undertaking

## Contact Officers

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## Decision Report – Key Decision

Forward Plan Reference: FP/23/02/04

Decision Date - 15/03/23



### Local Authority Housing Fund 2022/23 and 2023/24

Executive Member(s): Cllr Federica Smith-Roberts - Lead Member for Communities

Local Member(s) and Division: All

Lead Officer: Chris Hall – Director (SWTC)

Authors: Chris Brown – Assistant Director Development and Regeneration (SWTC), Paul Fitzgerald – Assistant Director Finance and S151 Officer (SWTC)

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## 1 Summary / Background

- 1.1** On 21 December 2022 Government issued a Prospectus and Guidance document for a Local Authority Housing Fund (LAHF). The LAHF is a £500m capital grant fund in financial years 2022/2023 and 2023/2024. The fund is to support selected local authorities in England to obtain and refurbish property to provide sustainable housing (for those unable to secure their own accommodation) who are here under the following schemes: Afghan Citizen Resettlement Scheme (ACRS), Afghan Relocations and Assistance Policy (ARAP) (collectively referred to as the Afghan Schemes), Ukraine Family Scheme, the Homes for Ukraine, and the Ukraine Extension Scheme (collectively referred to as Ukraine schemes).
- 1.2** The Government has issued provisional capital grant allocations to three of the four current districts in Somerset and required districts to submit a Validation Form by 25 January 2023 indicating the number of additional homes that could be delivered from commencement of the scheme through to November 2023 (although grant is expected to be provided for relevant expenditure incurred by 31 March 2024). Use of funds is not restricted to local authority boundaries. Officers from the four districts and the County Council worked together to identify a viable scheme for Somerset and our responses indicates potential to deliver 31 homes within the requisite timeframe and available funding.
- 1.3** Local authorities that plan to deliver the scheme are required to enter a Memorandum of Understanding (MOU) with the Department for Levelling Up, Housing and Communities (DLUHC) confirming agreed delivery plans and use of capital grant funding.
- 1.4** It is anticipated expenditure for this scheme will fall within 2023/24 financial year. This report asks the Executive to endorse the Executive Director – Finance and Corporate Resources (S151 Officer) using delegated powers to add £7,500,000 to the Capital Programme Budget in 2023/24 funded from existing

Homes for Ukraine Tariff revenue grant income held plus LAHF capital grant. The investment is not expected to increase the Council's borrowing requirement or require the use of other capital resources.

## **2 Recommendations**

- 2.1** That the Executive agrees to the Councils entering a Memorandum of Understanding with DLUHC that commits Somerset Council to deliver the terms of the scheme.
- 2.2** That the Executive confirms S24 specific consent for Mendip, Sedgemoor, and Somerset West and Taunton district councils to enter an MOU with DLUHC committing Somerset Council to this capital investment in 2023/24.
- 2.3** That the Executive endorses a delegated decision by the Executive Director – Finance and Corporate Resources (S151 Officer) to add £7.5m to the Capital Programme in 2023/24 to be funded by £3.67m of LAHF capital grant and the match-funding balance from existing Homes for Ukraine tariff revenue grant funds held.
- 2.4** That the Executive delegates authority to the Executive Director – Finance and Corporate Resources (S151 Officer) to determine actual funding of final outturn costs for the scheme, and the allocation of budget, costs and income between General Fund services budget and the Housing Revenue Account in accordance with proper accounting practices.
- 2.5** That the Executive delegates the approval of acquisitions and associated works to the Executive Director for Communities where properties are funded by LAHF.

## **3 Reasons for recommendations**

- 3.1** To permit District Council officers to enter a MOU with DLUHC for the delivery of additional housing in support of the Ukrainian/Afghan Schemes and secure requisite budget approvals.

## **4 Other options considered**

- 4.1** An alternative option is to reject the offer of capital grant funding on reasonable grounds of deliverability and affordability; and accept the consequences of ongoing pressure on local affordable and social housing provision. This could include, for example, increased homelessness demand and costs.
- 4.2** A third option would be to reduce the ambition of the scheme and reduce the number of units in the programme. However, as match funding is available through grant and demand for affordable homes remains high throughout the County an ambition to maximise the investment is considered appropriate.
- 4.3** A fourth option considered was to use the full LAHF and deliver 56 units of accommodation in line with the Government full allocation. This option is



considered unsuitable as the Council has only managed to identify £4m of the £6.9m which would be required to deliver the full allocation. The Government-set timescales for delivery of the new homes is also a constraint on this option.

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

- 5.1** The initiative will be fully funded through funds/grants provided by government. The scheme will use LAHF and Homes for Ukraine tariff funds.
- 5.2** The Initiative is not requesting new General Fund or HRA borrowing but will need to be added to the 2023/24 Capital Programme to account for the capital expenditure required to deliver the scheme.
- 5.3** The business plans of the council will be adjusted during normal business plan review cycles to reflect changes in property numbers and the impact on income and expenditure.

## **6 Consultations and co-production**

- 6.1** A series of high-level officer meetings have been held between the five councils which will form the new Somerset Council. This included information sharing and discussion with housing and finance leads.
- 6.2** Consultation has taken place with Public Health in relation to the needs and requirements for resettlement of Ukrainian and Afghan and other displaced people.
- 6.3** Registered providers have been approached by each District's Housing Enabling teams to understand their enthusiasm to participate in the Government scheme. The Government is also consulting at the national level separately with Registered Providers (RPs) to encourage participation. Local discussions have identified that RPs tend to have funding allocations from Homes England which need to be met during the LAHF funding period and they are extremely limited in their ability to offer homes within the LAHF timescale.

## **7 Financial and Risk Implications**

- 7.1** The initial grant allocations presented to the three districts totals £6.003m, with a target to deliver 56 affordable homes (52 units – up to 3 bedrooms, 4 units – 4+ bedrooms). To deliver this quantum, match funding of at least £6.965m would need to be identified, giving a total potential investment of at least £12.968m.
- 7.2** The grants available have been calculated by government based on average house prices in locations across two types:
  - "Main" units – homes with up to 3 bedrooms, with average anticipated costs in the range £185,000 to £219,950. LAHF Grant can be applied towards 40% of costs up to the total allocation available for the number of properties delivered.

- "Bridging" units – homes with 4+ bedrooms, with average anticipated costs in the range £335,000 to £398,288. LAHF Grant can be applied towards 50% of costs up to the total allocation available for the number of properties delivered.
- An additional amount of £20,000 on average per property is also included for refurbishment and other costs required to bring properties into suitable habitable standard. LAHF Grant can be applied towards 100% of costs up to the total allocation available for the number of properties delivered.

**7.3** In the time available to respond to DLUHC under this initiative the Council has been able to identify up to £4,000,000 in match funding to support this scheme, using currently uncommitted funds from the local authority Homes for Ukraine tariff grant.

**7.4** Officers have assessed the potential to acquire properties that will be suitable and affordable under this scheme and across the three districts have submitted indicative plans to deliver 31 additional homes within the timeframe set within the Prospectus. It is estimated the total capital costs will be £7,439,000 based on the Government's assumption of average costs. The capital grant available at this volume would be £3,668,000 and this would be capped at this level. The match funding for this total investment will be £3,771,000.

**7.5** It is proposed to allow a small contingency within the requested budget giving a total budget of £7,500,000. The following table provides a summary of the capital budget requirement and funding plan.

Area:	Number of units		Total Costs £m	Funding	
	Up to 3 Bed	4+ Bed		LAHF Grant £m	LA Match £m
Mendip	7	1	2.098	0.975	1.123
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Contingency			0.061	0	0.061
<b>Totals</b>	<b>27</b>	<b>4</b>	<b>7.500</b>	<b>3.668</b>	<b>3.832</b>
	<b>Total Units: 31</b>			<b>Total Funding: £7.5m</b>	

**7.6** Costs will need to be accounted for in line with standard and proper accounting practices. Costs and income associated with the provision of social and affordable housing directly by the Council will need to be allocated to the Housing Revenue Account (HRA). Costs and income attributable to provision of temporary accommodation in line with the Council's homelessness duties will be retained within the General Fund.

**7.7** As referred in 7.1 above, the potential total investment if the full target were agreed is approximately £13m. The Council has not yet identified additional match funding of £3m that would be required for this to be affordable. Equally it is not considered achievable to deliver the target number of properties within the limited timescale required in the Prospectus as explained in the Background

section of the report below, therefore a balanced response has been made based on affordability and deliverability. Officers will continue to engage with DLUHC regarding flexibility for the scheme and continue to explore further match funding options.

**7.8** Housing development and property management, procurement and legal resources will be required to progress the scheme and complete all necessary due diligence, as well as finance advice and support for financial planning and accounting. These skills and capacity are available within the new council.

**7.9** The main financial risks are:

- Costs of the scheme are susceptible to housing market price volatility, and construction supply chain costs particularly in the current high inflation environment.
- Availability of suitable market properties for purchase in appropriate locations.
- Risk of failing to complete the investment within the agreed timescales, with DLUHC seeking acquisitions to be completed by November 2023 and all eligible expenditure incurred by March 2024.
- Ensuring new tenants can sustain Council tenancies.

**7.10** Risks will be carefully managed with progress reports to DLUHC required bi-monthly, and with focussed budget monitoring and reporting to ensure financial risks are mitigated.

**7.11** Costs will be incurred in 2023/24 however DLUHC are seeking authorities enter MOUs by March 2023. If the requirement is for the districts to enter the MOU, as the recipients of the grant allocations, then it is proposed to provide the districts with S24 specific consent to enter an MOU that commits Somerset Council to delivering the scheme.

**7.12** Market factors and the impact of workforce uplift at Hinkley Point C have led to a significant uplift in the price of accommodation for purchase and for private rent. The new council holds duties to some households who are homeless or facing homelessness. The Government has recently extended the duty to house some households which this fund is designed to support. The use of this fund could help manage General Fund homeless duty pressures by introducing new supply through capital investment which will replace insecure and expensive Bed and Breakfast accommodation which can be as high as £1000 per week.

**7.13** The County has seen a decline in the number of households wanting to sponsor Ukrainians which means that more individuals who will need temporary accommodation and private/social housing will add further pressures to the Councils homeless service.

## **8 Legal and HR Implications**

- 8.1** The Council will be required to enter a Memorandum of Understanding (MOU) with DLUHC which will be a formal agreement on the anticipated delivery of additional housing that meets the needs of the Ukrainian and Afghan Schemes. The timing of signing such agreement is such that the Council is requested to endorse the authority of Mendip District Council, Sedgemoor District Council and Somerset West and Taunton Council to enter such MOU. The intent is to work with DLUHC with a view to agreeing a single MOU for Somerset to which all relevant parties can sign up, in the context of LGR and Somerset Council being the local authority taking the scheme forward from 1 April 2023 onwards.
- 8.2** There are no anticipated HR implications arising from this agreement, except that the Council will need to support the prioritisation of staff time to ensure adequate resources are available to implement the proposal and provide on-going support and successful delivery within the requirements of the scheme.

## **9 Other Implications**

- 9.1** The LAHF provides an opportunity to increase the amount of affordable home in the County. However, the client group may be unfamiliar with social housing tenure and skills to sustain a tenancy. The scheme will retain some revenue funding to provide a tenancy sustainment service for the duration of the project.
- 9.2** The LAHF requires the first let of a property to be to a qualifying family. Somerset Council is likely to provide a secure tenancy which will encourage the family to remain in the property as their permanent home and include opportunities such as succession rights. Please note that Afghan families have 'indefinite leave to remain' and Ukrainian families have a limited three year visa. However, when the tenancy ends the accommodation will be retained as affordable housing by the Council without the LAHF fund needing to be repaid to Government.

## **10 Equalities Implications**

- 10.1** The initiative flows from the government role in supporting global efforts to reduce the impact of humanitarian crisis.
- 10.2** Those rehoused under this scheme have been recognised as vulnerable due to fleeing conflict and humanitarian crisis.
- 10.3** The individuals to be rehoused through this initiative will be from Afghanistan or Ukraine but household make up may range from one person to larger families (4 and over). The ages of family members will be from very young to those of retirement age. The health requirements of those to be rehoused will also vary.
- 10.4** The positive relationship between good housing and good health outcomes is well established.
- 10.5** The positive impacts for resettled households would be significant. Protracted periods of displacement leave refugees who experience ill health more at risk of

serious illness and can increase the gaps in health outcomes. The involvement of Public Health in resettlement provides an opportunity to tackle health inequalities and give a voice to refugee populations.

**10.6** The ability of resettlement individuals to thrive and integrate relies on access to support.

**10.7** The Displaced peoples service will facilitate access to accommodation and support and an assessment of need will be undertaken. Households will have direct support and advice and be directed to local support in the six Welcome Hubs across the County.

**10.8** Officers acquiring accommodation for the programme will be briefed in the characteristics of the properties required allowing time to match individuals and families to appropriate new accommodation. The brief will include consideration of location, support networks and facilities, property size, access, and mobility considerations.

**10.9** An Equality impact Assessment can be found at Appendix 1.

#### **Any other relevant Implications**

**10.10** The Council will work closely with other service providers, advice agencies, housing organisation and the police to ensure continuing support for the scheme and neighbourhoods in which resettled households will live.

**10.11** All homes will be brought up to a lettable standard and receive compliance checks and services in line with the Councils policies and practices.

**10.12** All homes will receive investment in line with the Council low carbon strategies and properties acquired will need to achieve energy ratings of EPC C by 2030 and zero carbon by 2050.

### **11 Scrutiny comments / recommendations:**

**11.1** The proposed decision has not been considered by a Scrutiny Committee.

### **12 Background**

**12.1** The Government provides several resettlement schemes to play a role in the global response to humanitarian crisis which seek to save lives and offer stability to refugees most in need of protection.

**12.2** The Government has several schemes providing accommodation often on a temporary basis throughout the United Kingdom. These temporary periods can be lengthy and the accommodation unsuitable for example bed & breakfast, hostel, or hotel accommodation.

**12.3** Afghans housed through government schemes have an 'indefinite leave to remain' and may establish themselves as UK citizens. There is a need to support households who have 'indefinite leave to remain' to find suitable

accommodation which may be with relatives, in private sector housing or in social housing. However, those who qualify for this initiative are most likely to require affordable housing and support for 3 years from arrival.

- 12.4** There are currently 6 resettled Afghan families (including 15 adults and 17 children in the county placed in 3 districts. All cases have arrived under the Afghan Relocations and Assistance Policy (ARAP) and Afghan Citizens Relocation Scheme, families who were evacuated from Afghanistan in 2021.
- 12.5** There are 1,417 Ukrainian guests who have arrived safely in Somerset through the Homes for Ukraine scheme, hosted by 745 Somerset individuals. SCC has pledged to support a further 10 families (UKRS/ARAP/ACRS) in the next 14 months, 1 ARAP family will be arriving in March 23 and a further 9 (ARAP/ACRS/UKRS) over the course of the 2023/24). These families will be in addition to the Afghan families that will be supported through LAHF.
- 12.6** Most Afghan and Ukrainian refugees are housed in temporary accommodation with Afghan refugees having 'indefinite leave to remain' and Ukrainian refugees having three year visas. These households are located throughout the County however there are locations where the number of households are greater. The greatest number of households are in the Somerset West and Taunton District and particularly around Taunton. Many of these households will have started to create support networks and potentially links to schools, training, and employment.
- 12.7** In December 2022, the Government announced a £650m fund including £500m for Councils in England to acquire housing stock for those fleeing conflict including from Ukraine and Afghanistan and reduce homelessness.
- 12.8** The Government provided a methodology for distributing the money which included a target number of homes by council and a share of the funding based on 40% of the values of the lowest quartile of the housing market, with 50% match funding for larger properties. Mendip DC, Somerset West and Taunton DC and Sedgemoor DC all received an allocation with a combined request of 56 homes and a total programme cost of £12.69m.
- 12.9** The Government requires the councils receiving the funds to match fund at 50% or 60%. A small additional payment of £20k per unit is also paid by Government for refurbishment work.
- 12.10** Somerset Council proposes to match fund the LAHF with £4m Ukrainian refugee Funding already received. This match funding should permit 31 homes to be acquired at a total programme cost of £7.5m.
- 12.11** In delivering the Somerset programme two workstreams will coordinate their activity and share their expertise. The workstreams are People and Property.
- 12.12** The People Team, using the skills and expertise of the Somerset Displaced Peoples service, will look to identify families ready for long term

accommodation and ensure the localities and property characteristics are appropriate. The people theme will utilise some funding for tenancy sustainment work to ensure adequate support to families seeking long term accommodation. This support will be available before, during and after their move.

- 12.13** The Property team, using the skills of the Council's Asset managers both General Fund and Housing (Housing Revenue Account – HRA) will be tasked to acquire homes in locations and with the characteristics identified through the People workstream. The Property theme will have a budget to acquire the 31 homes to the property brief provided. This paper seeks delegated authority to the Executive Director for Communities for LAHF acquisitions.
- 12.14** The workstreams will work together and benefit from a lead officer coordinating the programme under the direction of the Executive Director for Communities.
- 12.15** The coordinator will be responsible for making the best use of the budget, ensure properties are appropriate, ensure properties are let in a timely manner and new homes are dispersed unless there is a community and customer benefit for clustering any purchases.
- 12.16** Providing secure and sustainable affordable homes and accommodation for a wide range of customers is part of the new Council's business as usual. The new Council's housing services let and manage accommodation providing customers from diverse backgrounds with good quality homes in safe neighbourhoods. The new Council directly provides and works with partners to manage its homeless duties and partnerships with Registered Providers are well established throughout the County.
- 12.17** Recent experience included the District Councils responses to the 'Everybody in' directive of Government reinforced that many residents are supportive of initiatives to support the most vulnerable. Indeed, we have seen new partnerships develop in the county with residents actively seeking a greater role and responsibility to support vulnerable households for example Trull Multifaith Group and Citizens Somerset.
- 12.18** However, there is a need to ensure Somerset communities receive timely information, can ask their questions, and receive answers. A community communication strategy will be developed to manage information, promote positive outcomes, and seek to limit concerns.
- 12.19** This LAHF is an opportunity for the Council through its Members and Officers to show its leadership and promote the value and the benefits.
- 12.20** The programme is complementary and will deliver outcomes aligned to Somerset County Council's Refugee Resettlement Pledge 2022/2023 which agreed support to resettle three refugee families in 2022/2023 and five families each year thereafter subject to UK funds being available.

- 12.21** The initiative supports the aims of several high-level Somerset Strategies including Somerset Housing Strategy 2019-2023, Health and Wellbeing Strategy 2019-2028, Somerset Homelessness and Rough Sleeper Strategy 2019-2023, Somerset Growth Plan and Somerset Children and Young People Plan.
- 12.22** The programme will support all four Somerset Housing Strategy themes; Housing and Economy, Housing and Health, matching lifelong independent living with appropriate property solutions and housing and society.
- 12.23** The Somerset Homelessness and Rough Sleeper strategy includes complementary priorities to the housing strategy including the provision of adequate affordable housing and enabling specific client groups to access suitable accommodation.
- 12.24** The Somerset Children and Young Peoples Plan places emphasis on the importance of housing for children and families.
- 12.25** Somerset council has an opportunity to use its newly combined resources and expertise to deliver this programme. The districts bring with them expertise in the management and maintenance of homes and supporting vulnerable families through services such as homelessness. The County has insight and expertise in supporting and protecting adult and children, health outcomes and managing property.
- 12.26** The programme offers an early opportunity to use the combined expertise to deliver positive outcomes for Somerset.
- 12.27** The Council's Housing landlord service (funded through the Housing Revenue Account (HRA)) offers an alternative host to the General Fund for any acquired properties and the HRA would allow new tenants of the Council to receive a secure tenancy agreement, property maintenance service and tenancy support in line with circa 9000 other Somerset households. The Housing landlord service is a readymade host for any acquired affordable homes.
- 12.28** It is proposed that the decision of which account of the Council should receive costs and income related to this provision – the General Fund or Housing Revenue Account – is delegated to Somerset Council's Executive Director of Resources (S151). The decision will be based on the best business case and application of proper accounting practices with due regard to legislation.

### **13 Background Papers**

**13.1** The Prospectus is published on the Government website:  
<https://delta.communities.gov.uk/document-repository/public/download?uri=/document-repository/Local-Authority-Housing-Fund-Prospectus-Final.pdf>

**13.2** Somerset Council Refugee Resettlement Pledge 2022/23

[Executive Member Key Decisions RESETTLEMENT Sept 2022.f sign off.docx](#)



## **Report Sign Off**

		Date completed
Legal Implications	Tom Woodhams, Deputy County Solicitor	Click or tap to enter a date.
Governance	Scott Wooldridge, Monitoring Officer	Click or tap to enter a date.
Finance	Jason Vaughan, Director of Finance and Governance	Click or tap to enter a date.
Human Resources and ICT	Not applicable	Click or tap to enter a date.
Property	Ollie Woodhams	Click or tap to enter a date.
Procurement	Claire Griffiths	17/02/23
Commissioning Development	Not Applicable	Click or tap to enter a date.
Lead Member	Cllr Smith-Roberts, Lead Member for Communities	01/03/23
<b><u>Consulted on report</u></b>		
Opposition Spokesperson	Cllr Faye Purbrick	01/03/23
Scrutiny Chair	Leigh Redman – Scrutiny Committee Children and Families	01/03/23
	Gwil Wren – Scrutiny Committee Policies and Place	01/03/23
	Rosemary Woods – Scrutiny Committee Adults and Health	01/03/23
	Cllr Bob Filmer, Chair, Joint LGR Committee	01/03/23



# Somerset Equality Impact Assessment

Before completing this EIA, please ensure you have read the EIA guidance notes – available from your Equality Officer

<b>Version</b>	<b>1</b>	<b>Date</b>	<b>15/02/2023</b>
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**Description of what is being impact assessed**

Local Authority Housing Fund 2022/23 and 2023/24 – Supporting the provision of secure long-term housing to displaced refugees from Ukraine and Afghanistan

**Evidence**

**What data/information have you used to assess how this policy/service might impact on protected groups?** Sources such as the [Office of National Statistics](#), [Somerset Intelligence Partnership](#), [Somerset’s Joint Strategic Needs Analysis \(JSNA\)](#), Staff and/ or [area profiles](#),, should be detailed here

**Numbers:** There are currently 6 resettled families (including 15 adults and 17 children in the county placed in 3 districts. All cases have arrived under the Afghan Relocations and Assistance Policy (ARAP) and Afghan Citizens Relocation Scheme, families who were evacuated from Afghanistan in 2021. 1,417 Ukrainian guests have arrived safely in Somerset through the Homes for Ukraine scheme, hosted by 745 Somerset individuals. SCC has pledged to support a further 10 families (UKRS/ARAP/ACRS) in the next 14 months, 1 ARAP family will be arriving in March 23 and a further 9 (ARAP/ACRS/UKRS) over the course of the 2023/24). These families will be in addition to the Afghan families that will be supported through LAHF.

**Religion and beliefs:** All ARAP cases are Muslim Afghani and Ukrainian is largely Orthodox Christian. Language provision includes Pashto, Dari, Ukrainian and Russian.

**Protection Needs:** ARAP cases are eligible for resettlement as they served alongside UK armed forces in Afghanistan either as an employee or as a contractor and assessed to be at serious risk. Those resettled through ACRS have assisted the UK efforts in Afghanistan and stood up for values such as democracy, women’s rights, freedom of speech, rule of law, vulnerable people including women and girls at risk and members of minority groups at risk. Referrals may include cases with identified or unidentified

disabilities and other specific needs. Ukrainians or an immediate family member of a Ukrainian national residing in Ukraine on or immediately before 1 January 2022 and have an eligible Somerset based sponsor. Ukrainians are at liberty to move on from a sponsor into social or private housing or they may be asked to leave a sponsor property putting them at risk of homelessness.

**Who have you consulted with to assess possible impact on protected groups?** If you have not consulted other people, please explain why?

Limited external consultation has been possible due to the timescales available (by DHLUC) to the authorities to progress this matter to this point. Plans and proposals (to date) have been formed through collaborative working across all 5 Somerset Councils and with exploratory discussions with potential housing providers




**Analysis of impact on protected groups**

The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.

Protected group	Summary of impact	Negative outcome	Neutral outcome	Positive outcome
Age	There is currently legislation in place which means that single people under 35yrs can claim the local housing allowance rate for houses of multiple occupancy only. Because of this, this may limit the ability to provide safe, suitable, and financially sustainable housing for single cases within this cohort. This could potentially lead to the service having to not include single cases under age 35 if a solution is not identified.	☐	☐	☒

<b>Disability</b>	<ul style="list-style-type: none"> <li>Any refugees with disability needs will receive individual support needs as needed</li> <li>Occupational therapist support and Somerset Independent plus will be engaged to support assessments and access to Disabled adaption Grant</li> <li>Thought will need to be given to how accessible accommodation is and can be made to meet the access needs of this community.</li> </ul>	□	⊗	□
<b>Gender reassignment</b>	<ul style="list-style-type: none"> <li>Any refugees who have suffered because of gender reassignment will be supported individually with counselling and support from Health. Experienced case workers will also support the integration of the refugee.</li> <li>This will also inform the accommodation offer for this individuals and their families to make sure we have the most successful outcome.</li> </ul>	□	⊗	□
<b>Marriage and civil partnership</b>	<ul style="list-style-type: none"> <li>There are no identified impacts relating to this decision</li> </ul>	□	⊗	□
<b>Pregnancy and maternity</b>	<ul style="list-style-type: none"> <li>Any pregnant refugees and new mothers will receive individual support as needed. All refugees receive will be registered with their local general practice.</li> </ul>	□	⊗	□
<b>Race and ethnicity</b>	<ul style="list-style-type: none"> <li>The refugees being resettled will all be from a specific background and the scheme will offer refugees a chance of a durable solution to their protracted refugee status.</li> <li>The continuation of resettlement would help to strengthen the small community network of refugees in the area, contributing</li> </ul>	□	□	⊗

	<p>social capital to receiving communities, and promoting community cohesion through localised support, integration opportunities, and opportunities to share culture and experiences</p> <ul style="list-style-type: none"> <li>• Risk of hate crime or racism, which other resettled cases have experienced, and could impact feelings of safety in newly resettled people</li> <li>• Language barriers could impact individuals ability to effectively take part in the process.</li> </ul>			
<b>Religion or belief</b>	<ul style="list-style-type: none"> <li>• Some of the refugees who are resettled may have suffered persecution based on their religious beliefs. The scheme will provide these refugees with an opportunity to re-build their lives in a safe third country.</li> <li>• Potential lack of availability or resource relating to access to places of worship and/or other needs relating to religion or belief (i.e., dietary requirements) could impact a refugee(s) ability to resettle successfully in the area.</li> </ul>	□	⊗	□
<b>Sex</b>	<ul style="list-style-type: none"> <li>• Any refugees who have suffered because of their sex or gender identity will be supported individually if required with counselling and support from Health. Experienced case workers will also support the integration of the refugee.</li> <li>• Domestic abuse is more likely to be experienced by women. A family in a stressful situation can also be a catalyst for domestic abuse.</li> </ul>	□	□	⊗
<b>Sexual orientation</b>	<ul style="list-style-type: none"> <li>• Any refugees who have suffered because of their sexual orientation will be supported individually with counselling and support from Health. Experienced case workers will also support the integration of the refugee.</li> </ul>	□	⊗	□

	<ul style="list-style-type: none"> <li>• LGBTQ cases may be referred to us under UNHCR resettlement criteria and under the Home Office eligibility for minority groups. If LGBTQ cases are placed in areas with existing refugee communities, there may be potential risks to the resettled case and rights to confidentiality.</li> <li>• This will also inform the accommodation offer for this individuals and their families to make sure we have the most successful outcome.</li> </ul>			
<p><b>Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.</b></p>	<ul style="list-style-type: none"> <li>• Cases arrive from host countries or from bridging hotels in the UK with limited English and often require interpretation and translation services to access support. Lack of provision could lead to cases not being able to understand or receive a service that they are entitled to.</li> <li>• Cases do not have access to a car when arriving in the UK and may not easily be able to travel to required appointments if placed in rural areas</li> <li>• Some cases may arrive with limited literacy and numeracy skills which could lead to individuals being isolated from UK systems</li> <li>• Community Cohesion - the service is not aware of any cohesion issues linked to refugee resettlement and is experienced at working in partnership with communities and partner agencies to address any issues.</li> <li>• Where incidents of anti-social behaviour, bullying and crime against refugees do occur we will ensure that they receive appropriate support. The service is not aware of any cohesion issues linked to refugee resettlement in Somerset and is experienced at working partnership with communities and partner agencies to address any issues. However, nationally incidents have</li> </ul>			

	<p>been noted in locations where temporary or permanent accommodation for refugees and asylum seekers have been housed.</p>			
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**Negative outcomes action plan**  
 Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
<p>Accessibility – There will be greater demand for accommodation than the Council will be able to supply therefore the project will need to create a fair access protocol as a means of identifying qualifying families for the scheme.</p>	<p>April 2023</p>	<p>People Workstream lead</p>	<p>Regular monitoring based on referrals, reporting issues to Equalities Manager. The project will return data to Government as required by the MOU.</p>	<p style="text-align: center;"><input type="checkbox"/></p>
<p>Accessibility to the Scheme – Outreach work will continue by the Refugee and Asylum team to help customers become more informed of the scheme.</p>	<p>April 2023</p>	<p>People Workstream</p>	<p>Project KPIs</p>	

Other (Interpretation and Translation): The contract holder for SC's interpretation and translation services will be contacted when a case is referred to assure that appropriate interpretation and translation support can be accessed in the case's native language before a placement is agreed.	Provision checked prior to property match/ allocation	People Workstream lead	Provision checked prior to property match/ allocation	<input type="checkbox"/>
Other (rurality and transport): Development and implementation of property and service provision assessment before approving a case including evaluating local transport routes and accessibility to statutory services before a resettlement location is agreed. The programme will utilise some of the assessments used by Somerset Districts homeless service when identifying the location of properties to ensure facilities and networks are available within reasonable travel time/distance	Provision checked prior to property match/ allocation	People Workstream lead	Provision checked prior to property match/ allocation	<input type="checkbox"/>
Other (literacy and numeracy) Development and implementation of property and service provision assessment before approving a case. This will include assessments of need and sourcing ESOL/education support at the level of the individual	Select date			<input type="checkbox"/>
Circumstances of an individual will inform the appropriate accommodation for the individual through the matching process.	Select date			<input type="checkbox"/>
Part of the consideration when purchasing properties will be the accessibility or ability to adapt the property to become more accessible to meet the needs of disabled Refugees.	Select date			<input type="checkbox"/>



	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
<b>If negative impacts remain, please provide an explanation below.</b>				
<b>Completed by:</b>	<b>Chris Brown</b>			
<b>Date</b>	<b>15/02/2023</b>			
<b>Signed off by:</b>	<b>Chris Hall</b>			
<b>Date</b>	<b>01/03/2023</b>			
<b>Equality Lead/Manager sign off date:</b>	<b>Tom Rutland 07/03/2023</b>			
<b>To be reviewed by: (officer name)</b>	<b>Chris Brown</b>			
<b>Review date:</b>	<b>01/11/2023</b>			



# MEMORANDUM OF UNDERSTANDING

*Between*

**Department for Levelling Up, Housing and Communities**

*-and-*

**Somerset West and Taunton Council**

## **1. Purpose**

- 1.1. This Memorandum of Understanding ('MOU') sets out the terms that will apply to the working relationship between the Department for Levelling Up, Housing and Communities ('DLUHC') and Somerset West and Taunton Council ('the Council') regarding the administration and delivery of the Local Authority Housing Fund ('LAHF').
- 1.2. This MOU will be for the period Q4 2022/23 and 2023/24. It will be reviewed and updated only where either of the signatories deem it necessary, in which case it will require joint agreement. Further detail on changing the MOU is set out in Paragraph 4.4.
- 1.3. This MOU sets out both the universal fund wide conditions and expectations for appropriate spend of LAHF.
- 1.4. This MOU is not intended to create legal or binding obligations. It describes the understanding between both parties for the use of funding specified in Section 3 of this agreement.

## **2. Background**

- 2.1. The LAHF was launched on 14 December 2022. The details of the fund were shared with the Council in the document 'Local Authority Housing Fund – Prospectus and Guidance' ('the Prospectus').
- 2.2. LAHF is a £500m capital grant fund to support local authorities in England to provide sustainable housing for those unable to secure their own accommodation that meet the eligibility criteria outlined in Section 3.2 of the Prospectus.
- 2.3. The objectives of LAHF are to:
  - Ensure recent humanitarian schemes (Afghan and Ukraine schemes) which offer sanctuary, via an organised safe and legal entry route, to those fleeing conflict, provide sufficient longer term accommodation to those they support.
  - Support areas with housing pressures which have generously welcomed substantial numbers of Ukrainian refugees so that these areas are not disadvantaged by increased pressures from these arrivals on the existing housing and homelessness systems.

- Mitigate the expected increased pressures on local authority homelessness and social housing resources which arise from the eligible cohort (as defined at section 3.2 of the Prospectus) as sponsorship/family placements/bridging accommodation arrangements come to an end by increasing the provision of affordable housing available to local authorities to support those in the cohort who are homeless, at risk of homelessness, or in bridging accommodation;
  - Reduce emergency, temporary and bridging accommodation costs;
  - Deliver accommodation that as far as possible allows for the future conversion of housing units to support wider local authority housing and homelessness responsibilities to UK nationals (i.e. after usage by this cohort ends);
  - Utilise accommodation solutions to enable effective resettlement and economic integration of the eligible cohort;
  - Reduce pressures on the existing housing and homelessness systems and those waiting for social housing.
- 2.4. DLUHC has accepted the Council's plan to provide 16 homes ('the delivery target') under LAHF, and DLUHC will provide a grant of £1,765,108 ('the total allocation'). The Council agrees the following targets to deliver at least:
- 14 properties for households that meet the eligibility criteria outlined in section 3.2 of the Prospectus ('the main element');
  - 2 Four+ bed properties to be allocated to households currently in bridging accommodation ('the bridging element');
- 2.5. This MOU covers the funding commitments from DLUHC and the delivery, financial expenditure, agreed milestones, reporting and evaluation, and communications between the Parties. It also sets out the steps DLUHC could take in the event of underperformance if required.

### **3. Purpose of the Funding**

- 3.1. LAHF funding has been provided specifically for spending on LAHF priorities and the Council agrees to spend LAHF funding on activity set out in this MOU as agreed by DLUHC or subsequently agreed by DLUHC as per Paragraph 4.4.
- 3.2. DLUHC will part fund the cost of the Council obtaining properties for use by households that meet the eligibility criteria. The Council will use its best endeavours to meet the delivery target and to achieve value for money. DLUHC's contributory share of funding ('the average grant rate per unit') should not exceed the maximum described below but the grant per unit for individual properties can be higher.

- 3.3. The maximum average grant rate per unit (for the portfolio of properties, not individual purchases) for the main element is 40% of the costs the council charges to its capital budget plus £20,000 per property. Eligible costs funded by the 40% and the £20,000 per property could include the purchase price, stamp duty, surveying, legal and other fees, refurbishments, energy efficiency measures, decoration, furnishings, or otherwise preparing the property for rent and potentially irrecoverable VAT incurred on these items. The Council should ensure it complies with the Code of Practice for Local Authority Accounting.
- 3.4. The maximum average grant rate per unit (for the portfolio of properties, not individual purchases) for the bridging element is 50% of the costs the council charges to its capital budget plus £20,000 per property. Eligible costs funded by the 50% and the £20,000 per property could include the purchase price, stamp duty, surveying, legal and other fees, refurbishments, energy efficiency measures, decoration, furnishings, or otherwise preparing the property for rent and potentially irrecoverable VAT incurred on these items. The Council should ensure it complies with the Code of Practice for Local Authority Accounting.
- 3.5. The Council can determine how it uses the £20,000 per property and can choose how much of the grant is to be spent on each individual property.
- 3.6. The Council or its delivery partner(s) will fund the outstanding share for each property.
- 3.7. The funding provided by DLUHC in Q4 2022/23 ('the Year 1 allocation') is 30% of the total allocation. The funding provided by DLUHC in 2023/24 ('the Year 2 allocation') is 70% of the total allocation. Both are set out in Table 1.

	Year 1 allocation	Year 2 allocation	Total allocation
Properties for households that meet the eligibility criteria for this Programme	£411,600	£960,400	£1,372,000
4+ bed properties for households currently in bridging accommodation	£117,932	£275,176	£393,108
<b>Total funding</b>	<b>£529,532</b>	<b>£1,235,576</b>	<b>£1,765,108</b>

*Table 1 – Funding allocation*

#### 4. Delivery Profile

- 4.1. Delivery of the fund will be measured on the basis of exchange of contracts, or equivalent milestone where exchange of contract will not occur, and number of families housed. Any variations to this, and necessary changes to the MOU will need to be agreed by the parties and an amendment to this MOU made.

- 4.2. Funding outlined in Table 1 is provided to deliver the delivery target. The Council agrees to make best endeavours to deliver the delivery target by 30 November 2023. DLUHC is committed to funding any contract the Council enters into, even if completion occurs after this date.
- 4.3. This MOU is for the full term of the total allocation unless signatories agree to change as per Paragraph 4.4. A further Grant Determination Letter (GDL) will be provided following confirmation of the annual payment for each year.
- 4.4. DLUHC and the Council both have the right to request a change to the MOU. With regards to changing the target amount of units, the Council may ask for either a higher or lower target. Any proposed change will impact the amount of funding received (as set out in the Prospectus) unless the Council is seeking to deliver more units for the same amount of money. Requests will be considered based on the progress of the reallocations process as outlined in Sections 4.4 and 4.5 of the Prospectus and confirmed in writing.

## 5. Financial Arrangements

- 5.1. The agreed funds will be issued to the Council as grant payments under section 31 of the Local Government Act 2003. The Council may pass on the funding to a third party (e.g. Registered Providers) as appropriate to deliver the delivery target, complying with the Subsidy Control Act 2022.
- 5.2. Table 2 sets out the timetable for payments to be made to the Council. Payment of the Year 1 allocation will be made in February 2023. The Year 2 allocation will be paid once the Council has demonstrated that at least 60% of the Year 1 allocation has been committed ('the spend requirement'). This will be paid in line with timings outlined in Table 2.
- 5.3. Should the Council not meet the spend requirement in time for payment in May 2023, the payment for the Year 2 allocation may then be made in July 2023 should the Council meet the spend requirement in time for that payment date as set out in Table 2. DLUHC will put in place further payment dates should the Council not meet the spend requirement for payment in July 2023 and will confirm any further dates in writing. The Council may wish to return unspent monies to the Department.

Payment month	February 2023	May 2023	July 2023 (if applicable)
<b>MI from the Council to support payment</b>	<ul style="list-style-type: none"> <li>Signature of this MOU before the date below.</li> </ul>	<ul style="list-style-type: none"> <li>April MI Touchpoint</li> <li>S151 officer statement of</li> </ul>	<ul style="list-style-type: none"> <li>June MI Touchpoint</li> <li>S151 officer statement of</li> </ul>

		grant usage in April	grant usage in June
<b>DLUHC confirm payment latest by</b>	15 February	10 April	8 June
<b>DLUHC make payment</b>	By the last working day in February	By the last working day in May	By the last working day in July

*Table 2 – Payments timetable*

## 6. Roles and Responsibilities

### DLUHC Responsibilities

6.1. DLUHC is responsible for setting national housing policy, providing grant(s) to the Council and monitoring the delivery of homes.

### Council Responsibilities

6.2. The Council will make housing investment decisions, review existing housing policies and products, maximise leverage of this public sector investment and ensure that funds provide value for money and are deliverable within the timescale of the fund. The Council may work in partnership with private Registered Providers and local authority housing companies to deliver homes. The Council will also report on the fund by providing Management Information (MI) as set out in **Annex A** of this MOU and will work with DLUHC to ensure they have the capability to deliver the fund and provide MI within the set timescales.

6.3. The Council is expected to have the necessary governance and assurance arrangements in place and that all legal and other statutory obligations and consents will be adhered to, which may include, but not solely:

- **subsidy control**, at all levels e.g. the funding the Council allocates to project deliverers and subsidies that project deliverers provide to third parties.
- **equalities duties**, the Council must ensure that all LAHF funded activity is delivered in accordance with its obligations under the public sector equality duty (PSED)
- **procurement**, the Council must ensure that the allocation of funding to project deliverers that constitutes a procurement is managed in compliance with the public contract regulations
- **fraud**, the Council must ensure that robust arrangements are in place to manage fraud risk, including ensuring that project deliverers have robust fraud risk management process and paying particular attention to projects that involve the payment of grants to beneficiaries e.g. businesses.

- 6.4. The Council's Section 151 Officer is expected to ensure that these legal duties and all other relevant duties are considered and that delivery of LAHF investment is carried out with propriety, regularity and value for money.

## **7. Monitoring Arrangements and Accountability**

- 7.1. The Council will put in place appropriate governance and oversight arrangements to ensure that delivery of housing is on track and that plans remain ambitious and provide value for money.

### Reporting Arrangements

- 7.2. The Council has agreed to provide reporting information to DLUHC on fund allocations and delivery. The Council will be asked to provide a mix of quantitative and qualitative summary updates to DLUHC; a full list of MI can be found in **Annex A**.
- 7.3. The first report will be due in April 2023 and then every two months thereafter, until the Council's programme has completed. The schedule for monitoring reports is outlined in **Annex B**.
- 7.4. Spend outturn and forecast should be signed off by the S151 officer or deputy S151 officer.
- 7.5. The Council also agrees to work with the department to provide any reasonable additional MI as and when requested by the DLUHC Senior Reporting Officer (SRO). DLUHC will provide an appropriate amount of time to return any additional MI requests.
- 7.6. The Council agrees to work collaboratively with any requests from DLUHC to support any retrospective assessment or evaluation as to the impact or value for money of LAHF. As a minimum, the Council is expected to monitor spend, outputs and outcomes against agreed indicators and keep this information for at least 5 years.

## **8. Governance & Assurance**

- 8.1. The Council is expected to ensure that all legal and other statutory obligations and consents will be adhered to, which may include, but not solely, state aid / subsidy control, equalities duties, procurement, health and safety, and fraud prevention. The Council has prerogative to establish internal governance and assurance arrangements as they see fit to achieve this.
- 8.2. The Council will ensure data can be shared for the prevention and detection of fraud by including the following clause in all agreements with companies or external entities in relation to LAHF – including, but not



limited to, property contracts, professional services contracts, construction contracts and lease agreements:  
“Data may be shared with other enforcement agencies for the prevention and detection of crime.”

**Signed for and on behalf of DLUHC**

Signature:

Name:

Position:

Date:

**Signed for and on behalf of Somerset West and Taunton Council**

Signature:

Name:

Position:

Date:

## Annex A – Reporting and Monitoring Arrangements

### Scope and Purpose

1. This annex sets out the agreed reporting and monitoring arrangements for LAHF, including the expected frequency and content of the regular reports that the Council will provide to DLUHC.

### DLUHC Role

2. DLUHC will support the running of the fund and maintain a national picture of delivery by putting in place a proportionate monitoring and governance framework. This will include a fund governance board(s) attended by the DLUHC Senior Reporting Officer (SRO) and other relevant stakeholders. Wherever possible DLUHC will avoid duplication of requests towards the Council.

### Council Role

3. Day-to-day project monitoring and delivery responsibilities will be delegated to the Council. The Council will submit reports to DLUHC in accordance with the agreed timescales and frequency set out in the MoU. The Council will also work with DLUHC to provide any reasonable additional MI required as and when requested by the DLUHC Senior Reporting Officer. DLUHC will provide an appropriate amount of time to return any additional MI requests.

### Management Information (MI)

4. The list of MI is split between operational data – required for monitoring the ongoing fund delivery (Table 3) and evaluation data (Table 4) required to assess the strategy-level success of the fund and inform future policy development. Tables 4 and 5 present the required routine MI and is subject to change, with agreement by DLUHC and the Council. For MI purposes, “committed spend” is considered funding which has been allocated to a property where there has been an exchange of contracts or equivalent milestone where exchange of contract will not occur.

Item	Frequency
No. of offers accepted, including bedroom size and whether these are part of the ‘main’ or ‘bridging’ element of funding	Every 2 months
No. of properties where contracts exchanged, including bedroom size	Every 2 months
No. of properties occupied, including bedroom size	Every 2 months
Number of families housed, including which resettlement programme they belong to	Every 2 months
Number of individuals housed, including which resettlement programme they belong to	Every 2 months
Total expenditure (incl grant and other funding)	Every 2 months
Total committed spend (incl grant and other funding)	Every 2 months
DLUHC grant used	Every 2 months
Overall assessment (RAG rated) of whether delivery is on track as determined by the responsible Council officer	Every 2 months

Table 3 – Monitoring Data

Item	Frequency
------	-----------

How properties have been sourced (e.g. through stock acquisition or another delivery route)	In December 2023 and thereafter upon request to aid with evaluation of the fund
How the Council has funded its contributory share	
Breakdown of households housed by previous housing situation, e.g. emergency accommodation/temporary accommodation	
Tenancy duration	
Rent levels	
Number of additional pledges made to provide housing for those in bridging accommodation	
Number of properties obtained outside the local authority's area, if applicable, and where these are located.	
Evaluation of additional pledges, number of individuals houses, number of properties occupied.	

Table 4 – Evaluation Data

5. In addition, to enable the assessment of relative value for money and to assist with future spending reviews, we may occasionally ask for additional information including details of how the fund is delivered and housing market conditions. This will provide important data to support future policy developments and will also support engagement with HM Treasury. This information will be provided to agreed timeframes when requested by DLUHC.
6. Should the Council wish to amend and/or not collect any of these proposed data points, they should submit a proposal to DLUHC for agreement.

### Frequency of Reporting

7. The Council will be asked to provide reports every two months. The schedule for monitoring reports is outlined in Annex B.

### Data Consistency

8. DLUHC and the Council have a shared commitment to ensure that, for clarity and transparency purposes, consistent methods of recording outputs are maintained. It is expected that the provided reporting will be robust, accurate and quality assured to a high standard. As such minimal revisions would be expected – although, where these are required, DLUHC should be advised as soon as practical.

### Use of Material Provided

9. DLUHC will use the provided material to monitor delivery nationally.

## Annex B – Monitoring Milestones

Date	Milestone
February 2023	Payment of the Year 1 allocation if this MOU is signed before 15 February 2023.
March 2023	Payment of the Year 1 allocation if this MOU is signed after 15 February 2023 and before 15 March 2023.
April 2023	MI touchpoint
May 2023	Payment of the Year 2 allocation
June 2023	MI touchpoint
July 2023	Payment of the Year 2 allocation if the spend requirement for payment in May was not met.
August 2023	MI touchpoint
October 2023	MI touchpoint
30 November 2023	The Council agrees to make best endeavours to deliver the delivery target by 30 November 2023.
December 2023	Final MI touchpoint following 30 November 2023. DLUHC-led evaluation of LAHF begins.

Report Number: SWT 32/23

# Somerset West and Taunton Council

## Executive – 15 March 2023

### 2022/23 Housing Revenue Account Financial Monitoring as at Quarter 3 (31st December 2022)

This matter is the responsibility of Executive Councillor Fran Smith, Housing

Report Author: Kerry Prisco (Management Accounting and Reporting Lead)

#### 1 Executive Summary

1.1 This report provides an update on the projected outturn financial position of the Council's Housing Revenue Account (HRA) for the financial year 2022/23 (as at 31 December 2022).

1.2 The headline estimates for **revenue** costs are:

Revenue Budget	£91k forecast underspend	Green
General Reserves	£3.134m forecast balance = favourable compared to £2m minimum requirement	Green
Earmarked Reserves	£54k opening balance	Green

1.3 It is well reported that the economic situation is challenging with the cost of living crisis, high inflation, and rising interest rates. These factors will hit our communities and businesses, and the Council is also not immune as seen in the latest forecasts.

1.4 The Q1 forecast outturn position reported an overspend of £745k. In response to this variance the Senior Management Team undertook a thorough and in-depth review of all budgets, updated projections based on mid-year information, requested services to manage inflationary pressures within services where possible (e.g. pay award, utilities and material costs) and focused on essential spend only where possible in order to bring the position back to budget. There were also some contractual delays on delivering capital schemes pushing spend into future years and a need increase reserve balances this year to provide budget flexibility and financial resilience in 2023/24 on the face of significant financial pressures. This resulted in an improved position report at Q2 of an overspend of £330k.

1.5 The Senior Management Team have continued to monitor spend closely and explore options to bring the position back to budget. The Q3 forecast outturn position reports an

underspend of £91k. This has been achieved mainly by an increase in investment income as a direct result of a reduction in spend on the capital programme and increasing interest rates, capitalisation of material costs and a reduction in central recharges. These have offset the main financial pressures including depreciation charges, the recently agreed national pay award, the rising cost of materials for void and general repairs, and tenancy management costs.

- 1.6 Whilst forecasts have been updated and management continue to control the overall position to remain within budget, the final outturn position may still present further underspends or variances to budget. This will be carefully monitored over the next few months by management and the final outturn position will be reported to Members.
- 1.7 The level of General Reserves has improved providing the service with some resilience to mitigate the risk of an overspend or additional pressures. However, in light of the volatile nature of the business these levels may not be sufficient, and a more secure reserves position will need to be maintained in future years.
- 1.8 The HRA **Capital Programme** has a total approved budget of £110.9m. The profiled budgeted spend for 2022/23 is £36.447m and this is currently forecast to underspend in the year by £15.892m; £15.627m due to slippage of work into 2023/24 and net budget of £266k budget to be returned.

## **2 Recommendations**

- 2.1 This report is to be noted as the HRA's forecast financial performance and projected reserves position for 2022/23 financial year as at 31 December 2022.

## **3 Risk Assessment**

- 3.1 Financial forecasts are based on known information and projections based on assumptions. As such any forecast carries an element of risk. The current forecasts included in this report are considered reasonable given the extra element of risk around inflation being experienced in the current economic operating environment and based on experience it is feasible the year end position could change. It is common for underspends to emerge during the year, reflecting an optimism bias within previous forecasting. There may also be matters beyond the Council's control that affect the final outturn position.
- 3.2 Salient in year budget risks are summarised in section 9 in this report. The Council manages financial risk in several ways including setting prudent budgets, carrying out appropriate monitoring and control of spend, operating robust financial procedures, and so on. The Council also holds both general and earmarked reserves which include contingencies to manage budget risk, though these are low for the HRA.

## **4 Background and Full details of the Report**

- 4.1 This report provides the Housing Revenue Account (HRA) forecast end of year financial position for revenue and capital expenditure as at 31 December 2022.

- 4.2 The regular monitoring of financial information is a key element in the Council's HRA Performance Management Framework. Crucially it enables remedial action to be taken in response to significant budget variances, some of which may be unavoidable. It also provides the opportunity to assess any consequent impact on reserves and the HRA's Medium Term Financial Plan and 30-Year Business Plan.
- 4.3 Members will be aware from previous experience that the position can change between 'in-year' projections and the final outturn position, mainly due to demand-led service costs and income levels and where actual costs and income can vary from initial estimates and assumptions. The budget monitoring process involves a detailed review of the more volatile budgets and a proportionate review of low risk/low volatility budget areas. Budget Holders, with support and advice from their finance business partners, update their forecasts monthly based on currently available information and knowledge of service requirements for the remainder of the year. As with any forecast there is always a risk that some unforeseen changes could influence the position at the year-end, and several risks and uncertainties are highlighted within this report. However, the following forecast is reasonable based on current information.

## 5 HRA Revenue Budget 2022/23 Forecast Outturn

- 5.1 The HRA is a ring-fenced, self-financing, account used to manage the Council's housing stock of some 5,700 properties, with the Council acting as the Landlord.
- 5.2 The Council retains all rental income to meet the costs of managing and maintaining the housing stock, as well as meeting the interest payments and repayment of capital debt.
- 5.3 The current year end forecast outturn position for the Housing Revenue Account for 2022/23 is a net underspend of £91k.

**Table 1: HRA Revenue Outturn Summary**

	<b>Current Budget</b>	<b>Forecast Outturn</b>	<b>Forecast Variance</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Gross Income	-28,188	-28,128	61	0.2%
Service Expenditure	16,721	16,713	-8	0.0%
Other Expenditure	11,468	11,324	-143	-0.5%
<b>Total</b>	<b>0</b>	<b>-91</b>	<b>-91</b>	<b>-0.3%</b>

- 5.4 The variances to budget are shown in more detail in Table 2 and further explanations for variances over £50k below.

**Table 2: Summary of Forecast Variances for the Year**

	<b>Current Budget</b>	<b>Outturn</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
	<b>£000</b>	<b>£000</b>	<b>Variance</b>	<b>Variance</b>	<b>Variance</b>
			<b>£000</b>	<b>£000</b>	<b>£000</b>
Dwelling Rents	-25,581	-25,627	-46	-54	-139
Non-Dwelling Rents	-767	-709	58	16	49

Charges for Services / Facilities	-1,649	-1,556	93	106	-2
Other Income	-192	-235	-43	16	14
<b>Sub-Total Gross Income</b>	<b>-28,188</b>	<b>-28,128</b>	<b>60</b>	<b>84</b>	<b>-78</b>
<b>Service Expenditure:</b>					
Development & Regeneration	60	87	27	-15	-5
Community Resilience	153	153	0	0	-6
Tenancy Management	3,012	3,224	212	248	186
Maintenance	5,598	6,040	442	320	496
Assets	420	342	-78	-24	-1
Capital Investment	563	367	-196	-262	14
Compliance	1,829	1,702	-127	-115	-150
Performance	5,084	4,798	-286	-236	31
Pay Award Shortfall	0	0	0	0	269
<b>Sub-Total Service Expenditure</b>	<b>16,720</b>	<b>16,713</b>	<b>-7</b>	<b>-82</b>	<b>834</b>
<b>Central Costs / Movement in Reserves:</b>					
Revenue Contribution to Capital	0	0	0	0	0
Interest Payable	2,883	2,788	-95	-88	-94
Interest Receivable	-83	-431	-348	11	83
Change in Provision for Bad Debt	180	180	0	0	0
Depreciation	7,666	8,988	1,322	1,427	0
Capital Debt Repayment	1,021	0	-1,021	-1,021	0
Movement In Reserves	-200	-200	0	0	0
<b>Sub-Total Central Costs / Movement in Reserves:</b>	<b>11,468</b>	<b>11,324</b>	<b>-144</b>	<b>329</b>	<b>-12</b>
<b>Net Surplus(-) / Deficit for the Year</b>	<b>0</b>	<b>-91</b>	<b>-91</b>	<b>330</b>	<b>745</b>

## Income

- 5.5 **Dwelling Rent Income:** The budgeted income for 2022/23 is £25.581m, which reflects an assumption of 2% void losses and applying a 52-week year. The overall current projections suggest that more income will be recovered than predicted when setting the budget and providing an allowance for voids. The current projection for dwelling rent income is an over recovery against budget of £47k which partly relates to timings of predicted stock changes and levels of voids.



- 5.6 **Charges for Services / Facilities:** The budgeted income of £1.649m for 2022/23 includes (a) £1.406m for the Service Charge Income for Dwellings (after discounts have been applied to tenants such as Piper Charge to Sheltered Housing and Extra Care) less an average 2% void loss and applying a 52-week year, (b) £233k for Leaseholder Charges for Services, and (c) £10k for Meeting Halls.
- 5.7 The Leaseholder Charges for Services is forecasting an under recovery of income of £100k. The leaseholds are invoiced a year in arrears. The routine repairs continued to be low again last year due to COVID and lockdown. The major repairs were also lower and capped at £250 again.

## **Expenditure**

- 5.8 **Tenancy Management:** This area covers lettings, supported housing, rent recovery, leaseholders and other tenancy management support activities. The total current budget is £3.012m and it is forecasting an overspend of £211k. This mainly relates to an overspend on staffing costs due to additional resources required to manage the increasing number of cases raised by tenants following the aftermath of COVID, as well as backfill for maternity and sick leave and the pay award. Part of the overspend relates to a budget saving for 2022/23 by undertaking RTB surveys using our in-house resources, however this resource is now unavailable, and the activity is now being procured externally.
- 5.9 **Maintenance:** The overspend relates to the ongoing repairs and maintenance of the housing stock through void activity undertaken to ensure our Lettable Standard is met before reletting. Whilst this is a very demand led and reactive service based on the condition of the properties being returned this service is experiencing an increase in cost pressures as inflation drives up the cost of materials (as seen nationally). There is an in-house initiative called the "Leaving Well" scheme which aims to work with and support the tenants to leave their homes in a suitable manner to reduce the time and cost of work then required on void properties before reletting.
- 5.10 Since the Q2 report further work has been undertaken to identify opportunities for the capitalisation of material costs. For example, where the activity is of a capital nature and has an impact on the major works replacement programme. So far c£850k of costs have been identified and is reflected in the change in variance from Q2 to Q3.
- 5.11 **Assets:** The budget estimate for 2022/23 was £90k on SAP EPCs and Stock Validation which are now being covered and paid for as part of the majors and improvement capital programme. This change has been reflected in the budgets for 2023/24.
- 5.12 **Capital Investment:** The Capital Investment Team are responsible for driving the delivery of the Majors and Improvement capital programme. Since the Q1 report, and in light of the predicted overspend, the opportunities for capitalisation have been revisited and these salary costs of £254k are now being capitalised. This saving is offset in part by an overspend on pre-planned maintenance costs where previous years painting and

cyclical repairs were delayed, so some additional costs have been incurred this year for repairs to previously painted surfaces, due to their deterioration.

- 5.13 **Compliance:** The service is forecasting an underspend of £127k. Following a validation of apparatus / installations on site, the service has identified that the previous data estimations were greater than those required in year.
- 5.14 **Performance:** Of the total budget of £5.084m, £3.920m relates to shared costs such as support services, pension deficit, and governance, leaving £1.164m on operating costs such as staffing, insurance, training, travel, stationery, printing and bank charges, as well as the Tenants Empowerment and Tenants Action Group.
- 5.15 The forecast underspend of £286k mainly relates to a £380k favourable adjustment following the completion of a thorough review of the non-staff related cost apportionments between the General Fund and Housing Revenue Account (HRA), to ensure this reflects the up-to-date position and reasonable assumptions around the relative use of resources. This is offset by staffing pressures related to the pay award, job evaluation and performance team restructure.
- 5.16 **Interest Payable:** The budget estimate for 2022/23 was £2.883m. This was based on assumptions for the refinancing of £10m of debt repaid in March 2022 which differ to the actual cost of borrowing and the term of the loan resulting in an underspend of £95k.
- 5.17 **Interest Receivable:** The budget estimate for 2022/23 was £83k. The outturn position is dependent on the final capital financing requirement for the year, as well as levels of borrowing and reserves. The current capital outturn forecast reporting an underspend against profiled budget of £15.892m. The current projections of capital spend, and level of reserves suggest that there will be £431k of interest income for the year, though it is highly likely that this will change by the end of the year.
- 5.18 **Depreciation:** The depreciation charge for the HRA is calculated at the end of the financial year and then transferred to the Major Repairs Reserve (MRR) to be reinvested in the housing stock through financing of the capital programme and/or repay capital debt.
- 5.19 In prior years, elements of the depreciation calculation saw some components of the assets having a useful life over 100 years. For 2021/22 there was a recommended technical accounting update requiring components to have a maximum useful life of 70 years. This was applied to the calculation for 2021/22 resulting in an increase in the dwelling depreciation charge. This financial impact was managed strategically in 2021/22 by reducing the voluntary repayment of debt through the revenue account and replacing this with existing capital receipts to eliminate the financial impact on repaying debt as well as the impact on the revenue account.
- 5.20 Due to timings of the annual budget preparation, this technical accounting update was not applied to the budget estimates for depreciation for 2022/23. As such an early provisional calculation has been undertaken to estimate the depreciation charge for the year. This has resulted in an adverse variance against budget of c£1.4m. This variance

results from a combination of the reduction in useful life that may reasonably be applied, in line with accounting standards, as well as the increase in year-end "existing use" valuations, which are driven by the effects of economic conditions impacting upon house price inflation.

- 5.21 This financial impact will again be managed strategically by offsetting this pressure in part against the voluntary repayment of debt through the revenue account and replacing this with existing capital receipts to eliminate the financial impact on repaying debt as well as the impact on the revenue account. The other land and buildings depreciation charge has been estimated for the year resulting in a saving of £106k against budget. This leaves a £300k pressure which is expected to change once final year end calculations are undertaken.
- 5.22 **Capital Debt Repayment:** As per the Budget Setting Report for 2022/23 (Full Council Feb 2022) the HRA financial strategy presented a one-off reduction in budget (from £1.821m) of £800k to provide revenue capacity in 2022/23 replacing this with £800k of non-RTB capital receipts. The budget of £1.021m is being used to offset the adverse variance on the depreciation charge as described above.

## **6 Capital Programme**

- 6.1 The HRA current approved Capital Programme is £110.9m. This consists of £14.4m of new schemes approved for 2022/23 plus £95m of previously approved schemes in prior years and a supplement of £1.5m (see **Appendix A**).
- 6.2 The Council plans to finance this investment through the Major Repairs Reserve, Capital Receipts, Capital Grants, Revenue Funding and Borrowing (see **Appendix B**).
- 6.3 The HRA Capital Programme relates to in-year works and longer-term schemes that will be completed over the next nine years. The current planned profiled spend is summarised in **Appendix C**. The budget has been profiled to reflect the estimated timing of costs for the approved schemes, with £36m profiled to be spent in 2022/23 with the balance of £74m projected forward into future years.
- 6.4 Further information on the three distinct areas of the HRA capital programme and its financial performance to date against this financial year can be found below and in **Appendix D**. The current forecast outturn is £20.555m. The programme will underspend against profiled budget for 2022/23 by £15.892m; £15.625m slipping into subsequent years and net budget of £266k being returned.
- 6.5 **Major Works:** The approved budget of £14.9m is funded by the Major Repairs Reserve and Borrowing and relates to spend on major works to existing dwellings. New schemes approved for 2022/23 total £11m with slippage from the prior year of £3.9m.
- 6.6 The 2022/23 capital programme includes major programmes such as:
- Kitchens
  - Bathrooms
  - Heating improvements

- Insulation and ventilation
  - Door entry systems
  - External doors
  - Fasciae and soffits
  - Roofing
  - Windows
- 6.7 The current forecast projected spend is £6.3m resulting in an underspend against budget of £8.6m which will fall into subsequent years. Progress on a number of capital work programmes continues on-site; including kitchen and bathroom replacements, roofing, replacement gutters and fasciae, and door entry systems. It should be noted, however, that available contractor resource remains a challenge and accordingly some programmes may not be completed by the end of this financial year.
- 6.8 **Improvements:** The approved budget of £5.2m is funded by the Major Repairs Reserve and relates to spend on improvements to existing dwellings and related assets. New schemes approved for 2022/23 total £3.3m with slippage from the prior year of £1.9m.
- 6.9 The current forecast projected spend is £3m resulting in an underspend against budget of £2.2m of which £1.9m will fall into subsequent years and £338k proposed to be returned. Progress on fire safety works (replacement fire doors, fire safety flooring and emergency lighting) is progressing well on site, although again it should be noted that available contractor resource remains an ongoing challenge.
- 6.10 The budget return relates to (a) the implementation of a new accounting standard (IFRS16 - Leases) being deferred, meaning the finance lease costs for the fleet contract will be accounted for in revenue, and (b) a forecast underspend on related assets.
- 6.11 **Social Housing Development Programme:** The current approved budget of £90.8m is for the provision of new housing through schemes such as Phases A-E for North Taunton Regeneration (NTWP), Seaward Way, Oxford Inn and Zero Carbon Affordable Homes to increase the Council's housing stock. This will be funded through by RTB Capital Receipts, Capital Grants and Borrowing.
- 6.12 The current Social Housing capital programme for 2022/23 is progressing with contractors on site at phase A of NTWP and Seaward Way, together developing 101 new homes. The contract for phases B&Ci and Di remains outstanding and although the service expected to conclude the contract negotiations and commence demolition a new procurement may now be required due to a change of the current contractor's appetite for new work in the South-West. The service is working to understand the implications for the current contract and the contractual position. The Oxford Inn development has planning permission including support from Natural England for its phosphate mitigation strategy. A procurement exercise is concluding following the shortlisting of three contractors. Unfortunately, the refurbishment of properties at Oake and NTWP phase E will not progress under current designs as the procurement of contractors has failed twice on value for money criteria. These non-traditional defective woolaway properties will now undergo a new option appraisal which is likely to include the sale of a small number of void dwellings.

6.13 Members should note that the economic environment is very challenging in relation to the building of homes. SWTs keys risks include inflation, especially in relation to the NTWP which spans several phases and is delivered over many years, contractors risk appetite, availability of staff and sub-contractors, insurance premiums and materials shortages are also challenges. In addition, statutory and voluntary requirements in terms of energy efficiency and climate change, highway infrastructure, phosphates and fire prevention are also increasing the time and cost pressures relating to the development of new homes. The Council is delivering affordable housing for rent and therefore does not have the ability to benefit from house price inflation to offset some of the additional costs. The HRA’s Medium Term Financial Plan (MTFP) and 30-Year Business Plan is being reviewed to ensure the capital programme expenditure remains affordable.

**7 HRA Earmarked Reserves**

7.1 The HRA Earmarked Reserves at the beginning of 2022/23 totalled £54k (see **Table 3** below). A further £77k climate change contribution towards electric vehicles has been received in-year. The remaining funds have been earmarked to be spent within the next two years.

**Table 3: Earmarked Reserves Balances**

Description	Opening Balance 01/04/2022 £000	Transfers £000	Projected Balance 31/3/2023 £000
HRA One Teams	6	0	6
HRA Hinkley	48	0	48
HRA Electric Vehicles	0	77	77
<b>HRA Total</b>	<b>54</b>	<b>0</b>	<b>131</b>

**8 HRA General Reserves**

8.1 The opening HRA general reserves balance as at 1 April 2022 is £3.413m, representing unearmarked reserves held to provide ongoing financial resilience and mitigation for unbudgeted financial risks. This is £1.413m above the minimum recommended reserve level of £2m.

8.2 As part of the budget setting proposals to Full Council on 8 February 2022 £200k of current reserves will be used to support the base budget in 2022/23. Further approved (or proposed) allocations to / from general reserves are shown in the table below.

**Table 4: HRA Unearmarked Reserves Balance**

	Approval	£'000
<b>Balance Brought Forward 1 April 2022</b>		<b>3,413</b>
Budgeted Contribution to support base budget 2022/23	FC - 08/02/22	-200
<b>Current Balance</b>		<b>3,213</b>
Forecast: Housing Policy Review		-30
Forecast: Procurement Support		-140

Forecast: 2022/23 Projected Overspend		91
<b>Projected Balance 31 March 2023</b>		<b>3,134</b>
Recommended Minimum Balance		2,000
Projected Balance above Minimum Reserve Balance		1,134

8.3 The current outturn position is forecast to be a net underspend of £91k. The improved forecast outturn position has helped to bolster reserve balances to £3.134m, which is £1.134m above the recommended minimum balance of £2m. It is essential for the service to maintain adequate reserves to provide financial resilience to mitigate against the volatile economic environment and regulatory pressures within which it operates.

## **9 Risk and Uncertainty**

9.1 Budgets and forecasts are based on known information and the best estimates of the housing service's future spending and income. Income and expenditure over the 2022/23 financial year are estimated by budget holders and then reported through the budget monitoring process. During this process risks and uncertainties are identified which could impact on the financial projections, but for which the likelihood, and/or amount are uncertain. The Council carries protection against risk and uncertainty in several ways, such as insurances and maintaining reserves. This is a prudent approach and helps to mitigate unforeseen pressures.

9.2 The following general risks and uncertainties have been identified:

9.3 **Inflation:** The current economic operating environment is placing financial risk on the Council in terms of rising inflation increasing the cost of supplies such as utilities and materials. The Council is seeing price increases on our corporate contracts of c60% on electricity, c80% on gas and c45% on fuel. However further variances may come to light during the year based on levels of usage in these areas. There is also uncertain inflationary pressures on other revenue and capital contracts. Budget Holders have undertaken an impact assessment of the inflationary pressure placed on their services and included best estimates as part of their quarterly review.

9.4 **Bad Debt Provision:** The budgeted bad debt provision of £180k provides financial capacity for any increase in arrears and / or aging debt from one year to the next as well as any in-year write offs. This is a year-end technical accounting adjustment. The key challenges facing the arrears position are the pressures on SWT to maximise rental income in an environment of reduced government support and greater need to utilise internal resources; the 'cost of living crisis' marked by reductions in real income accompanied by increases in fuel costs and food prices; welfare reforms which have made extensive use of sanctions and reductions in eligibility; and the impact of the COVID pandemic. On average 25% of SWT HRA tenants are in arrears at any one time.

9.5 The approaches incorporated at SWT to aid the HRA's enforcement of debt and support to tenants include providing direct welfare benefit advice and support; facilitating access to employment and training, support and advice; facilitating access to debt prevention support; and opportunities for flexible rent payment.

- 9.6 **Recruitment:** There are a number of vacancies across the Council and assumptions have been made as to when these vacancies will be filled. The Council is experiencing recruitment issues (as seen country-wide) therefore assumptions and forecasts may change, in addition to higher agency costs to cover roles where permanent recruitment is not successful.
- 9.7 **Capital Programme Forecasts:** Engaging with Contractors at all tiers continues to be very challenging, therefore the risk to the capital programme and forecast costs should be considered. The labour and materials market is still in short supply, with Contractors unable to resource both tenders being issued on projects on site. As such, competition in the market is more limited than it has been for some time.
- 9.8 The cost pressure created by inflation, the liquidation of a number of contractors, logistics challenges and the general acceleration to get projects to site post-lockdown, is causing previous fixed price contracts to be re-appraised within a matter of months of a successful tender. This could move schemes to the limits of viability. The resulting impact of this cost pressure is resulting in Tier One (larger scale) Contractors often turning down tender opportunities unless an inflation clause (requiring the Client to take the risk of inflation), is included in Contracts, whilst smaller Contractors are withdrawing tenders after submission or operating on such a small margin as to put them at risk of failure.
- 9.9 The forecast tender price inflation for 2022 is 8–10% (although some materials are seeing 30-40% increases) and there is limited prediction from the marketplace of the rate of inflation easing until Quarter 3 2024. Whilst due diligence is undertaken on tenderers during the process, both in flight and imminent projects will continue to be at risk whilst resource and materials are scarce and/or increasing in cost at current trajectories.
- 9.10 **Fleet Contract / IFRS16 Leases:** CIPFA has delayed the implementation of IFRS16 however we could have chosen to adopt this early but due to the implementation of the Unitary Council all Somerset Councils have made the decision to delay adoption. Therefore, where SWT had budgeted for the lease as a capital cost these now fall to revenue. The services hope to absorb this cost through in-year underspends and delays in receiving new vehicles.
- 9.11 **Repairs & Maintenance:** Overall this is a very demand led and reactive service based on the needs of the tenants. There are also a number of uncontrollable variables associated with this service such as the weather (e.g. cold winters causing burst pipes, roof leaks, etc), condition of properties when returned (e.g. void refurbishments), consumer demand on minor internal / external repairs (e.g. broken door or fence) and the type of repair work required. Market pricing of materials etc can also be volatile with some unit costs increasing in recent months. As such the levels of demand do not always follow a recognisable trend. We therefore caveat the forecasts in these areas to account for fluctuations.
- 9.12 **Landlord Compliance:** A review of all compliance areas against every property for which Somerset West and Taunton Council has landlord property compliance responsibility has largely been undertaken. The compliance works required following this

review are currently being procured and delivered. Whilst additional budget provision has been added previously, new regulatory requirements and assurance process are still emerging, the full extent of the full financial pressure of these remains uncertain.

- 9.13 **Cost of living crisis, Welfare Reform and Universal Credit (UC):** The impacts of these are significant with the number and value of rent accounts in arrears expected to increase considerably. Several mitigations are already in place to help support tenants affected particularly by the rising cost of living such as debt advice, access to discretionary housing payments and an arrears management team with redesigned workflow processes. These issues may require the Council to revise future income projections.
- 9.14 **Responding to increased stock quality standards:** Changes to the Regulator of Social Housing's decent home standard as well as higher thermal efficiency standards which may not be fully supported by additional external grant funding would place an additional burden on HRA resources available for elemental investment in homes. Once the detail is known, we will need to adapt to ensure we continue to maintain stock at the Decent Homes Standard and prepare to meet all the evolving expectations, incorporating the financial impacts into the Business Plan.
- 9.15 **Housing White Paper:** In November 2020 the Government published the Housing White Paper which sets out the changes to how social landlords will operate. It will require several changes to home safety, tenant satisfaction measures, complaints handling, a new inspection regime for social landlords and a strengthened role for the Regulator of Social Housing. Many of the new changes in the white paper have already been mitigated in Housing by strengthening our compliance activities, setting up the new Housing Performance Team to be responsible for communications, performance data and engagement but this will need to be kept under review and self-assessment has begun.
- 9.16 **Right To Buy (RTB) Receipts:** This is a government policy that enables tenants to purchase their homes at a discount, subject to meeting qualifying criteria. The receipts allowed to be retained by the Council can now fund up to 40% of new social housing costs and must be used within five years of receipt. To date, the Council has successfully fully spent all of their retained 1-4-1 receipts within the require timescales resulting in no returns being made to the Treasury/DLUHC.
- 9.17 Whilst projected spend on new build developments is currently adequate to meet 1-4-1 spend requirements this is dependent on the successful delivery of these social development schemes. Therefore, there is still a risk that the current delivery plan on new build schemes could be delayed and may result in funds being return to DLUHC/Treasury.
- 9.18 **Unitary Council:** The transition to the new Unitary places a significant demand on management and staff. It is currently unknown what the future potential HRA costs will be and whether these costs will need to be funded using revenue or capital budgets. From a capital perspective the business plan does provide some headroom to allow non-right to buy receipts to be used as flexible capital receipts to fund transformation costs. Revenue costs of implementation are not currently budgeted and will place additional



pressures on the HRA budget and reserves, thus we will need to review planned expenditure and reserves to make this affordable.

- 9.19 **Forecasting Assumptions:** It is conceivable that, whilst budget holders are optimistic that they will spend all their budget, experience shows an increase in underspends often reported in the last quarter of the financial year. The pace of spending may also reduce as capacity and delivery of priorities is affected by local government structural change.
- 9.20 **Fluctuation in demand for services:** We operate many demand-led services and the levels of demand do not always follow a recognisable trend, which may lead to fluctuations in costs and income compared with current forecasts.
- 9.21 **Year-end Adjustments:** There are certain items that are not determined or finalised until the financial year-end. For example, the final assessment of provisions required for bad debts and final allocations of support service recharges. These can result in potentially significant differences to current forecasts.

## **10 Links to Corporate Strategy**

- 10.1 The financial performance of the Council underpins the delivery of corporate priorities and therefore all Corporate Aims.

## **11 Unitary Council Financial Implications and S24 Direction Implications**

- 11.1 The main considerations within scope of this report is the impact of in-year financial performance on year end reserve balances that will transfer to the new unitary council on 1 April, and potential impact of variances on future budget estimates. Reserves are currently projected to remain above the minimum requirement. Finance officers and budget managers will feed in ongoing and future risks and implications through the budget setting process for 2023/24.

## **12 Partnership Implications**

- 12.1 A range of HRA services are provided through partnership arrangements such as MIND, citizen's advice, Taunton East Development Trust, North Taunton and Wiveliscombe Area Partnership. The cost of these services is reflected in the Council's financial outturn position for the year.

## **13 Scrutiny Comments / Recommendations**

- 13.1 This report was considered by Community Scrutiny on 22 February 2023. A summary of the comments and recommendations discussed are provided here for the Executive to consider.
- 13.2 There were a few comments made with regard to the current economic operating environment and the impact this is having on our social housing development and regeneration schemes. The challenges being faced such as inflation increasing the price

of materials, the uncertainty of these prices over the next few years and the impact this has on supplier tenders / contracts.

- 13.3 The delays in delivering the capital schemes was noted and an enquiry as to how this impacts the budgets was made.
- 13.4 An enquiry was made to the correlation of the condition of the property when returned by the tenant and the cost of voids.
- 13.5 An enquiry was made to the recruitment issues being faced by the council and what campaigns the council is / will be undertaking to resolve this.

**Democratic Path:**

- **Community Scrutiny – 22 February 2023**
- **Executive – 15 March 2023**
- **Full Council - No**

**Reporting Frequency: Quarterly**

**List of Appendices**

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**Appendix A: HRA Approved Capital Budget**

SWT Capital Programme	Prior Year Slippage	Current Year Approval Feb 2022 Budget Setting for 2022/23	Total Approved Budget	Current year Virements	Current Year Supplements	Current Year Returns	Revised Current Year Approved Capital Budget
Major Works	3,895,968	11,051,000	14,946,968	0	0	0	14,946,968
Fire Safety	1,440,637	2,133,000	3,573,637	0	0	0	3,573,637
Related Assets	0	120,000	120,000	0	0	0	120,000
Exceptional & Extensive	0	350,000	350,000	0	0	0	350,000
Vehicles	65,000	155,000	220,000	0	0	0	220,000
ICT & Transformation	351,405	200,000	551,405	0	0	0	551,405
Aids & Adaptations & DFGs	0	370,000	370,000	0	0	0	370,000
<b>Sub-Total Majors &amp; Improvements</b>	<b>5,753,010</b>	<b>14,379,000</b>	<b>20,132,010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,132,010</b>
Social Housing Development	89,268,617	0	89,268,617	0	1,500,000	0	90,768,617
<b>Total HRA</b>	<b>95,021,627</b>	<b>14,379,000</b>	<b>109,400,627</b>	<b>0</b>	<b>1,500,000</b>	<b>0</b>	<b>110,900,627</b>



## Appendix B: HRA Capital Financing of Total Approved Budget

SWT Capital Programme	TOTAL CAPITAL FINANCING	Capital Grants	Right To Buy (RTB) Capital Receipts	Capital Receipts	Major Repairs Reserve	Borrowing
Major Works	14,946,968	0	0	0	10,681,958	4,265,009
Fire Safety	3,573,637	0	0	0	3,573,637	0
Related Assets	120,000	0	0	0	120,000	0
Exceptional & Extensive	350,000	0	0	0	350,000	0
Vehicles	220,000	0	0	0	220,000	0
ICT & Transformation	551,405	0	0	200,000	351,405	0
Aids & Adaptations & DFGs	370,000	0	0	0	370,000	0
<b>Sub-Total Majors &amp; Improvements</b>	<b>20,132,010</b>	<b>0</b>	<b>0</b>	<b>200,000</b>	<b>15,667,000</b>	<b>4,265,009</b>
Social Housing Development	90,768,617	402,229	16,303,316	0	0	74,063,072
<b>Total HRA</b>	<b>110,900,627</b>	<b>402,229</b>	<b>16,303,316</b>	<b>200,000</b>	<b>15,667,000</b>	<b>78,328,082</b>





**Appendix C: HRA Annual Profiling of Approved Capital Budget**

SWT Capital Programme	Total Approved Budget	Planned Capex 2022/23	Planned Capex 2023/24	Planned Capex 2024/25	Planned Capex 2025/26	Planned Capex 2026/27	Planned Capex 2027/28	Planned Capex 2028/29	Planned Capex 2029/30	Planned Capex 2030/31
Major Works	14,946,968	14,946,968	0	0	0	0	0	0	0	0
Fire Safety	3,573,637	3,573,637	0	0	0	0	0	0	0	0
Related Assets	120,000	120,000	0	0	0	0	0	0	0	0
Exceptional & Extensive	350,000	350,000	0	0	0	0	0	0	0	0
Vehicles	220,000	220,000	0	0	0	0	0	0	0	0
ICT & Transformation	551,405	551,405	0	0	0	0	0	0	0	0
Aids & Adaptations & DFGs	370,000	370,000	0	0	0	0	0	0	0	0
<b>Sub-Total Majors &amp; Improvements</b>	<b>20,132,010</b>	<b>20,132,010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Social Housing Development	90,768,617	16,314,803	13,272,299	18,981,656	13,898,356	4,717,976	7,342,914	7,793,039	6,950,000	1,497,575
<b>Total HRA</b>	<b>110,900,627</b>	<b>36,446,812</b>	<b>13,272,299</b>	<b>18,981,656</b>	<b>13,898,356</b>	<b>4,717,976</b>	<b>7,342,914</b>	<b>7,793,039</b>	<b>6,950,000</b>	<b>1,497,575</b>



**Appendix D: HRA Profiled Capital Budget for 2022/23 Vs Forecast Capital Outturn for 2022/23**

SWT Capital Programme	Profiled Capex Budget 2022/23	Expenditure YTD	Forecast Outturn 2022/23	Variance; - underspend + overspend	- Slippage c/f	In Year - Underspend + Overspend
Major Works	14,946,968	2,935,492	<b>6,341,307</b>	(8,605,660)	(8,605,660)	0
Fire Safety	3,573,637	2,225,593	<b>2,112,728</b>	(1,460,910)	(1,460,910)	0
Related Assets	120,000	2,075	<b>2,075</b>	(117,925)	0	(117,925)
Exceptional & Extensive	350,000	18,739	<b>250,000</b>	(100,000)	(100,000)	0
Vehicles	220,000	780	<b>0</b>	(220,000)	0	(220,000)
ICT & Transformation	551,405	190,849	<b>351,405</b>	(200,000)	(200,000)	0
Aids & Adaptations & DFGs	370,000	134,108	<b>256,000</b>	(114,000)	(114,000)	0
<b>Sub-Total Majors &amp; Improvements</b>	<b>20,132,010</b>	<b>5,507,638</b>	<b>9,313,515</b>	<b>(10,818,494)</b>	<b>(10,480,570)</b>	<b>(337,925)</b>
Social Housing Development	16,314,803	5,541,725	<b>11,241,044</b>	(5,073,758)	(5,145,925)	72,167
<b>Total HRA</b>	<b>36,446,812</b>	<b>11,049,362</b>	<b>20,554,559</b>	<b>(15,892,253)</b>	<b>(15,626,495)</b>	<b>(265,758)</b>



Report Number: SWT 33/23

## Somerset West and Taunton Council

### Executive – 15 March 2023

#### 2022/23 General Fund Financial Monitoring as at Quarter 3 (31 December 2022)

This matter is the responsibility of Executive Councillor Benet Allen, Portfolio Holder for Communication and Corporate Resources

Report Author: Kerry Prisco, Management Accounting and Reporting Lead

#### 1 Executive Summary

- 1.1 This report provides an update on the projected outturn financial position of the Council's General Fund (GF) for the financial year 2022/23 (as at 31 December 2022 forecast).
- 1.2 The headline estimates for **revenue costs** are:

Revenue Budget	£0.169m forecast underspend	Green
General Reserves	£9.8m forecast balance = favourable compared to £2.4m minimum requirement	Green
Earmarked Reserves	£28m at start of year, forecast to reduce to £11m by year end as funds are used as planned.	Green

- 1.3 It is well reported that the economic situation is challenging with the cost of living crisis, high inflation, and rising interest rates. These factors will hit our communities and businesses, and the Council is also not immune as seen in the latest forecasts.
- 1.4 The Q1 forecast outturn position reported an overspend of £326k. In response to this variance the Senior Management Team undertook a thorough and in-depth review of all budgets, updated projections based on mid-year information, requested services to manage inflationary pressures within services where possible (e.g. pay award, utilities and material costs) and driven a focus on essential spend only where possible in order to bring the position back to budget. There were also some contractual delays on delivering capital schemes pushing spend into future years and a need increase reserve balances this year to provide budget flexibility and financial resilience in 2023/24 on the face of significant financial pressures. This resulted in an improved position reported at Q2 of an underspend of £219k.
- 1.5 The updated projected outturn position is reporting an underspend of £169k. Whilst forecasts have been updated and management continue to control the overall position to remain within budget, the final outturn position may still present further underspends or variances to budget. This will be carefully monitored over the next few months by management and the final outturn position will be reported to Members. The level of

General Reserves provides significant resilience to mitigate the risk of overspend if required.

- 1.6 The current total approved **Capital Budget** is £78.801m and relates to the Capital Programme for continuing and new schemes approved for 2022/23. The budget is profiled with estimated spend totalling £26.150m in this financial year and £52.651m in later years.
- 1.7 The Council is currently forecasting a capital outturn of £13.599m. A net underspend of £12.551m is currently projected against the total profiled capital budget for 2022/23 of which £11.637m is slippage into future years and £0.914m is actual underspend against the total programme.
- 1.8 Whilst there is an ongoing inflation risk to works not yet under contract, budget managers are not yet forecasting significant pressures for General Fund schemes – this will be kept under review throughout the year.

## **2 Recommendations**

- 2.1 Executive to note the Council's forecast financial performance and projected reserves position for 2022/23 financial year as of 31 December 2022.
- 2.2 Executive to approve the transfer of £1.507m of surplus business rates funding to be returned to General Reserves.
- 2.3 Executive to approve a capital budget return of £200k for Brewhouse Theatre Roof works.
- 2.4 Executive to approve a transfer of £250k from the Climate Change budget to a capital financing earmarked reserve for the decarbonisation project at both Wellington Sports Centre and Alcombe Children's Centre.

## **3 Risk Assessment**

- 3.1 Financial forecasts are based on known information and projections based on assumptions. As such any forecast carries an element of risk. The current forecasts included in this report are considered reasonable given the extra element of risk around inflation being experienced in the current economic operating environment and based on experience it is feasible the year end position could change. It is common for underspends to emerge during the year, reflecting an optimism bias within previous forecasting. There may also be matters beyond the Council's control that affect the final outturn position.
- 3.2 Salient in year budget risks are summarised in section 9 in this report. The Council manages financial risk in several ways including setting prudent budgets, carrying out appropriate monitoring and control of spend, operating robust financial procedures, and so on. The Council also holds both general and earmarked reserves which include contingencies to manage budget risk.

## 4 Background and Full details of the Report

- 4.1 This report provides the Council's General Fund forecast end of year financial position in March 2022 for revenue and capital expenditure, as at 31 December 2022.
- 4.2 The regular monitoring of financial information is a key element in the Council's Performance Management Framework. Crucially it enables remedial action to be taken in response to significant budget variances, some of which may be unavoidable. It also provides the opportunity to assess any consequent impact on reserves and the Council's Medium Term Financial Plan.
- 4.3 Members will be aware from previous experience that the position can change between 'in-year' projections and the final outturn position, mainly due to demand-led service costs and income levels and where actual costs and income can vary from initial estimates and assumptions. The budget monitoring process involves a detailed review of the more volatile budgets and a proportionate review of low risk/low volatility budget areas. Budget Holders, with support and advice from their finance business partners, update their forecasts monthly based on currently available information and knowledge of service requirements for the remainder of the year. As with any forecast there is always a risk that some unforeseen changes could influence the position at the year-end, and several risks and uncertainties are highlighted within this report. However, the following forecast is reasonable based on current information.

## 5 General Fund Revenue Budget 2022/23 Forecast Outturn

- 5.1 The Council's General Fund is currently forecasting an overall net underspend of £169k (1.% of £17.025m Net Budget). The main reasons for this are shown in tables 1 to 6 below.
- 5.2 The forecast remains subject to change. It includes a significant number of assumptions about demand for services and the timing of planned spend to meet service objectives. Rising inflation and interest rates adds to uncertainty and risk. There has been an immediate impact on service costs and income, for example a rise in the cost of materials, gas, electric and fuel.
- 5.3 As previously reported, despite the reported pressures and uncertainties summarised in this report, the Council is currently resilient to estimated losses this year.
- 5.4 The following table presents a summary of the revenue budget and current forecast outturn for the year by directorate.

**Table 1: General Fund Revenue Outturn Summary 2022/23**

	Original Budget	Approved Changes	Current Budget	Outturn Forecast	Variance	
	£'000	£'000	£'000	£'000	£'000	%
Development and Place	4,044	190	4,234	4,319	85	2.0%
External Operations & Climate Change	10,037	86	10,124	9,508	-617	-6.1%
Housing & Communities	3,234	28	3,262	3,562	300	9.2%

	Original Budget £'000	Approved Changes £'000	Current Budget £'000	Outturn Forecast £'000	Variance	
					£'000	%
Internal Operations	9,750	224	9,973	10,368	395	4.0%
Senior Management	594	-129	464	411	-53	-11.4%
Local Government Reorganisation	1,375	-216	1,159	1,159	0	0.0%
<b>Net Cost of Services</b>	<b>29,034</b>	<b>183</b>	<b>29,217</b>	<b>29,328</b>	<b>111</b>	<b>0.4%</b>
COVID General Grants	0	0	0	0	0	0.0%
Investment Properties	-4,490	0	-4,490	-4,490	0	0.0%
Interest and Investment Income	-516	-500	-1,016	-1,012	4	-0.4%
Expected Credit Losses	0	0	0	0	0	0.0%
Transfers to Earmarked Reserves	-5,387	-2,265	-7,652	-7,931	-279	3.6%
Transfers from General Reserves	-1,375	3,459	2,084	2,084	0	0.0%
Capital and Other Adjustments	-248	-869	-1,117	-1,117	0	0.0%
<b>Net Budget</b>	<b>17,018</b>	<b>7</b>	<b>17,025</b>	<b>16,863</b>	<b>-163</b>	<b>-1.0%</b>
Funding	-17,018	-7	-17,025	-17,032	-7	0.0%
<b>Variance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-169</b>	<b>-169</b>	<b>-1.0%</b>

5.5 A summary of the forecast outturn position is summarised per directorate below.

#### **Development & Place:**

5.6 The Development and Place directorate has a current net expenditure budget of £4.234m in 2022/23, which plans to deliver a range of services and projects including:

- Strategy, policy development including the Local Plan and implementation of infrastructure projects.
- Planning services including Development Management pre-application advice, applications processing and enforcement, and implementation of interim phosphate measures
- Economic development, culture & arts
- Town centre regeneration
- Heritage at Risk projects
- Major Capital Projects for regeneration purposes and where possible to generate a return to the Council
- Commercial investment (investment properties budget is reported 'below the line')

5.7 The directorate is currently forecasting a net overspend of £85k for the year. This is largely derived from the use of agency staff in Development Management due to the difficulty in recruiting to key roles plus the impact of the pay rise, as well as an enforcement action that has been initiated. This has been offset in part by 2021/22 deferred income on planning applications that have now been determined and small payroll savings across the other departments.



- 5.8 The Environment & Leisure Improvement Fund (ELIF) initiative is currently being delivered, and of the £600k approved budget:
- £130k has been used to resurface the Vivary Park pathways and areas around the water feature and fountain, and as a contribution to the Coal Orchard public realm.
  - £412k is committed to numerous town centre projects including the Changing Places facility on Tower Street, a contribution to the Taunton Town centre highways repairs, numerous public realm work projects around Taunton including the Somerset Dragon sculpture, tree restoration, pathway repairs & re-setting, and an allocation to the Minehead Town Council maintenance programme.
  - £58k has been allocated to various initiatives including dredging Vivary Park pond and Foundry Lane/St James St bin stores.
- 5.9 The current inflationary pressure does not have any significant impact on the directorate as there are few premises or transport related costs.
- 5.10 The directorate's budget volatility and forecast has been managed via robust contract and financial / budget management by budget holders.

**Table 2: Development & Place Forecast Variances**

Department Notes	Q1 Variance £'000	Q2 Variance £'000	Q3 Variance £'000
<b>Development Management/Planning:</b> the movement of £69k from the Q2 forecast of £28k overspend is due mainly to the inclusion of potential cost for clearance of Muddy Acre site £59k, additional legal costs of £6k, payroll of £2.6k and planning application refunds of £1.8k.	166	28	97
<b>Other Minor Variances</b> mainly driven by savings in payroll across the Strategy & Policy, Economic Development and Major Projects departments	-3	13	-12
<b>Total</b>	163	41	85

**External Operations and Climate Change:**

- 5.11 The External Operations and Climate Change directorate has a current net expenditure budget of £10.124m in 2022/23, which plans to deliver a range of services and projects including:
- Climate change strategy development and Carbon Neutrality and Climate Resilience (CNCR) action plan implementation
  - Asset and property management for general fund assets
  - Regulatory services such as environmental health and licensing
  - Service resilience and emergency planning
  - Open spaces and street scene
  - Client for major contracts including waste, building control, leisure, street cleansing
  - Harbours, coastal protection, and flood management
  - Cemeteries and crematorium

- Car parks

- 5.12 The directorate is currently forecasting a net underspend of £617k for the year. This is derived from an underspend against the Climate Change budget, increased income across both Assets and Parking and an overall active management of costs.
- 5.13 **Decarbonisation Project:** The Council was successful in its bid for external grant funding for the decarbonisation project at both Wellington Sports Centre and Alcombe Children's Centre. The project includes the replacement of end-of-life gas heating with Air Source Heat Pumps, new water systems, Solar PV panels, as well as LED lighting, glazing and insulation upgrades. This meets the Council's commitment to decarbonising its own buildings.
- 5.14 The conditions of the external grant funding require the Council to provide match funding. Various options are being explored to identify match funding for this capital scheme. The Executive is requested to use £250k from existing unallocated Climate Change funding towards this project. The decarbonisation project is still subject to final approval by the new Somerset Council, due to the timing of the start date and delivery of the project this proposal was made after the Q3 figures were produced and therefore isn't reflected in Table 1 above and Table 3 below.
- 5.15 **Somerset Waste Partnership:** The council pays a fixed amount to Somerset County Council each year and contract savings has led to a forecast surplus. On the 21 December 2022 Executive approved a transfer to earmarked reserves for the forecast surplus of £440k. This transfer has been processed and is reflected in Table 3 below. A further forecast saving of £34k is now reported, the final adjusted amount will be transferred at year-end.
- 5.16 **Car Parking:** On the 21 September 2022 the Executive approved a budget virement of £302,040 to further reduce the car parking income budget. This was in line with the forecast reduction and change in usage that the council is seeing across its car parks following COVID-19. The income position has improved and against the revised budget an over recovery of £78k is now reported. This is included in Table 3.
- 5.17 Rising inflation is placing financial risk on the council as it sees an increase in the cost of supplies such as utilities and materials. Across the Directorate it is forecast that electricity will be c£155k above budget and gas c£50k. The Directorate has reviewed the pressure placed on its services and is currently mitigating this through proactive budget management.
- 5.18 **Table 3: External Operations and Climate Change Forecast Variances**

Department Notes	Q1 Variance £'000	Q2 Variance £'000	Q3 Variance £'000
<p><b>Major Contracts:</b> Major Contracts includes the following areas: Leisure, Waste, Building Control, Street Cleansing and Fleet Management.</p> <p>The current variance includes (a) increase to forecast saving reported at Q2 for the Somerset Waste Partnership £34k. As at Q2 the reported saving was £440k, as at Q3 it is £474k (see paragraph 5.13 above), (b) the capitalisation of salary costs of the Project Officer for the Car Park Improvement Scheme has created an underspend of £45k, (c) £10k overspend on the Environmental Enforcement Litter 12-month trial as no longer forecasting to be cost neutral due a reduction in the fixed penalty noticed being issues. Decision on enforcement will be made post vesting day by the new authority. The contingency budget was reduced earlier in the year by £45k, and (d) vacant post in Leisure and maintenance underspend £50k.</p>	-125	-507	-117
<p><b>Street Scene/Open Spaces:</b> A 2021/22 carry forward budget of £100k was approved for the maintenance works to Vivary Park Bandstand. This was an estimated figure and actual costs have come in £60k less than budget. Vacancies across the service has led to a £36k salary underspend, this has been part offset by increase in utility costs £25k.</p>	6	-61	-64
<p><b>Asset Management:</b> There is a forecast increase in income of £317k. This is owing to (a) new lettings which were unknown at budget setting time £70k, (b) delayed vacation of tenants £75k, (c) transfer of units at Coal Orchard £90k, and (d) proactive recovery of proportionate costs, £82k.</p> <p>At budget setting it was assumed that the income and expenditure would balance out for Coal Orchard, however due to the delay in site handover the void costs are forecast to be higher than anticipated, c£150k.</p> <p>Forecast increase in electricity costs across all buildings, £50k.</p> <p>A budget of £50k was identified for bad debt provision, it is predicted that this is no longer required.</p> <p>Active management of budgets and costs has led to an overall saving of £75k across various budget lines.</p> <p>Allocation of salary costs to Commercial Investment Properties £39k.</p>	-121	-195	-278
<p><b>Facilities Management:</b> A continued decrease in pool car usage and the introduction of two electric pool cars</p>	-17	-24	-50

<b>Department Notes</b>	<b>Q1 Variance £'000</b>	<b>Q2 Variance £'000</b>	<b>Q3 Variance £'000</b>
has led to a forecast saving on fuel of £21k. Delay in receiving new vehicles due to national manufacturer issues has resulted in a saving on lease costs of £25k.			
<b>Climate Change:</b> There will be no budget carry forwards into next financial year. This forecast underspend represents budget which was set aside to meet future commitments to key Climate Change projects, which have now been captured as a budget growth as part of the budget setting process for the new Unitary Council.	0	-150	-150
<b>Public Health:</b> £15k was carried forward from 2021/22 for the Seagull Control Programme. The council did not receive the necessary evidence to carry this out in January, therefore this budget is no longer required. This saving has now been offset by allowing £25k for additional contractor spend to help clear backlog of food inspections ahead of Unitary and £54k for systems upgrades (CIVICA and Northgate). This is to ensure data is safe and secure going into Unitary and all efforts will be made to deliver the work before year-end.	0	-12	61
<b>Private Sector Housing:</b> The third-party data used at budget setting time to identify potentially unlicensed Housing Multiple Occupation properties projected too high a number and therefore artificially inflating the income target. Since Q2 this has now been part offset by salary underspends due to vacant posts £15k.	3	80	64
<b>Bereavement Services:</b> This is a demand led service and the forecast position on income at Q2 was c£100k above budget. Due to essential electrical compliance works, which led to reduced services offered to just 3 days per week, income dropped significantly in Q3. The revised forecast is now an under recovery of £9k. Increase in utility costs, electric £16k and gas £14k.	7	-73	38
<b>Parking:</b> please refer to paragraph 1.4 above. The current forecast against the revised income budget is an over recovery of £78k. The overall variance also includes an overspend on bank charges due to a rise in the number of card transactions taken at the P&D machines £37k, forecast increase in electricity costs £13k, part offset by enforcement costs coming in less than budgeted £42k.	44	40	-71
<b>Other Minor Variances</b>	1	-12	-50
<b>Total</b>	<b>-202</b>	<b>-914</b>	<b>-617</b>

**Housing & Communities:**

5.19 The Housing and Communities directorate has a current net expenditure budget of £3.262m in 2022/23, which plans to deliver a range of services and projects including:

- Housing options include accommodation and support for homelessness and rough sleepers
- Housing strategy development
- Housing enabling, including affordable and rural housing
- Community resilience services such as CCTV, public safety, and community engagement
- The service also manages council housing and supported housing services through the Housing Revenue Account which is accounted for separately.

5.20 The directorate is currently reporting a forecast net overspend of £300k.

5.21 We are expecting some volatility particularly in our homelessness service as a legacy of the COVID restrictions, the cost of living crisis and in the knowledge that patterns of substantial community hardship are already starting to become apparent. We have some ability to manage the financial impacts of this by using earmarked reserves of specific Government funding, however we will need to keep this under close review. Aside from this, there is increasing demand from the Homes for Ukraine scheme with some placements now ending as well as expected relocation of refugees (largely from Syria and Afghanistan) under the government’s Resettlement Scheme for Refugees. This is all within the context of substantial pressure on our resources to deliver our ambitions for single homeless customers and our need to decant the Canonsgrove facility, which makes financial certainty challenging.

5.22 The inflationary pressure within this Directorate is minimal and will relate to the cost of materials, contracts and staffing costs to deliver services within the Homelessness function.

**Table 4: Housing & Communities Forecast Variances**

Department Notes	Q1 Variance £'000	Q2 Variance £'000	Q3 Variance £'000
<b>Community Resilience:</b> A contribution to the Somerset Community Foundation as a Cost of Living donation of £50k offsets underspends for numerous staffing changes, including a secondment that was not backfilled.	-56	-23	17
<b>Homelessness:</b> The Homelessness Service is experiencing high levels of demand this year with B&B costs exceeding budget. The service is also facing recruitment and retention pressures that are driving up staffing costs. Furthermore, there are costs associated with the return of Canonsgrove	0	239	332

and the final decant of tenants to alternative accommodation. Despite receiving government funding the service is predicting an overspend which it is currently able to be mitigated through existing levels of earmarked reserves (see Table 6).			
<b>Maintenance:</b> The Corporate Property Team has been relocated to the Repairs & Maintenance Trade Team, filling vacant posts within the HRA. Pay awards have now been applied to service lines, hence the negative impact of £70k from the prior quarter.	0	-112	-42
<b>Other Minor Variances</b>	8	-5	-7
<b>Total</b>	<b>-48</b>	<b>99</b>	<b>300</b>

### Internal Operations:

- 5.23 The Internal Operations directorate has a current net expenditure budget of £9.973m in 2022/23. This delivers a range of support services and corporate projects, as well as budgets for a range of centrally held corporate costs and corporate savings targets. The main services and projects delivered within this directorate include:
- Customer Services including call-handling, front of house, Deane Helpline and Emergency Response Team
  - Council Tax and Business Rates administration and income collection services
  - Housing benefits and local council tax support administration
  - Administration of COVID and other hardship grant schemes
  - Income control and collection from customers ('Accounts Receivable')
  - Payments to suppliers ('Accounts Payable')
  - Corporate strategy, corporate performance, and business intelligence
  - Operational support and digital mailroom
  - Finance and procurement services
  - Corporate Services including Communications and Engagement, People Management including HR and Payroll, Corporate Health and Safety, ICT services
  - Corporate governance including Committee administration and Elections services
  - Internal Change programmes and projects
- 5.24 The directorate is currently forecasting a net overspend against budget of £395k for the year. This is an improvement on the Q2 forecast where the projected overspend for the year was £617k.
- 5.25 The forecast outturn position is driven significantly by two larger variances: a £380k adjustment following the completion of a thorough review of the non-staff related cost apportionments between the General Fund and Housing Revenue Account (HRA), to ensure this reflects the up to date position and reasonable assumptions around the relative use of resources; and a £200k variance regarding the operational cashable savings target applicable to the Service Improvement and Efficiency Programme which is not now likely to be achieved.

- 5.26 The remaining £185k projected net underspend relates to a range of variances across the Directorate’s main operational areas. Cost pressures and investment in service priorities such as change management, health and safety, customer services and Deane Helpline as well as pay award costs are now more than offset by staff vacancies, control of costs and managed savings for example in publicity and promotion costs. There has also been additional income from the release of the balance of test and trace administration grant.
- 5.27 Within Internal Operations there are not many utility or transport costs and hence the main impact of inflation is within IT. Within the current forecast, where contract figures are unknown, we have estimated the increase at 6%. However, some of the known increases to date have been 7 – 8.5%. If this was the case for all currently unknown contract figures, then there would be a further cost pressure of £5-10k. In addition, the pay award adds to inflationary cost pressures exceeding original budget estimates, with an average cost of 5.6% versus 2% allowed within the budget.
- 5.28 Although not reported within the Internal Operations service budgets, the service is responsible for treasury management operations. This is performing very well against budget as highlighted later in this report, which helps to mitigate the net overspend reported for Internal Operations service costs.

**Table 5: Internal Operations Forecast Variances**

<b>Department Notes</b>	<b>Q1 Variance £'000</b>	<b>Q2 Variance £'000</b>	<b>Q3 Variance £'000</b>
<b>Comms and Engagement:</b> This is savings in staff costs through a vacancy and not backfilling a maternity leave, plus managed in year savings primarily reducing costs of publicity and promotions identified in quarter 2.	-15	-70	-75
<b>Governance:</b> This is due to vacant posts and the SHAPE legal services contract costing less than budgeted. There are less costs than anticipated for Community Governance Review (CGR) due to these costs being absorbed in other budgets.	-2	-108	-120
<b>Internal Change:</b> Forecast variance due to Service Efficiency and Improvement Programme (SEIP) and similar project management costs. This programme has delivered many improvements and non-cashable efficiencies despite the impact of LGR on capacity and available focus areas. Funding options are being explored to mitigate this cost. Since Q1 the increased cost of the pay award, and a Health and Safety project have been mitigated by reduced forecasts for Data Protection services and paper records.	78	175	134
<b>ICT:</b> The underspend is due to staff vacancies with non-pay being managed to budget.	3	-22	-46

<b>Benefits:</b> £73k of this underspend results from receiving a greater amount of administration grant, Verify Earnings and Pensions (VEP) and new burdens grant than budgeted for. £60k is due to the release of the balance of test and trace administration grant in Q3. In addition, staff have been seconded to LGR without backfill and no spend is now forecast on the POWS contract.	-100	-86	-176
<b>Customer Contact:</b> Staff costs are projected to exceed budget due to the pay award. SMT have agreed two posts above establishments providing resilience to a higher rate of staff turnover within this service. Most of the cost will be covered within the existing budget with any remainder managed within the wider Internal Operations budget.	4	43	21
<b>Visitor Centre:</b> Electricity prices are rising quickly and the visitor centre also pays for the electricity used by Tone FM. Income from sales remain unpredictable. Both purchases and sales are projected around 70% of budget which broadly offsets in the forecast outturn. Whilst below budget this still represents a doubling of last year's sales performance. £10k relates to an income budget duplication where the income and a corresponding budget for this amount is shown under another cost centre.	31	28	29
<b>Deane Helpline:</b> £58k of the projected overspend relates to the pay award exceeding budget estimates. Some of the additional cost of allowances for one part of the team together with all the additional payments for holiday pay were agreed after budget setting and therefore exceeds the budget for 22/23. The cost of overtime to cover holiday and other absences also adds to cost pressures. The service is recruiting additional relief staff to minimise overtime costs in the future.	81	140	108
<b>Finance:</b> Centrally funded pension costs is projected £30k below budget and overall staff savings are projected to be £15k after absorbing higher pay award costs. There are savings of £48k in non-pay (finance, corporate management and insurance).	-69	-65	-93
<b>HRA Recharges:</b> A thorough review of the non-staff related cost apportionments between the General Fund and Housing Revenue Account (HRA) has been completed, to ensure this reflects the up to date position and reasonable assumptions around the relative use of resources. A couple of residual elements were finalised in Q3.	0	320	380
<b>Other Minor Variances</b>	19	62	33



<b>Total</b>	<b>30</b>	<b>417</b>	<b>195</b>
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5.29 Reported within Internal Operations are corporate savings budgets regarding staff vacancies and service efficiencies. The vacancy savings budget of £100k has been fully dispersed to services in the first half of the year. Additional vacancy savings are reflected within individual service cost projections.

### Savings Targets

<b>Department Notes</b>	<b>Q1 Variance £'000</b>	<b>Q2 Variance £'000</b>	<b>Q3 Variance £'000</b>
<b>Efficiency Savings:</b> Whilst significant efficiencies are being delivered the budget requires cashable savings to be realised, which are currently below target. This programme has delivered many improvements and non-cashable efficiencies despite the impact of LGR on capacity and available focus areas. It is now anticipated that cashable savings are unlikely to be delivered this year, with future efficiency and transformation being a key part of the LGR programme.	200	200	200
<b>Total</b>	<b>200</b>	<b>200</b>	<b>200</b>

### Senior Management Team (SMT)

5.30 The SMT has a current net expenditure budget of £464k in 2022/23. This budget line holds the costs of the senior leadership team (Chief Executive and Directors) plus a small contingency to support strategic priorities arising in-year. A variance to budget is forecast at the end of Quarter 3 due to this contingency not currently being allocated.

### Local Government Reorganisation (LGR)

5.31 This one-off budget of £1.375m provides for SWTC costs related to LGR in Somerset. It includes £1m for LGR Implementation (£912k budgeted contribution plus £88k contingency) plus £375k to provide for additional capacity to support transition costs incurred by SWTC because of the programme. This is currently forecasting to budget. At this stage it is considered unlikely that SWT will be asked to contribute more than £912k, therefore the Director of Internal Operations and S151 Officer propose to allocate the £88k contingency to provide budget capacity for set up costs incurred this year related to a new town council for Taunton. This removes the need to allocate funds from General Reserves for this purpose, which Council has agreed in principle.

### Pay Award 2022

5.32 The 2022/23 approved budget assumed a 2% pay award. The Pay Award has now been agreed at £1925 per scale point which equates to an average increase of approximately

5.6% across the staff base. This assumption has been included within the forecast outturn position provided by services (reported above).

### Other Costs, Income and Reserve Transfers

5.33 As well as budgets allocated to directorates for the delivery of services, several budgets are reported 'below the line' as centrally held/corporate items. This area includes items such as:

- Investment properties net income
- Other interest costs and income
- Accounting provisions for Expected Credit Losses (commonly known as bad debt provisions)
- Transfers to and from general and earmarked revenue reserves
- Capital accounting adjustments including capital debt repayment, revenue financing of capital costs, and transfers to and from capital reserves

5.34 A net underspend of £274k is currently being forecast for the year and represents anticipated year end transfers from Earmarked Reserves to offset costs within services.

5.35 Investment Properties are forecasting a shortfall in income due to voids £103k, which has been offset by a reduced interest cost with the balance of £17k to be made up from the risk reserve. On the Legacy Investment properties, repair and maintenance costs are forecast to be £30k higher than budget, and this will be funded from the risk reserve.

**Table 6: Forecast Variances**

Department Notes	Q1 Variance £'000	Q2 Variance £'000	Q3 Variance £'000
<p><b>Interest Payable and Investment Income:</b></p> <p>Interest Payable - In a complex and volatile economic environment, the risk of interest cost variations has continued to be highlighted to Members. A blend of taking well-timed early opportunities for new borrowing during 2021/22, utilising internal balances in lieu of external borrowing and the scaling down of the General Fund capital programme have, together, generated a positive variance to the budget estimate. The nature of borrowing taken (i.e. fixed term loans) should substantially reduce the risk of further variations in year.</p> <p>Interest Receivable - The Council holds a portfolio of investments that comprise a combination of contingency balances (reserves) cashflow (e.g. funding from grants and contributions received in advance) and liquidity balances (to provide for immediate payments as they become due). A combination of market interest rate increases and good performance in the Council's</p>	-384	-706	4

investment portfolio have generated a positive variance to the budget estimate. With continued economic volatility, further variations should be expected as the year progresses.  The Executive approved the transfer of £500k of these Treasury Management surpluses to general reserves in Q2 which explains the movement from last quarter.			
<b>Transfers to and from Earmarked Reserves:</b> This variance relates to anticipated year end adjustments for (a) £20k for licensing, (b) £34k transferred to the Somerset Waste Partnership reserve, and (c) the use of £332k of Homelessness reserves to offset their forecast overspend.	0	140	-279
<b>Transfers to and from General Reserves:</b> The movement relates to approved transfers by the Executive in Q2 including (a) £60k of released earmarked reserves, (b) £500k of Treasury Management surpluses, and (c) £1.294m of revenue funded capital financing released to general reserves.	0	1,855	0
<b>Capital and Other Adjustments:</b> In order to increase reserve balances this year to provide budget flexibility and financial resilience in 2023/24 on the face of significant financial pressures, and in light of the reduced capital programme, £1.294m of revenue funded capital financing has been released and transferred to general reserves (Executive 21 December 2022).	0	-1,344	0
<b>Total</b>	<b>-384</b>	<b>-55</b>	<b>-274</b>

### General Reserves

- 5.36 The opening general reserves balance as at 1 April 2022 is £7.592m, representing unearmarked reserves held to provide ongoing financial resilience and mitigation for unbudgeted financial risks.
- 5.37 As part of the budget setting proposals to Full Council on 24 February 2022 and the Financial Strategy agreed by the Executive in July 2021, £1.375m of current reserves will be used to fund a contribution towards the Local Government Reorganisation (LGR) costs. Further approved (or proposed) allocations to / from general reserves are shown in the table below.

**Table 7: General Reserve Balance**

	Approval	£000
<b>Balance Brought Forward 1 April 2022</b>		<b>7,592</b>
2022/23 Original Budget Transfers from Reserve	Council – 24/02/2022	-1,375
<b>Current Balance</b>		<b>6,217</b>

Transfer to Coal Orchard Warranty Earmarked Reserve	Council – 05/07/2022	-185
Released Earmarked Reserves in Q1	S151 / SMT – 10/08/22	197
Released Surplus Contingency for Litter Enforcement	S151 – 27/10/22	45
Released Earmarked Reserves in Q2	S151 / SMT – 09/11/22	61
Transfer of Treasury Management surpluses to reserves	Executive - 21/12/22	500
Transfer of RCCO surplus to reserves	Executive - 21/12/22	1,295
Released Test & Trace Earmarked Reserve	S151 – 14/11/22	39
<b>Balance After In-Year Approvals</b>		<b>8,130</b>
Proposed Transfer of Tax Income Guarantee (TIG) Surplus released from earmarked reserves (see below)		706
Proposed Transfer of Business Rates Surplus released from earmarked reserves (see below)		801
Forecast – 2022/23 Projected Underspend as at Q3		169
<b>Projected Balance 31 March 2023</b>		<b>9,806</b>
Recommended Minimum Balance		2,400
Projected Balance above recommended minimum		7,406

5.38 As well as managing the adequate level of reserves to mitigate financial risks for SWT, the S151 Officer has discussed the reserves strategy with SMT and the other S151 officers in Somerset in the context of financial strategy and MTFP for the new Somerset Council. It is prudent to maintain and ideally increase reserve balances this year to provide budget flexibility and financial resilience in 2023/24 on the face of significant financial pressures.

### Earmarked Reserves

5.39 The General Fund Earmarked Reserves brought forward balance for 2022/23 is £28m. This balance is forecast to reduce by c£17m this year as funds are utilised to offset the Business Rates Collection Fund Deficit; for capital financing purposes; and funding of service costs and grant-funded activities. A remaining balance at year end of c£11m is currently projected of which c£8m mitigates financial risks related to business rates funding and property investments.

5.40 The original net budgeted/approved and projected transfers from earmarked reserves in 2022/23 is £12.929m.

5.41 The following table details those reserves with balances greater than £500,000.

**Table 8: General Fund Earmarked Reserves**

	<i>Info: Budgeted Transfers £000</i>	<b>Balance 1 April 2022 £000</b>	<b>Transfers To Date £000</b>	<b>Forecast Transfers £000</b>	<b>Balance 31 March 2023 £000</b>
Business Rates Holiday S31 Grant	-6,645	5,811	-5,811	0	0
Business Rates Volatility	-718	5,353	-2,752	0	2,601
Investment Risk	0	3,151	1,000	-7	4,144
Business Rates Losses S31 Grant	-897	2,499	-1,602	0	897

	<i>Info: Budgeted Transfers £000</i>	<b>Balance 1 April 2022 £000</b>	<b>Transfers To Date £000</b>	<b>Forecast Transfers £000</b>	<b>Balance 31 March 2023 £000</b>
Investment Financing Fund	-2,000	2,000	-2,000	0	0
Capital Funding	-738	1,413	-738	-76	599
<b>Sub-Total Risk Reserves</b>	<b>-10,998</b>	<b>20,227</b>	<b>-11,903</b>	<b>-83</b>	<b>8,241</b>
General Carry Forwards	-900	2,075	-2,075	0	0
Garden Town Fund	-213	978	-213	-525	240
Economic Development Initiatives	-372	643	-372	-271	0
Homelessness Prevention	-113	564	-113	-332	119
Asset Management	-280	519	-280	-239	0
Investment Assets Sinking Fund	0	500	200	0	700
Other Smaller Balances	-53	2,484	395	-822	2,057
<b>Sub-Total Other Reserves</b>	<b>-1,931</b>	<b>7,763</b>	<b>-2,458</b>	<b>-2,189</b>	<b>3,116</b>
<b>Total</b>	<b>-12,929</b>	<b>27,990</b>	<b>-14,361</b>	<b>-2,272</b>	<b>11,357</b>

5.42 Earmarked reserves are set aside for a specific purpose and are reviewed on a regular basis. As reported in the Q1 report, £197k of earmarked reserves have been released and returned to General Reserves as they were no longer required for their original purpose. In addition, in Q1 the Executive agreed to transfer £1.2m from the Business Rates Volatility reserve, with £1m to the Investment Risk Reserve and £200k to the Investment Assets Sinking Fund.

5.43 As reported in the Q2 report, a further £61k of earmarked reserves have been released and returned to General Reserves as they were no longer required for their original purpose, as well as a further £39k approved by the S151 Officer.

5.44 Funds have been held in reserve in respect of Business Rates Retention and Tax Income Guarantee grant overpayments in previous years pending final reconciliation. The Government has now confirmed these accounts are fully settled therefore funds can be released from earmarked reserves. The S151 Officer has consulted SMT, the Leader, and Portfolio Folder for Finance and agreed surplus funds amounting to £1.5m should be returned to General Reserves as shown in Table 7 above. The Executive is recommended to approve a budget virement crediting Transfers from Earmarked Reserves and debiting Transfers to General Reserves to reflect this updated position.

## **6 Debt Write Off**

6.1 As per the Financial Procedure Rules, any write off per debtor greater than £25,000 in any year will be reported to the Executive for information. During Q3 there was one customer where individual debts greater than £25,000 were written off (please see **confidential Appendix F**).

## **7 General Fund (GF) Capital Programme**

7.1 The current Capital Programme Budget is £78.801m in total (see Appendix A). This consists of £75.193m of previously approved schemes from prior years (£60.977m as reported in Q2 plus £14.216m added as explained below) and £1.715m of new schemes approved in February 2022, as well as in year approvals of £2.519m of supplementary budgets and £625k of budget returns.

7.2 The prior year slippage has been adjusted to include a £14.216m supplementary budget approved by Full Council on the 1 December 2020 to enter into loan agreements with Developers to develop the Staplegrove / North Taunton spine road and associated infrastructure. A brief update:

- This is fully funded by Homes England Housing Infrastructure Funding (HIF).
- To date none of the funding has been drawn down.
- No developer has yet been confirmed for Staplegrove East.
- In late 2022 a land deal was complete with Bloor as the developer in Staplegrove West.
- Outline planning permission was granted in 2019, but the development has only recently received a resolution to grant planning permission for an offsite wetland phosphate mitigation scheme which will enable the housing to come forward.
- SWT will not be able to enable the spend of the funds before 31<sup>st</sup> March 2023.
- Homes England are being requested to extend the funding availability to March 2024

7.3 In-year supplementary budgets include:

(a) Development & Place: £775k for Coal Orchard additional costs approved by Full Council on 5th July 2022, £207k Heritage works at Toneworks fully funded by Historic England and £279k half yearly CIL grants paid to parishes.

(b) External Operations: £51k for Litter Bins, £70k for Vivary Park Footpaths, £75k for Wellington Leisure Centre Air Handling Units, £120k for Taunton Green Pavilion and £125,000 for Paul St Car Park works have all been approved by the Deputy Chief Executive & Director Place and Climate Change and the Assistant Director - Finance (S151 Officer). £262,280 for Blue Anchor Coast Protection, approved by Full Council on 5 July 2022.

(c) S106 funded projects that have commenced.

7.4 In-year budget returns include:

(a) Internal Operations: £128k for a variety of change projects where there has been an underspend.

(b) External Operations: £125k for new vehicles where lease costs are currently charged to revenue and £50k for Closed Churchyards where maintenance works are no longer required.

- (c) A further budget return of £200k for Brewhouse Theatre which requires Executive approval (see paragraph 2.3 above). Immediate works were done at a smaller cost to make the roof watertight and serviceable; any further works will now form part of the wider decarbonisation project under the new Unitary Council.
- 7.5 The current high inflation rate creates an inherent risk within the ongoing projects and those for which the budgets have been approved but have not yet commenced.
- 7.6 The Council plans to finance this investment through Capital Receipts, Capital Grants, Revenue Funding and Borrowing (see **Appendix B**).
- 7.7 The General Fund Capital Budget relates to schemes which are estimated to be completed over the next four years. The current annual profiling of approved budget is summarised in **Appendix C**.
- 7.8 Financial performance to date against this profiled spend for this financial year can be found in **Appendix D**. Overall, the Council is currently forecasting a capital outturn of £13.599m, with carry forwards of £11.637m and a net underspend of £0.914m against profiled budget for 2022/23. The reasons for the forecast carry forward and underspend are detailed in the Directorate updates below.
- 7.9 The current forecast capital outturn financing position is shown in **Appendix E**. This is being funded by CIL and S106 grants, and other capital grants being mainly for the Active Travel, Firepool, Flood Alleviation, Heritage at Risk and Coastal Protection projects.
- 7.10 **Development and Place:** The capital programme includes development and regeneration projects. These budgets are governed via the Directorate and Programme Boards before being reported to Full Council. The main reasons for the £7.8m carry forward and the £286k underspend include:
- a) The Future High Street funded works on Firepool is forecast to carry forward £2.4m due to delays in awarding the Drainage & Levels contract, Highways rescheduling the work on the Trenchard Way access and the Planning application for the Southern Boulevard still in progress.
  - b) A Phosphates carry forward of £1.98m due to the ongoing negotiation of the Fallowing Land solution. This is expected to be billed and collected via S106 prior to purchasing any credits with the cost of purchasing the credits expected to slip into next year.
  - c) The Active Travel project, funded by the Future High Street Fund, is forecast to carry forward £558k together with the related CIL funded Cycle and Pedestrian (£500k) and Town Centre Regeneration (£500k) projects.
  - d) There is a carry forward of £600k CIL funded Education contribution to Orchard Grove school in Comeytrove which is not expected to be called on by SCC this financial year. SCC can substantiate £500k cost in the current year.

- e) There is a £1.2m carry forward on the Taunton Flood Alleviation projects as the work has not progressed at the rate anticipated when the budget phasing was done. This project is fully funded via Grant and CIL funding.
- f) The Coal Orchard project is expected to complete in the autumn and is currently forecast to overspend by £216k against a total approved budget of £15.3m. This may reduce once the current open purchase orders are reviewed and closed on completion of the project.
- g) The completion and exchange of the residential units at Coal Orchard commenced this quarter, so the current year costs will be funded from those capital receipts and the excess capital receipts will be applied to borrowings as per the business plan. The capital receipts forecast excluding Coal Orchard are sufficient to cover the projects they have been allocated to them.
- h) There is forecast underspend of £482k on Firepool budgets approved prior to the Future High Street Funding (FHSF) award, as those works will now be included in the fully funded project.

7.11 **External Operations and Climate Change:** The capital programme spans a diverse range of activities that also, in part, span across two financial years. The Directorate has a robust programme management system to ensure the capital schemes are tracked and spent in a timely manner.

7.12 There is an overall forecast in year underspend of £39k, which is mainly derived from container costs for the rollout of Recycle More being less than budgeted.

7.13 Overall slippage is £3.5m: £2.4m relates to the Blue Anchor Coastal Protection works, the project has encountered delays due to vessels being unavailable, meaning spend will fall into next financial year and £1,026m for the Crescent Car Park project which will now be completed in next financial year.

7.14 **Housing and Communities:** The capital programme has been updated to reflect the Single Homelessness and Rough Sleeper Accommodation Strategy & Delivery Plan. The strategy identifies the demand for additional accommodation, splits this down by specific need, and puts in place an end-to-end process of interventions, from early help through to tenancy support. The Housing Service is supporting the Homeless service in delivering the plan for example the purchase of 6 acquired units and 6 of its own units for a Housing First approach. These costs will emerge in the capital programme spend over the four quarters. The Better Care Fund has incurred slippage and the programme is being reviewed to align to existing and future unitary requirements.

7.15 **Internal Operations:** The capital programme relates to the annual PC refresh upgrades and alarms for the lifeline service. There has been a £10k overspend against budget on the PC Refresh Project.

7.16 **Hinkley:** One of the Hinkley funded projects is expected to be completed in the 2023/24 year.



7.17 **S106 Schemes:** The S106 projects relate to schemes on which costs have been incurred in the current year as per the obligations under the S106 agreements.

## **8 Risk and Uncertainty**

8.1 Budgets and forecasts are based on known information and the best estimates of the Council's future spending and income. Income and expenditure over the 2022/23 financial year are estimated by budget holders and then reported through the budget monitoring process. During this process risks and uncertainties are identified which could impact on the financial projections, but for which the likelihood, and/or amount are uncertain. The Council carries protection against risk and uncertainty in several ways, such as insurances and maintaining reserves. This is a prudent approach and helps to mitigate unforeseen pressures.

8.2 The following general risks and uncertainties have been identified:

8.3 **Inflation:** The current economic operating environment is placing financial risk on the Council in terms of rising inflation increasing the cost of supplies such as utilities and materials. The Council is seeing price increases on our corporate contracts of c60% on electricity, c80% on gas and c45% on fuel. However further variances may come to light during the year based on levels of usage in these areas. There is also uncertainty to the inflation to be seen on other contracts such as IT systems and maintenance works where contracts are still out to tender. Directors have undertaken an impact assessment of the inflationary pressure placed on their services and included best estimates as part of their quarterly review.

8.4 **Recruitment:** There are a number of vacancies across the Council and assumptions have been made as to when these vacancies will be filled. The Council is experiencing recruitment issues (as seen country-wide) therefore assumptions and forecasts may change, in addition to higher agency costs to cover roles where permanent recruitment is not successful.

8.5 **Unitary Council:** The transition to the new Unitary places a significant demand on management and staff. This may lead to additional costs to deliver the transition and ensure day to day services are maintained at satisfactory performance standards. It could also slow down spending in some areas as priorities and capacities adjust during the transition period.

8.6 **Fleet Contract / IFRS16 Leases:** CIPFA has delayed the implementation of IFRS16 however we could have chosen to adopt this early but due to the implementation of the Unitary Council all Somerset Councils have made the decision to delay adoption. Therefore, where SWT had budgeted for the lease as a capital cost these now fall to revenue. The services hope to absorb this cost through in-year underspends and delays in receiving new vehicles.

8.7 **Business Rates (Risk):** There are inherent risks and uncertainties within the Business Rates Retention system, both in terms of income volatility and accounting timing differences between financial years. The Council holds earmarked risk reserves to

mitigate in year pressures. As the 2022/23 budget was reduced for the anticipated decommissioning of Hinkley Point B nuclear power station, which accounts for almost 20% of the current tax base, the risk should be reduced this year. The first reactor was switched off in July and the second on 1 August 2022. The Valuation Office Agency will need to advise the resulting changes to the rateable value, and we will then assess the impact on our business rates retention funding estimates.

- 8.8 **Council Tax (Risk):** There are inherent risks and uncertainties within the Council Tax collection system, especially in light of the current economic climate and the risk of non-payment. An increased impairment allowance has been applied for 22/23 in light of this. This will have an impact on the Collection Fund for the General Fund budget in future years through the Surplus or Deficit recovery. Regular review of statistics will be undertaken to monitor the situation.
- 8.9 **Development Management:** Due to the volatility of planning income, which is significantly demand led, it is difficult to forecast the full year income impact accurately.
- 8.10 **Homelessness:** This is a demand led service supporting a variety of complex needs. This service has received further Homelessness Prevention Grant and Rough Sleeper Initiative Government funding in 2022/23. The position needs to be kept under review pending the delivery of the Homelessness Strategy including the planned decant from the Canonsgrove site. As mentioned above, the current forecast overspend can be managed within the services existing earmarked reserves, however if the overspend increases this will impact on the overall corporate outturn position.
- 8.11 **Revenues & Benefits:** The position on rent allowances/rent rebates could change significantly (approximately £200k-£300k either way) because of recoupment and debt impairment adjustments. We can calculate these at a given point in time but are unable to reliably forecast what these will be at year end as the financial implications are volatile.
- 8.12 **Interest and Investment Income:** UK economic volatility will continue to present a risk of variations in interest receivable. In addition, cashflow forecasts remain difficult to predict with certainty in respect of the timing and progress of capital projects and in relation to the receipt and application of large grant funding. Careful daily monitoring and management of the Council's overall liquidity mitigate this risk as far as possible. Meanwhile, the risk of exposure to rising interest rates on borrowing, previously reported, has been contained for the current year leading up to the new Unitary Council.
- 8.13 **Forecasting Assumptions:** It is conceivable that, whilst budget holders are optimistic that they will spend all their budget, experience shows an increase in underspends often reported in the last quarter of the financial year. The pace of spending may also reduce as capacity and delivery of priorities is affected by local government structural change.
- 8.14 **Fluctuation in demand for services:** We operate many demand-led services and the levels of demand do not always follow a recognisable trend, which may lead to fluctuations in costs and income compared with current forecasts.
- 8.15 **Year-end Adjustments:** There are certain items that are not determined or finalised until the financial year-end. For example, the final assessment of provisions required for

bad debts and final allocations of support service recharges. These can result in potentially significant differences to current forecasts.

## **9 Links to Corporate Strategy**

- 9.1 The financial performance of the Council underpins the delivery of corporate priorities and therefore all Corporate Aims.

## **10 Unitary Council Financial Implications and S24 Direction Implications**

- 10.1 The main considerations within scope of this report is the impact of in-year financial performance on year end reserve balances that will transfer to the new unitary council on 1 April, and potential impact of variances on future budget estimates. Reserves are currently projected to remain above the minimum requirement. Finance officers and budget managers will feed in ongoing and future risks and implications through the budget setting process for 2023/24.

## **11 Partnership Implications**

- 11.1 A wide range of Council services are provided through partnership arrangements e.g. SLM for leisure services and Somerset Waste Partnership for Waste and Recycling services. The cost of these services is reflected in the Council's financial outturn position for the year.

## **12 Scrutiny Comments / Recommendations**

- 12.1 This report was considered by Corporate Scrutiny on 1 March 2023. A summary of the comments and recommendations discussed are provided here for the Executive to consider.
- 12.2 A question was raised about the Muddy Acre situation and a full answer was given during confidential session.
- 12.3 A question was raised with regards to the reported debt write off over £25k and a full answer was given during confidential session.

### **Democratic Path:**

- **Corporate Scrutiny – 1 March 2023**
- **Executive – 15 March 2023**
- **Full Council - No**

**Reporting Frequency: Quarterly**

### **List of Appendices**

Appendix A	Approved Capital Budget
Appendix B	Capital Financing of Total Approved Budget
Appendix C	Annual Profiling of Approved Capital Budget

Appendix D	Profiled Capital Budget for 2022/23 Vs Forecast Capital Outturn for 2022/23
Appendix E	Financing of Forecast Capital Outturn for 2022/23
Appendix F	CONFIDENTIAL - Write Offs Over £25k

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**Appendix A: General Fund Approved Capital Budget**

SWT Capital Programme	Prior Year Slippage	Current Year Approval Feb 2022 Budget Setting for 2022/23	Total Approved Budget	Current year Virements	Current Year Supplements	Current Year Returns	Revised Current Year Approved Capital Budget
Development and Place	63,059,459	0	63,059,459	0	1,261,836	0	64,321,295
External Operations and Climate Change	5,937,107	1,666,800	7,603,598	0	703,280	(375,000)	7,931,878
Housing & Communities	5,010,529	228,063	5,238,592	0	0	0	5,238,592
Internal Operations	557,231	(180,000)	377,231	0	0	(250,460)	126,771
Hinkley Capital Schemes	130,005	0	130,005	0	0	0	130,005
S106 Capital Schemes	498,603	0	498,603	0	553,897	0	1,052,500
<b>Total GF</b>	<b>75,192,934</b>	<b>1,714,863</b>	<b>76,907,488</b>	<b>0</b>	<b>2,519,013</b>	<b>(625,460)</b>	<b>78,801,040</b>



## Appendix B: Capital Financing Plan of Total Approved Budget

SWT Capital Programme	TOTAL CAPITAL FINANCING	Capital Grants CIL	Capital Grants	Section 106 Agreements	Capital Receipts	General Fund RCCO	Other Earmarked Reserves	Borrowing
Development and Place	64,321,295	12,565,818	27,234,025	1,795,050	1,186,099	50,000	283,400	21,206,904
External Operations and Climate Change	7,931,878	0	3,827,350	0	1,160,770	2,042,330	76,346	825,082
Housing & Communities	5,238,592	0	4,110,675	374,791	385,446	0	259,178	108,502
Internal Operations	126,771	0	0	0	119,768	125,000	0	(117,996)
Hinkley Capital Schemes	130,005	0	130,005	0	0	0	0	0
S106 Capital Schemes	1,052,500	0	0	1,052,500	0	0	0	0
<b>Total GF</b>	<b>78,801,040</b>	<b>12,565,818</b>	<b>35,302,055</b>	<b>3,222,341</b>	<b>2,852,082</b>	<b>2,217,330</b>	<b>618,924</b>	<b>22,022,491</b>





**Appendix C: General Fund Annual Profiling of Approved Capital Budget**

SWT Capital Programme	Total Approved Budget	Planned Capex 2022/23	Planned Capex 2023/24	Planned Capex 2024/25	Planned Capex 2025/26
Development and Place	64,321,295	16,382,624	31,237,402	10,631,942	6,069,333
External Operations and Climate Change	7,931,878	5,803,072	2,128,806	0	0
Housing & Communities	5,238,592	2,655,504	1,112,766	876,524	593,798
Internal Operations	126,771	126,768	0	0	0
Hinkley Capital Schemes	130,005	130,005	0	0	0
S106 Capital Schemes	1,052,500	1,052,500	0	0	0
<b>Total GF</b>	<b>78,801,040</b>	<b>26,150,472</b>	<b>34,478,974</b>	<b>11,508,466</b>	<b>6,663,131</b>



### Appendix D: Profiled Capital Budget for 2022/23 Vs Forecast Capital Outturn for 2022/23

SWT Capital Programme	Profiled Capex Budget 2022/23	Expenditure YTD	Forecast Outturn 2022/23	Variance; - underspend + overspend	- Slippage c/f	In Year - Underspend + Overspend
Development and Place	16,382,624	4,345,959	<b>8,308,483</b>	(8,074,141)	(7,788,620)	(285,522)
External Operations and Climate Change	5,803,072	907,679	<b>2,264,845</b>	(3,538,226)	(3,498,822)	(39,404)
Housing & Communities	2,655,504	243,802	<b>2,050,429</b>	(605,075)	(5,075)	(600,000)
Internal Operations	126,768	129,680	<b>137,632</b>	10,864	0	10,863
Hinkley Capital Schemes	130,005	20,000	<b>30,005</b>	(100,000)	(100,000)	0
S106 Capital Schemes	1,052,500	269,976	<b>808,037</b>	(244,463)	(244,463)	0
<b>Total GF</b>	<b>26,150,472</b>	<b>5,917,096</b>	<b>13,599,431</b>	<b>(12,551,041)</b>	<b>(11,636,980)</b>	<b>(914,063)</b>



## Appendix E: Financing of Forecast Capital Outturn for 2022/23

SWT Capital Programme	Forecast Outturn 2022/23	Capital Grants CIL	Capital Grants Other	Section 106 Agreements	Capital Receipts	General Fund RCCO	Other Earmarked Reserves	Borrowing
Development and Place	8,308,483	1,628,210	4,432,532	0	1,794,846	0	289,441	163,454
External Operations and Climate Change	2,264,845	0	69,150	0	767,383	303,149	72,435	1,052,729
Housing & Communities	2,050,429	0	1,646,910	0	403,519	0	0	0
Internal Operations	137,632	0	0	0	137,632	0	0	0
Hinkley Capital Schemes	30,005	0	30,005	0	0	0	0	0
S106 Capital Schemes	808,037	0	0	808,037	0	0	0	0
<b>Total GF</b>	<b>13,599,431</b>	<b>1,628,210</b>	<b>6,178,596</b>	<b>808,037</b>	<b>3,103,380</b>	<b>303,149</b>	<b>361,875</b>	<b>1,216,183</b>



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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Agenda Item 10

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