



Notice of Meeting of

## **SCRUTINY COMMITTEE - CORPORATE AND RESOURCES**

**Thursday, 6 July 2023 at 10.00 am**

**Luttrell Room - County Hall, Taunton TA1 4DY**

To: The members of the Scrutiny Committee - Corporate and Resources

Chair: Councillor Bob Filmer  
Vice-chair: Councillor Richard Wilkins

Councillor Shane Collins	Councillor Nick Cottle
Councillor Philip Ham	Councillor Tony Lock
Councillor Martin Lovell	Councillor Emily Pearlstone
Councillor Diogo Rodrigues	Councillor Peter Seib
Councillor Brian Smedley	Councillor Andy Soughton
Councillor Lucy Trimnell	

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The meeting will be webcast and an audio recording made.

Issued by (the Proper Officer) on Wednesday, 28 June 2023

# **AGENDA**

**Scrutiny Committee - Corporate and Resources - 10.00 am Thursday, 6 July  
2023**

**Public Guidance Notes contained in Agenda Annexe (Pages 5 - 6)**

**Click here to join the online meeting (Pages 7 - 8)**

**1 Apologies for Absence**

To receive any apologies for absence.

**2 Minutes from the Previous Meeting (Pages 9 - 12)**

To approve the minutes from the previous meeting.

**3 Declarations of Interest**

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

(The other registrable interests of Councillors of Somerset Council, arising from membership of City, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes: [City, Town & Parish Twin Hatters - Somerset Councillors 2023](#) )

#### **4 Public Question Time**

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, please see details under 'click here to join online meeting'.

#### **5 Introduction to Strategic Asset Management at Somerset Council (Pages 13 - 26)**

To receive an overview of the department, objectives, functions and work plan and for the members of the committee to consider whether there are any items for the forward work plan.

#### **6 Medium Term Financial Strategy 2024/25 to 2026/27 (Pages 27 - 62)**

To consider a report being presented to the Executive on the Medium Term Financial Strategy 2024/25 to 2026/27

#### **7 Work Programme (Pages 63 - 64)**

To receive a copy of the draft work programme and to consider any further items for inclusion.

## Guidance notes for the meeting

### Council Public Meetings

The legislation that governs Council meetings requires that committee meetings are held face-to-face. The requirement is for members of the committee and key supporting officers (report authors and statutory officers) to attend in person, along with some provision for any public speakers. Provision will be made wherever possible for those who do not need to attend in person including the public and press who wish to view the meeting to be able to do so virtually.

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They can also be accessed via the council's website on [Committee structure - Modern Council \(somerset.gov.uk\)](#)

### Members' Code of Conduct requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: Honesty; Integrity; Selflessness; Objectivity; Accountability; Openness; Leadership. The Code of Conduct can be viewed at: [Code of Conduct](#)

### Minutes of the Meeting

Details of the issues discussed, and recommendations made at the meeting will be set out in the minutes, which the Committee will be asked to approve as a correct record at its next meeting.

### Public Question Time

If you wish to speak or ask a question about any matter on the Committee's agenda please contact Democratic Services by 5pm providing 3 clear working days before the meeting. (for example, for a meeting being held on a Wednesday, the deadline will be 5pm on the Thursday prior to the meeting) Email [democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk) or telephone 01823 357628.

Members of public wishing to speak or ask a question will need to attend in person or if unable can submit their question or statement in writing for an officer to read out, or alternatively can attend the meeting online.

A 20-minute time slot for Public Question Time is set aside near the beginning of the meeting, after the minutes of the previous meeting have been agreed. Each speaker will have 3 minutes to address the committee.

You must direct your questions and comments through the Chair. You may not take a direct part in the debate. The Chair will decide when public participation is to finish. If an item on the agenda is contentious, with many people wishing to attend the meeting, a representative should be nominated to present the views of a group.

### **Meeting Etiquette for participants**

Only speak when invited to do so by the Chair.

Mute your microphone when you are not talking.

Switch off video if you are not speaking.

Speak clearly (if you are not using video then please state your name)

If you're referring to a specific page, mention the page number.

There is a facility in Microsoft Teams under the ellipsis button called turn on live captions which provides subtitles on the screen.

### **Exclusion of Press & Public**

If when considering an item on the agenda, the Committee may consider it appropriate to pass a resolution under Section 100A (4) Schedule 12A of the Local Government Act 1972 that the press and public be excluded from the meeting on the basis that if they were present during the business to be transacted there would be a likelihood of disclosure of exempt information, as defined under the terms of the Act.

If there are members of the public and press listening to the open part of the meeting, then the Democratic Services Officer will, at the appropriate time, ask participants to leave the meeting when any exempt or confidential information is about to be discussed.

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Minutes of a Meeting of the Scrutiny Committee - Corporate and Resources held in the Luttrell Room - County Hall, Taunton TA1 4DY, on Tuesday, 16 May 2023 at 10.00 am

**Present:**

Cllr Bob Filmer (Chair)  
Cllr Richard Wilkins (Vice-Chair)

Cllr Theo Butt Philip	Cllr Shane Collins
Cllr Tom Deakin	Cllr Philip Ham
Cllr Tony Lock	Cllr Mike Murphy
Cllr Diogo Rodrigues	Cllr Peter Seib
Cllr Brian Smedley	Cllr Andy Soughton
Cllr Lucy Trimnell	

**In attendance:**

Cllr Leigh Redman	Cllr Mandy Chilcott
Cllr Faye Purbrick	

**Other Members present remotely:**

Cllr John Hunt	Cllr Marcus Kravis
Cllr Dave Mansell	

**1 Apologies for Absence - Agenda Item 1**

Apologies were received from Councillor Liz Leyshon

**2 Declarations of Interest - Agenda Item 2**

There were no declarations of interest

**3 Public Question Time - Agenda Item 3**

There were no questions received from the Public

#### **4 Committee Briefing by the Scrutiny Manager - Agenda Item 4**

The Scrutiny Manager Jamie Jackson gave a short presentation giving an overview of the Scrutiny Committees, which now consisted of 5 committees, of which 3 were new.

The areas of responsibility for this committee were detailed and it was suggested that various methods could be undertaken due to the amount of work that the committee could be wishing to do, these included Task and Finish Groups, informal workshops and Member briefings in addition to the formal reports.

During discussion between the committee members, the following comments were made:

- Staff currently allocated to cover scrutiny work but whole team being restructured which will be approximately 3-6 months
- Concerns were raised about meetings being held bi-monthly as it was considered that this would not enable the committee to cover all the work streams thoroughly, especially the budget
- Need to ensure that areas of scrutiny doesn't encroach on other areas of scrutiny/committees i.e. Audit Committee, Constitution and Governance Committee

It was noted that the Chairs and Vice-Chairs of the Scrutiny committees will be meeting on a regular basis and will discuss areas that could be jointly scrutinised or would be for a specific scrutiny to be considered, to this end the Forward Plan would be adjusted and will provide further detail or signpost towards any particular scrutiny areas.

#### **5 Briefing by Resources and Corporate Services Executive Director - Agenda Item 5**

Jason Vaughan, Executive Director for Resources and Corporate Services gave a short presentation detailing the work that the Audit Committee will do and what this committee would need to consider within their work programme. Mr Vaughan explained this would include Budget Monitoring, Revenues, Capital Housing Revenue Account, Financial Strategy, MTFP, Budget proposals, Payments Performance and Commercial Investments.

Members requested that budget monitoring should be an item on the agenda for this committee due to the risks involved and should use profiles for the budgets but it was highlighted that this year would be difficult due to amalgamating 5 budgets into one, also some areas have not been profiled at present for example the

Capital Programme.

It was also asked that commercial investments be looked at to see if they are ethical as this was previously undertaken by the Investment Board within the District Council, it was confirmed that there was no Investment Board set up currently, but it was being considered by the Executive as a sub-committee.

Members were also informed that performance and service delivery would be considered and would be reflected with the budgets with Members being reminded that the committee can request officers to attend if issues were being highlighted but these requests should be timely.

The committee were requested to note that all these issues would be considered when the work programme for the committee was being set and that it may need the time outside of the set committee meetings to explore issues/areas in greater detail with reports back to the committee or for briefings to be undertaken.

## **6 Local Government Review Update - Agenda Item 6**

Roshan Robati and Sarah Hawkins attended the meeting and gave an update on local Government Reorganisation and the move into transition and transformation. They explained that that Tranche 1 was now complete and that the Delivery Overview confirmed that 281 products had been delivered to date with 8 remain either in progress, overdue or pending and these are being monitored; a number of changes were listed that customers saw on Day 1 and a number of lessons were learnt and detailed within the presentation.

The new programme was in place, this would bring all service alignment, improvement, transformational and cost reduction activities together. There would also be a single overarching Transition, Transformation and Change Board (currently consisting of Executive Officers), it was confirmed that from July, it was hoped that when the new programme is due to commence, the Board will have new Terms of Reference and Membership. It was explained that the new programme will enable delivery of shared outcomes and defined benefits, achieve more with the resources available, be visible and transparent and that critical outcomes can be delivered including the Council Plan, MTFP savings targets and reducing demand for services. The new programme will now include some additional areas that weren't included in Tranche 1 i.e. Childrens Services so that all services will mirror the changes.

It was noted that the Programme Management Office will work with the committee to scrutinise the transition and transformation programmes at the appropriate times to enable input within the design and development of projects, strategies and other work.

During discussion, it was agreed that the 8 outstanding actions from Tranche 1 will be distributed with an explanation to the committee. It was confirmed that in respect to feedback from Public was taken from complaints and compliments process and staff were able to feedback via surveys and Managers. Local communities would be involved through the Local Community Network which had been set up and timetabled and it was confirmed that this information would be cascaded to Members after this meeting. The committee will receive the Transition programme with outlooks and benefits detailed and then will have the opportunity to scrutinise, it was hoped that this would take place by July and it was requested that a proposed timeline be provided for the programme targets.

**7 Committee's Forward Work Programme - Agenda Item 7**

The Chair admitted that there was a large range of proposed work and areas that the committee should consider and this would form the formal work plan. The plan will need to be drafted by the Scrutiny Manager, Chair and Vice-Chair of the committee and would then be considered by the committee members.

It was requested by members that the current frequency of the committee meetings needed to be considered and it was proposed that this will be taken into account when agreeing the plan as additional meetings or other ways of working may need to be undertaken.

It was reiterated that work for Scrutiny would also be agreed by the Chairs and Vice-Chairs of the all the Scrutiny committees to ensure all areas were considered and that areas of public interest were included.

**(The meeting ended at 12.13 pm)**

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**CHAIR**

# Introduction to Strategic Asset Management

## Corporate & Resources Scrutiny Committee

6<sup>th</sup> July 2023

Oliver Woodhams – Service Director, Strategic Asset Management



**Somerset**  
Council

# Objectives for today

## **1. Induction for committee members – introducing the department and its work**

- How Assets are managed at Somerset Council
- The Strategic Asset Management Department
- Transition, Change and Transformation
- Strategic Objectives: delivering the Asset Management Plan

## **2. Committee are asked to consider areas of interest for future meetings**

# How Assets are managed at Somerset Council

Page 15

## ***Real Estate Assets***

Heritage assets  
Depots  
Urban & rural landholdings  
LA maintained schools  
Offices  
Libraries & theatres  
Business parks / enterprise centres  
Sports and leisure buildings

## ***Infrastructure Assets***

Rights of Way / footways  
Highways  
Flood / water management assets  
Street furniture  
Cycle Paths  
Coastal & Harbour infrastructure  
Traffic management  
Streetlighting

# How Assets are managed at Somerset Council

- Somerset Council has the **economies of scale** to ensure that assets are managed using professional expertise concentrated in appropriate departmental specialist 'centres of excellence'
- The new council will take a '**Corporate Landlord**' approach to the asset management of real estate (land & building) assets – this is recognised best practice.
- Generally, repairs and maintenance and compliance responsibilities for **buildings** is the responsibility of the Strategic Asset Management department. The Strategic Asset Management department also takes a lead role in all real estate transactions.
- Repairs & maintenance and compliance responsibilities for operational '**land only**' or **infrastructure assets** (e.g. parks, open spaces, car parks & highway surfacing) sits within the relevant Climate & Place or Communities Directorate department.
- The asset management of **Housing Revenue Account assets** will sit with the Housing department within Community Services.
- Asset Management arrangements for **LA Maintained School assets** have specific arrangements.
- For **non-property asset classes**, asset management responsibilities will sit with the most appropriate Service Director (generally in the Climate & Place or Communities Directorates).



# How Assets are managed at Somerset Council

Asset class	Examples of assets (not exhaustive)	Responsibility for Real Estate / landlord and tenant transactions	Responsibility for maintenance, compliance and repairs
Operational buildings	Offices, Libraries, Depots	Strategic Asset Management	Strategic Asset Management
Operational land / infrastructure	Car parks, highway, parks, traffic & transport infrastructure	Strategic Asset Management <i>Infrastructure &amp; Transport</i>	Climate & Place / Community Directorates
Housing Revenue Account assets	Housing stock, community centres, shops	Housing department <i>Strategic Asset Management</i>	Housing department
LA maintained schools	Primary, special, secondary, specialist education	Strategic Asset Management	School governing body Strategic Asset Management Education department
Leased / commissioned estate	Leisure Centres, Homes 2 Inspire, leased estate	Strategic Asset Management	Tenant Strategic Asset Management
Commercial Property	Investment property held for yield	Strategic Asset Management	Tenant Strategic Asset Management

# The Strategic Asset Management Department

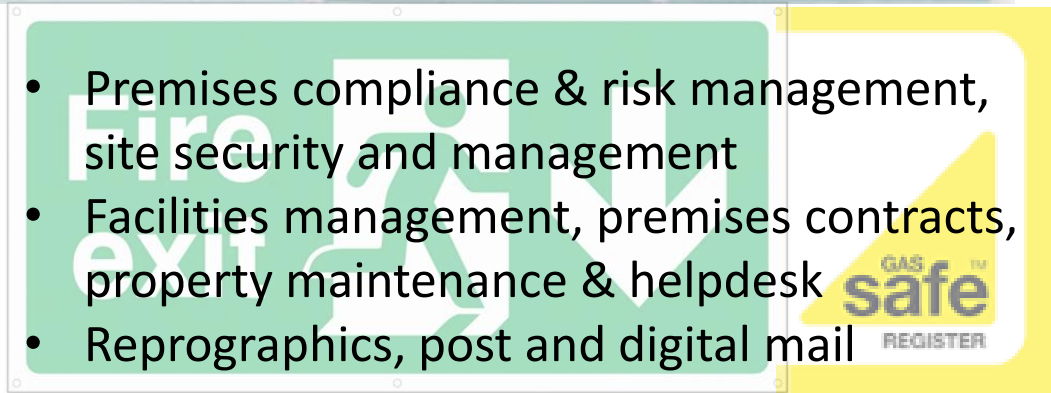


Page 18

- Corporate Landlord function
- Asset management strategy
- Advice & internal consultancy support
- Property rationalisation



- Site acquisition, disposal and development
- Tenancy management
- Valuations
- Rural estate management
- Property records & database



- Premises compliance & risk management, site security and management
- Facilities management, premises contracts, property maintenance & helpdesk
- Reprographics, post and digital mail



- Construction project delivery
- Schools & general fund condition programme
- Estate decarbonisation strategy and delivery

- Closed churchyards
  - Commercial investment property

# The Strategic Asset Management Department

## Objectives

- Support service delivery & Corporate Plan objectives
- Deliver the Asset Management Strategy
- Safe, legal and compliant assets
- Effective management of the commercial investment portfolio
- Effective delivery of major construction projects

# Transition, Transformation and Change

## Transition projects

- Asset Management System and Asset Records – Civica Property
- Hard and Soft FM service alignment
- Departmental operating model, structure, policies and procedures
  - Corporate Landlord model
  - Policy framework
- Facilities, print, post and mail alignment
- Commercial investment property review

Page 20

## Transformation & Change

- Property rationalisation
- Estate decarbonisation

# Transition, Transformation and Change

## Civica Property – Somerset Council's Asset Management System

- Property & Estates records
- Condition survey data
- Reactive & Planned maintenance
- Health and Safety Compliance, Fire Risk Assessments
- MS Dynamics interface

Page 21



# Transition, Transformation and Change

## Property Rationalisation – One Public Estate

Page 22



Taunton



Williton



Yeovil



Shepton Mallet

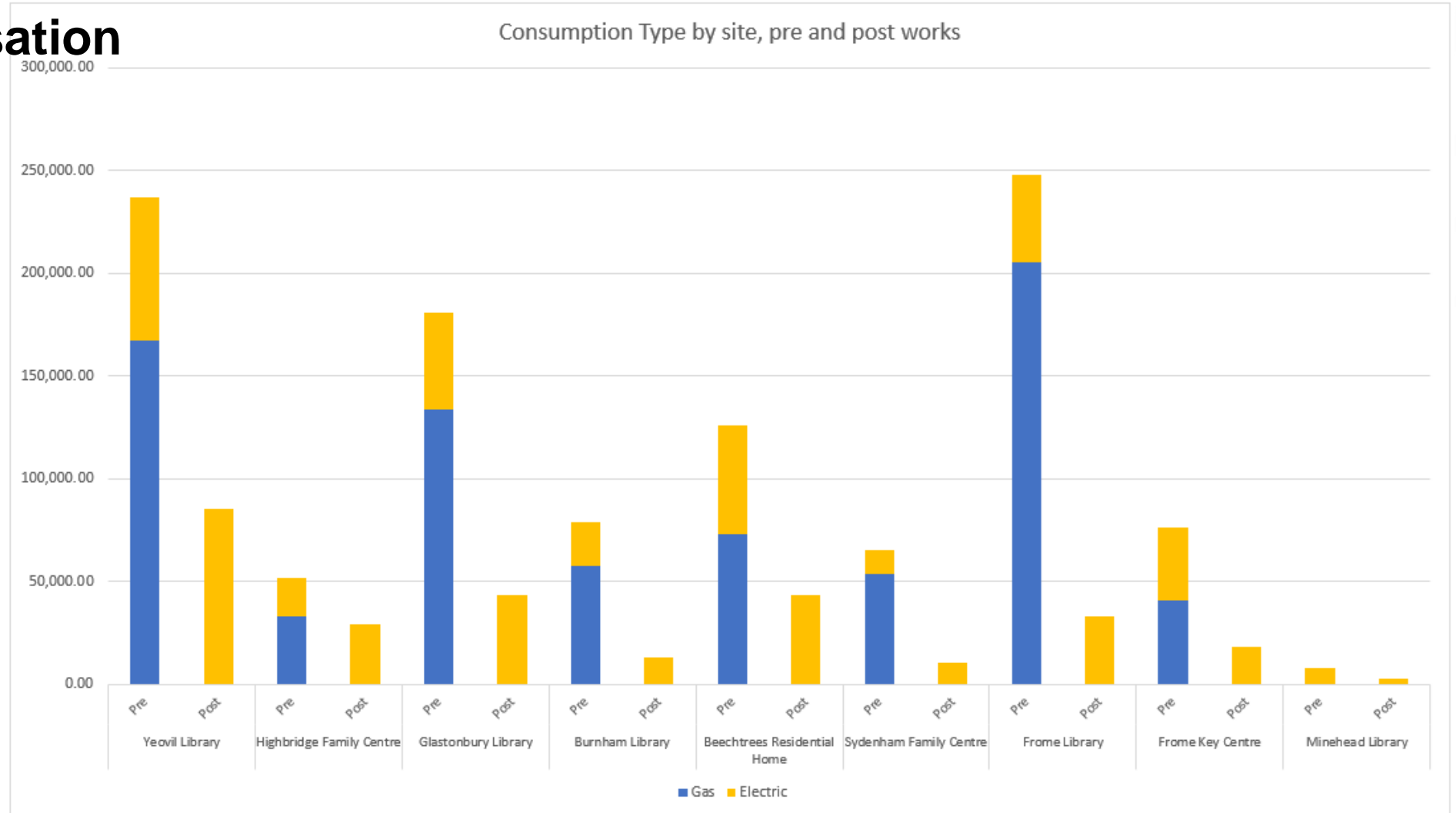
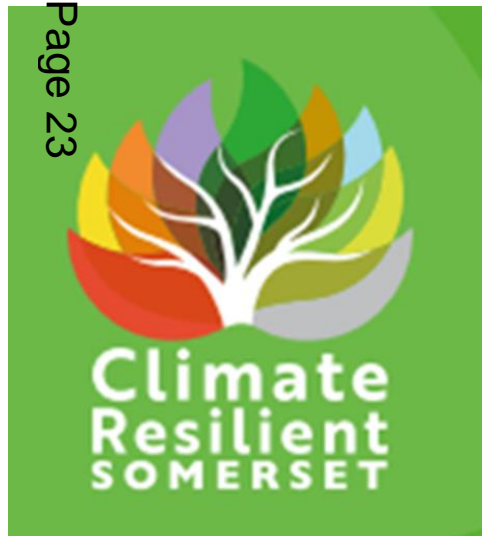


Bridgwater



# Transition, Transformation and Change

## Estate decarbonisation



# Delivering the Asset Management Plan

- The Council's estate is financially sustainable, efficient and effective
- Assets that are fit for purpose, safe & compliant
- Assets that address the Climate Emergency
- The Council's estate is used to meet housing and care needs, with an emphasis on social housing
- The Council's estate supports prosperity and economic growth
- Address the growing challenges in the Council's school buildings estate



# Questions and comments

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**Decision Report - Executive Decision**  
Forward Plan Reference: FP/23/05/08  
Decision Date – 10 July 2023  
Key Decision – Yes

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### **Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27**

Executive Member(s): Cllr Liz Leyshon Deputy Leader of the Council and Lead Member on Resources and Performance  
Local Member(s) and Division: All  
Lead Officer: Jason Vaughan, Executive Director - Resources & Corporate Services  
Author: Jason Vaughan, Executive Director - Resources & Corporate Services  
Contact Details: Jason.vaughan@somerset.gov.uk

#### **Summary**

1. The Medium-Term Financial Strategy (MTFS) provides a strategic financial framework and a forward-looking approach to achieving financial sustainability for the Council. The 2023/24 Financial Strategy was approved in July 2022 and was used as the framework within which the current year's budget was. This report provides an update to that and is central to the delivery of the Council's priorities in an affordable and sustainable way over the medium term. It aids robust and methodical planning as it forecasts the Council's financial position, taking into account known pressures, major issues affecting the Council's finances, including external economic influences as well as local priorities and factors. It helps the Council to respond, in a considered manner, to pressures and changes as a result of many internal and external influences. This is particularly important during a period when the Council faces considerable pressures and challenges, such as those relating to the cost of living crisis and increased demand for social care. The MTFS recognises the key role that financial resources play in the future delivery of priorities and in enabling the effective planning, management, and delivery of services. The approach concentrates on the principles that will provide a strong direction for the medium term.
2. The key overriding aim of the MTFS is therefore:

“To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council’s key strategic priorities and sustainable services.”

3. The six key objectives of the MTFS are to:

- Provide financial parameters within which budget and service planning should take place;
- Ensure that the Council sets a balanced and sustainable budget;
- Focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of clear alignment between priority and affordability;
- Ensure that the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area and where ring-fenced government funding is reduced the service area takes action to reduce expenditure accordingly;
- Plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council’s aims, objectives, policies and priorities; and
- Ensure that the Council’s long term financial health and viability remain sound.

4. The MTFS enables integrated service provision and financial planning over the medium term, using a business planning approach. The resulting Medium-Term Financial Plan (MTFP) provides the framework within which decisions relating to future service provision can be made. The detailed budget, taking account of constantly changing circumstances, will continue to be kept under review over the period and the Council will need to set the level of council tax on an annual basis. The Council's budget setting process centres around the organisational goals contained within the Council Plan to ensure resources are directed towards agreed priorities.

5. The key priorities within the Corporate Plan are:

- A greener more sustainable Somerset

- A healthy and caring Somerset
- A flourishing and resilient Somerset
- A fairer ambitious Somerset

### **Recommendations**

6. The Executive approves the Medium-Term Financial Strategy (MTFS) for 2024/25 to 2026/27 and the approach for the medium term of the following proposals:
  - An early review of 17 key areas that are the main building blocks of the budget and financial framework (as outlined in table 1).
  - A three-year approach and framework for balancing the budget to develop the Service Budget Options (outlined in paragraphs 28 to 30).
  - Reviewing and challenging all MTFP assumptions as outlined in paragraph 27.
  - A review of the capital programme as outlined in paragraph 54.
  - The criteria for any new schemes as outlined in paragraph 56.
  - Note that the reserves position for the Somerset Council has not yet been completed pending finalisation of all five authorities Statement of Accounts.

### **Reasons for recommendations**

7. To request members endorsement of the approach to financial planning and balancing the budget in the medium-term for the next three years.

### **Other options considered**

8. Other options considered were whether to look at the budget for 2024/25 in isolation, and or to allocate targets to all services. This approach was rejected as is it doesn't fit with best practice for a council to plan its resources over the medium term.

### **Links to Council Plan and Medium-Term Financial Plan**

9. The MTFP will link pressures, growth, and savings to the delivery of the Council's key priorities within the Council Plan.

### **Financial and Risk Implications**

10. The MTFP forecast in February 2023 outlined a budget shortfall of nearly £42m for 2024/25. There is a significant risk that this figure is likely to increase given the continued level of high inflation and demand for services requiring additional savings needing to be identified and delivered.
11. The 2023/24 Budget report identified 14 risks out of which 3 were Red and 9 were Amber and two were green. This assessment has been updated along with new and emerging risks are outlined in table 8 of this report.

### **Legal Implications**

12. The legal implications will be assessed as part of the overall budget process that will conclude in February 2024.

### **HR Implications**

13. Any HR implications will be reviewed as part of the budget process.

### **Other Implications:**

### **Equalities Implications**

14. This report is a high-level plan of how the short and long-term budget will be approached. The equalities implications will be assessed as part of the final budget proposals and considered before any final decision is made.

### **Community Safety Implications**

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

### **Climate Change and Sustainability Implications**

16. Somerset Council have declared both a Climate and Ecological Emergency. Climate Change activities will be linked through the Corporate Plan.

### **Health and Safety Implications**

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

### **Health and Wellbeing Implications**

18. There are currently no implications.

### **Social Value**

19. There are currently no implications.

### **Scrutiny comments / recommendations**

20. The 2024/25 budget preparations and proposals will be considered by the Councils Scrutiny Committees in December 2023.

### **Background**

21. The well documented national issues around local audit means that there are a number of statement of accounts from the predecessor councils for prior years that are still outstanding, and this means that some of the information for Somerset Council such as the 2022/23 outturn, reserves position, and capital position are still being finalised.
22. The 2024/25 budget will be challenging given that the Council is still restructuring post Local Government Reorganisation, as well as the national economic outlook with impact of high inflation, rising interest rates and levels of demand for services especially in Adults and Childrens Services.
23. The MTFP in February 2023 outlined a forecast budget gap of £100m over the next three years to 2026/27. These forecasts need to be updated to take account of the latest service demand forecasts and cost increases. The MTFP included an increase in Council tax of 4.99% in 2024/25 and most of the Government grant increases have been factored in as they were announced in December 2022 as part of the settlement.
24. When the 2023/24 budget was set the expected budget gap for 2024/25 was expected to be c£40m. However, continuing high inflation, rising interest rates, and demand in Adults and Childrens Services means that the gap is expected to be considerably higher than this.
25. The first three tiers of the staffing restructuring have taken place providing savings of £2.6m of the £9.4m overall target and completing this across the Council will take up considerable resources over the next two years. Part of the finance settlement for local government announcement in December 2022 provided outline details of the various government Grants including the Social Care Grant, Revenue Support Grant, and Rural Services Delivery Grant for 2024/25. The various funding reforms previously proposed by the government are on hold and not likely to be implemented in this parliament. The MTFP will be updated to take account of this.
26. With the financial challenges outlined in this paper the Council needs to move at pace to deal with the very difficult financial situation that the council now faces.

### **The 2022/23 Outturn Position for Somerset**

27. The Statement of Accounts for the 2022/23 financial year of the five predecessor councils are being finalised and show that the overall outturn position will be a c£20m overspend. This will need to be funded from reserves and reducing the Councils ability to manage issues



in this financial year and flexibility in budget planning and sustainability. Over the summer there will be a full review of reserves once the overall outturn position is confirmed to ensure that Somerset Council has sufficient reserves to meet risks.

### **Medium-Term Financial Strategy**

28. Overall, the gap outlined in February 2023 for the next three years was a predicted shortfall between the resources available and cost of current service of c£100m in 2025/26 prior to further savings being identified. In addition to the pressures on the General Fund, there are also pressures within the Housing Revenue Account (HRA) and Dedicated Schools Grant (DSG). The DSG is of particular concern given that the overall deficit on it is now £20.7m with the High Need Block (HNB) part of this being in deficit by £29.8m and is forecast to rise substantially over the next 3 years to be circa £70m deficit if planned mitigations are insufficient to address increasing demand. The statutory override provided by government ends on 31 March 2026 at which time this will revert to being set against the councils' other reserves and combined with all the other pressures on the Council resources raises the very real prospect of a Section 114 notice. The DfE is continuing to work with councils on a national programme to address the deficits in the HNB block but given the very substantial figures are unlikely to resolve the issues. However, analysis from the DfE's Delivering Better Value for SEND programme suggest that the cumulative impact of these mitigations is likely to be between £10.4 million and £22.7 million by the end of 2026/27, which means that these initiatives are unlikely to resolve the issues entirely.
29. Given the level of required savings, the known pressures within the current year's budget and the relatively low level of reserves, it is imperative that action is taken to identify significant savings. With the need to take decisive action combined with limited staff resources it is proposed to take a targeted approach with three key elements, which are: -
- Targets Areas – An early focus on 'big ticket' items that are some of the key building blocks of the budget. The table below identifies 17 key areas for early review.
  - Review of MTFP assumption – Challenging and reviewing of the identified cost pressures to try and reduce them down which would reduce the MTFP gap. Also reviewing all the funding streams in the light of deferral by government of the funding reforms
  - Service Budget Options - All Service Directors will be reviewing their services and identifying Budget Options for members to consider. This will help form the basis of a transformation pipeline of savings over MTFP over the next three years.

**Table 1 – Targeted Areas for early focus**

Ref	Key Area	Detail	Lead Member	Lead Officer
1	Adults Services	Implementing opportunities identified in the Diagnostic of Adults by Newton. Prior to this work the MTFP assumed cost reductions of £10m split equally over 2023/24 and 2024/25. The detailed diagnostic work has identified a different profile of savings and opportunities more than those built into the MTFP in future years.	Cllr Dean Ruddle, Lead Member for Adult Services	Mel Lock, Executive Director Adult Services

Ref	Key Area	Detail	Lead Member	Lead Officer
2	Childrens Services	<p>Implementing the opportunities identified in the Diagnostic by Impower which identified potential, cumulative cost avoidance and savings ranging from £4.9m and £8.1m over three years.</p> <p>This includes developing new sufficiency strategies for placements and edge of care services to inform the transformation plan for Children Looked After. Transformation will include Homes &amp; Horizons, recommissioning 16+, market development, reducing unregistered placements, and work with Impower consultancy to improve internal fostering and step-across options for children and young people.</p>	Cllr Tessa Munt, Lead Member for Children, Families, and Education	Claire Winter, Executive Director – Childrens, Families & Education

Ref	Key Area	Detail	Lead Member	Lead Officer
3	Schools – High Needs Block	Delivering Better Value (DBV) in SEND Programme with Newton Europe & CIPFA which identified potential cumulative cost avoidance and savings ranging from £10.4m to £22.7 m over three years.	Cllr Tessa Munt, Lead Member for Children, Families, and Education	Rob Hart, Service Director Inclusion
4	Review of School Transport	Implementing the recommendations and opportunities identified in the report from the Edge Public Solutions report that identified saving of £0.6m in year 1, £2.4m in year 2 rising to £2.6m in year 3.	Cllr Tessa Munt, Lead Member for Children, Families, and Education	Rob Hart, Service Director Inclusion and David Carter, Service Director, Infrastructure & Transport
5	Schools Capital Programme	Review of capital programme for schools considering maintenance backlog, current schemes, future requirements with revised pupil numbers forecast & estimated academisations	Cllr Tessa Munt, Lead Member for Children, Families, and Education	Amelia Walker, Service Director Education Partnerships & Skills and Oliver Woodhams, Service Director – Strategic Asset Management

Ref	Key Area	Detail	Lead Member	Lead Officer
6	School Balances	There are a significant number of schools setting deficit budgets for 2023/24 which projected forward would see a significant reduction to the current £20m surplus in school balances. This would include a programme to identify some of the themes within school budgets to target support in the most effective way, and to lobby government if appropriate	Cllr Tessa Munt, Lead Member for Children, Families, and Education	Amelia Walker, Service Director Education Partnerships & Skills
7	Staffing Establishment Control	Management control of vacant posts, temporary posts, agency staff etc in order to minimise redundancy costs and help deliver the staff savings in the LGR business case.	Cllr Theo Butt, Lead Member for Transformation and Human Resources	Chris Squires, Service Director - Customers, Digital & Workforce and Nicola Hix – Service Director of Finance & Procurement
8	Commercial Investments	Review of the current portfolio and identification of opportunities for disposals and reduction of risks	Cllr Ros Wyke, Lead Member for Economic Development, Planning, and Assets	Oliver Woodhams, Service Director – Strategic Asset Management

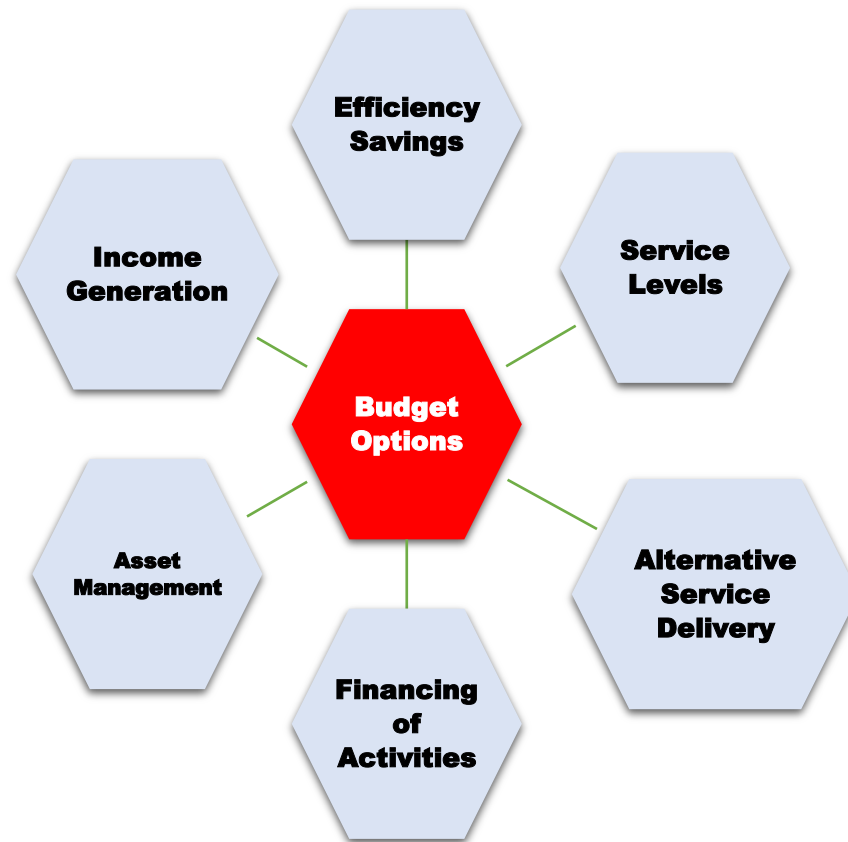
Ref	Key Area	Detail	Lead Member	Lead Officer
9	Review of Assets	Review of assets and identification of pipeline of disposals including council office rationalisation	Cllr Ros Wyke, Lead Member for Economic Development, Planning, and Assets	Oliver Woodhams, Service Director – Strategic Asset Management
10	Business Rates & Council Tax	Review of business rates and council tax following the creation of the new unitary and the financial impacts this has on funding forecasts and collection fund positions	Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance	Nicola Hix – Service Director of Finance & Procurement
11	Review of Capital Programme	Reduce number and costs of all existing capital schemes & restrict funding for new capital schemes to urgent Health & Safety schemes or schemes that are 100% externally funded.	Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance	Nicola Hix – Service Director of Finance & Procurement

Ref	Key Area	Detail	Lead Member	Lead Officer
12	Reserves	Review the reserves from across the five councils, amalgamate them and ensure sufficient General Fund Reserves are set aside. The risk-based assessment of reserves identified that General reserves should be in the range £30m to £50m.	Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance	Nicola Hix, Service Director - Finance & Procurement
13	Capital Receipts	Review capital receipts available along with the commitments in the capital programme and disposal programmes. Identify and recommend the most effective use within the MTFP	Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance	Nicola Hix, Service Director - Finance & Procurement
14	Treasury Management	Review of the Borrowing & Investments portfolio. Identify a strategy of rationalisation of investments that takes account of future needs and interest rate forecasts.	Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance	Nicola Hix, Service Director - Finance & Procurement

Ref	Key Area	Detail	Lead Member	Lead Officer
15	Grants	Review the grants provided by the 5 Councils. Understand the source of the grants and the priorities within the Council Plan and rationalise.	Cllr Theo Butt, Lead Member for Transformation and Human Resources	Alyn Jones, Executive Director – Strategy, Workforce & Localities
16	Transformation Programme	Outline the pipeline of transformation projects that deliver on-going savings / reductions in cost over the MTFP.	Cllr Theo Butt, Lead Member for Transformation and Human Resources	Alyn Jones, Executive Director – Strategy, Workforce & Localities
17	Financial Resilience & Sustainability Review	Complete a financial sustainability and resilience review for Somerset Council in the light of the 2022/23 outturn from the 5 predecessor councils.	Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance	Jason Vaughan, Executive Director – Resources & Corporate Services

30. In addition to looking at these key elements, all Service Directors are reviewing their services and identifying Budget Options for members to consider. This will help form the basis of a transformation pipeline of savings over MTFP over the next three years.
31. A framework for the development of options to balance the budget within the MTFP is set out in the diagram below:





32. With the context of only being a new unitary since April and recognising both the time and staffing resources constraints that we currently face, balancing the 2024/25 budget is focused upon the following activities:

- **Efficiency Savings** – Savings from LGR (being 1 council rather than 5), changes in demand, innovation & procurement. Specific tasks are:

- Delivering the LGR Business case savings of £18.5m
- Review of contracts as part of combining the five contracts registers into one
- Reviewing and challenging demand and inflationary requirements

- **Service levels** – Changing service levels - Gold, Silver, or Bronze standard or stopping the service altogether if it is not statutory as follows:

- Use of benchmarking information to inform the cost of services of comparable unitary councils
- Consideration of service levels and what discretionary services are provided

- **Alternative Service Delivery** – Providing the same service in a different way e.g., transformation savings, through a partner or VCFSE sector and specifically:

- To transform services as they are joined together maximising the use of digital technology and new ways of working to maximise efficiency

- **Asset Management** – different use of assets, purchase, and disposal of assets as follows:

- Rationalisation of the corporate estate to reduce running costs and generate potential capital receipts or rental income.
- Minimise new capital bids by only considering fully externally funded schemes and those where there is a legal requirement (such as critical condition schemes to manage Health and Safety risks or maintain operations), and those where there is a robust and compelling invest-to-save business case, generating revenue savings.
- Reviewing the portfolio of commercial investments

- **Financing of Activities** – Capital, Revenue & Reserves as follows

- Review of current capital programme to deal with the impacts of inflation and focus on priority areas
- Reviewing options around the Flexible use of Capital Receipts for appropriately qualifying spend

- Review of Treasury Management activities covering both investment and borrowing activities
- Reviewing the use of reserves to smooth out the MTFP and delivery of savings.

- **Income Generation** – Grants, business rates, council tax and fees & charges.

- Increase income from a review of all fees and charges including further alignment of charges from the 5 councils
- Reviewing the finance settlement in terms of council tax, business rates, and other grants

## Medium Term Financial Plan

33. The Medium-Term Financial Plan in February 2023 outlined the expected General Fund budget gap over the next three years as follows:

**Table 2 – General Fund Budget Gap 2024/25 to 2026/27**

MTFP	Forecast	Forecast	Forecast
	Budget	Budget	Budget
	2024/25	2025/26	2026/27
	£m	£m	£m
<b>Net Budget Requirement</b>	<b>539.6</b>	<b>569.2</b>	<b>633.7</b>
<b>Financing:</b>			
Revenue Support Grant	(8.5)	(33.6)	(33.0)
Business Rates Income	(130.1)	(124.0)	(126.7)
Council Tax	(357.4)	(366.4)	(375.5)
Contributions to & from Reserves	(2.0)	0.3	0.3
<b>Total Financing</b>	<b>(498.0)</b>	<b>(523.7)</b>	<b>(534.9)</b>
<b>Accumulative Budget Gap</b>	<b>41.6</b>	<b>45.5</b>	<b>98.8</b>

34. In the current financial year, we have already identified a number of ‘emerging issues’ that are creating budget pressures and are likely to have also impact on the 2024/25 budget and future years. Directors are currently working to mitigate these pressures, but it is likely given the rate of inflation and demand that the overall accumulated gap will be higher than estimated in February 2023. The various funding reforms proposed by government have all stalled and no significant changes are expected in this parliament. The finance settlement in December 2022 did provide some guidance on government funding for 2024/24 which has been reflected in the MTFP but with the funding reforms being delayed the MTFP assumptions on funding will be reviewed.

## Council Funding

Government Grants

35. The Government announced a Local Government Finance Policy 2023/24 and 2024/25 setting out funding principles followed by the Provisional Finance Settlement on the 19 December 2022. The grants and forecasts are outlined below but will need to be reviewed and updated in the light of delays to the funding reforms.

**Table 3 – Government Grants to 2026/27**

Grant	Actual 2023/24 £'m	Forecast 2024/25 £'m	Forecast 2025/26 £'m	Forecast 2026/27 £'m
<b>Revenue Support Grant</b> - Government Grant Distributed based on need.	7.9	8.5	33.6	33.0
<b>Rural Services Delivery Grant</b> - Government Grant to support the increased costs of delivering services in rural areas.	3.2	3.2	3.2	3.2
<b>New Homes Bonus</b> - is an incentive-based grant to increase the number of new homes built and reduce the number of empty properties. This is currently being phased out.	3.8	3.8	-	-
<b>Services Grant</b> - A once-off grant to support Local Government Services (the funding is ongoing but the mechanism for distribution is once-off)	3.2	3.2	-	-
<b>Social Care Grant</b> - A Government Grant to support the cost pressures in both Adult and Children's social care.	39.2	45.1	88.6	93.8
<b>Specific Grants Included Within Adult Services or Public Health</b>				
<b>Market Sustainability and Improvement Funding</b> - Government grant toward improvement in Adult Social Care	5.8	8.8	-	-
<b>Discharge Fund</b> – Government Grant to support hospital discharges	3.3	5.5	-	-

<b>Better Care Fund</b> - Grant from the ICB for the integration of health and social care.	14.7	14.7	14.7	14.7
<b>Improved Better Care Fund</b> - Government Grant to support local authorities to meet adult social care costs, reduce pressures on the NHS and support the social care market	23.4	23.4	23.4	23.4
<b>Public Health Grant</b> - Ringfenced Government funding to improve health in the local population	22.6	22.9	23.0	24.2
<b>Total</b>	<b>126.4</b>	<b>138.6</b>	<b>186.5</b>	<b>192.3</b>



Business Rates

36. The review of Business Rates and baseline reset is likely to be delayed further and therefore the MTFP assumes that the review will now occur in 2025/26.

**Table 4 – Business Rates Assumptions**

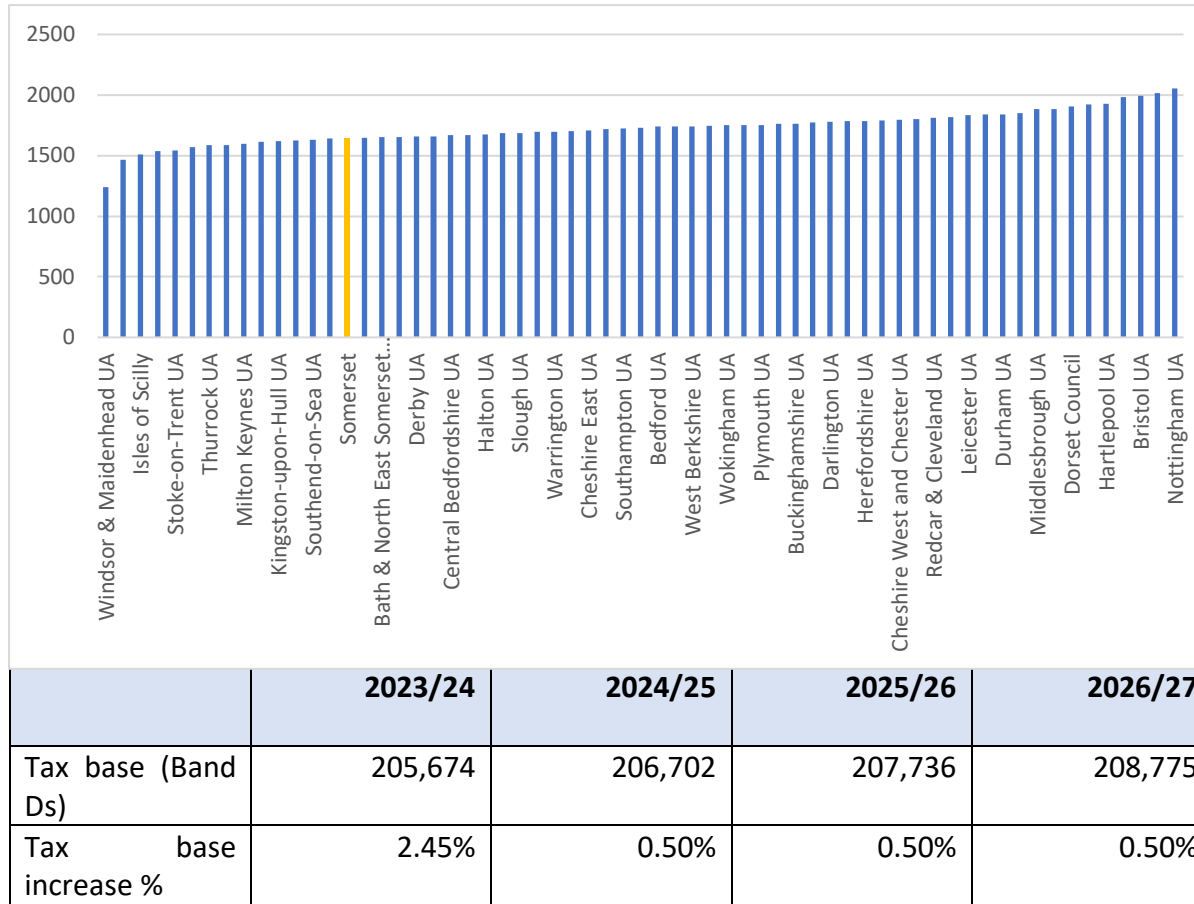
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Income £'m	£122.2m	£130.1m	£124.0m	£126.7m
Increase/(decrease) %	2.99%	6.5%	(4.7)%	2.2%

37. Income to Somerset is higher than the baseline need of £84.5m and therefore demonstrates how much growth has been retained. The table above shows the adjustment that is expected once the baseline is reset. It remains a risk that Somerset could suffer further loss of that growth once the reset takes place.

Council Tax

38. The 2023/24 council tax for the new authority for an average Band D of £1,646.03 (not including special rates) was approved at full Council in February 2023. The following table shows a comparison of Somerset Council to other Unitary Authorities for 2023/24

**Table 5 – Average council tax for the authority including adult social care, excluding parish precepts (Band D) in 2023/24**



39. The average council tax of unitary authorities in 2023/24 was £1,733 compared to Somerset £1,646. Referendum limits for 2023/24 and 2024/25 were agreed by central government.

40. The following table shows the current assumptions for the taxbase increases currently included within the Medium-Term Financial Plan (2023/24 is shown for comparison purposes):

**Table 6 – Tax Base Assumptions**

	2023/24	2024/25	2025/26	2026/27
Tax base (Band Ds)	205,674	206,702	207,736	208,775
Tax base increase %	2.45%	0.50%	0.50%	0.50%

41. Band D Council Tax increases currently included within the Medium-Term Financial Plan are as follows:

**Table 7 – Council Tax Increase Assumptions**

	2023/24	2024/25	2025/26	2026/27

Average Band D £'s	£1,646.03	£1,728.17	£1,762.56	£1,797.64
Increase %	4.99%	4.99%	1.99%	1.99%

Note the above has been used for planning purposes but are not approved.

### Housing Revenue Account

42. The Housing Revenue Account is ringfenced and the Council approved the HRA business plan in February 2023. Inflation is also impacting on the HRA through pay, contracts, and materials but rent increases have been capped to 7%. Work has started to refresh the 30-year business plan for 2024/25.

### Schools and DSG

43. Schools are funded by the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education (DfE). The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools. It does not cover the statutory responsibilities the Council has towards parents. These responsibilities are funded through the Councils main revenue funding and included as part of the proposed Budget.
44. Currently 51% of mainstream schools are academies (Primary 44%, Sec/Middle 89%). It is expected that 15 schools will convert to academies over the next 12 months leaving 118 schools as LA maintained schools. As at 31/3/22 the reserves of all LA maintained schools, including Specials and PRUs, was £19.8m (mainstream schools were £17.1m). This is expected to drop this year and move into a deficit position during 2024/25.
45. With the introduction of the National Funding Formula (NFF) the DSG was ring-fenced for schools from 2018/19 making the LA responsible for the demographic pressures being observed in the SEND / High Needs element of the DSG (although schools can contribute up to 0.5% of the ringfenced sum if agreed by the Schools Forum). However, local authorities cannot contribute to any deficit. The DSG deficit at the end of 2022/23 was £20.7m with the High Needs Block deficit reaching £29.8m and this is expected to increase to £70m by the end of 2025/26 without a change in policy or further funding when the statutory override ends. This could mean that the negative balance would have to be found by the Council with a disastrous impact on reserves.

46. There have been two key programmes of work to address this challenge. The specialist capital programme began in 2019, supported by investment from the local authority, to expand and improve Somerset’s specialist estate. This has resulted in an increase of 361 additional places in specialist SEND provision across the county to date. In 2022, the Council received a £10.1 million DfE high needs capital grant, which is being used to fund further increases in specialist SEND capacity, through development of special school satellites, enhanced learning provisions in mainstream settings, and therapeutic education provision. In addition, the Council has successfully bid for two new Special Free Schools, which the DfE is responsible for delivering. The first was due to open in September 2022, but has been delayed and is now expected to open in September 2024. This will ultimately provide 120 new places. The second is due to open in 2027 and will provide a further 64 places.
47. Since April 2022, the service has been working with IMPOWER Consulting to identify further opportunities to improve outcomes for children and reduce pressures on high needs budgets. This work has focused on improving early identification and support and led to the set-up of a dedicated advice line for schools to support earlier intervention, as well as a trial of the Somerset Inclusion Tool (Valuing SEND) to improve planning around transitions for children with SEND. This is helping to identify children who can remain in mainstream settings with the right support, who might otherwise have moved into more specialist settings.
48. Following on from this, in summer 2022, Somerset was invited to participate in the DfE-led Delivering Better Value programme. This is aimed at 55 local authorities with significant high needs deficits, but not the 20 areas with the biggest deficits (who access a different “safety valve” programme). During autumn 2022 the service worked with Newton Europe and CIPFA to develop an improved understanding of our demand and financial trajectories in relation to high needs, as well as identify opportunity areas where improvements and efficiencies could be made. This has resulted in the award of a £1m grant from DfE to support transformation and test and learn activity.
49. Newton’s analysis has suggested that there are opportunities for reducing high needs expenditure, which could realise a £1.05m benefit by the end of 2024/25, and a cumulative benefit of £7.93m by the end of 2027/28. However, based on Newton’s model, it is still expected that the cumulative deficit will continue to grow each year, unless there were to be significant changes to SEND policy or funding at a national level. Newton have reported that in each of the local authorities they have worked with, they are projecting that deficits will continue to grow, so Somerset is in line with other areas in this respect.
50. The Department for Education still requires the Local Authority to produce a DSG Deficit Management Plan to evidence how it will reduce the in-year deficit to zero by 31st March 2026 when the statutory override expires. The activities and opportunities identified through the

work with IMPOWER Consulting and the DBV SEND programme are included in Somerset's DSG Deficit Management Plan with further mitigating actions being developed.

51. The key risks in the High Needs Block are:

- Increased demand for education, health and care (EHC) plans
- Sufficiency of provision of Social, Emotional and Mental Health (SEMH) support

52. In July 2023, the DfE will publish provisional allocations for the schools, high needs and central services blocks. Final allocations are expected in mid-late December and will be based on pupil numbers from the October 2022 school census. Schools funding across England is expected to increase by 2.6% overall in 2024/25, through the NFF. Based on this level of increase, the provisional allocation expected for Somerset Schools Block is an increase of £9.7m. There is no further information on High needs funding for 2024/25. Nationally central schools services funding will continue to decrease by 20% for historic commitments, which is approximately £0.5m in 2024/25. Some early help services are currently funded by this block and will be impacted by the reduction in funding.

### **Capital Strategy**

53. The Prudential Code for Capital Finance in Local Authorities was updated in December 2021. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved. It requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long-term financial implications and potential risks to the authority.

54. The update to the Code includes a clear statement that local authorities must not borrow primarily for financial return. Somerset Council holds £289m of investment properties that would be designated as being held for financial return. The Code outlines that authorities are not required to immediately sell these investments. However, Authorities which have an expected need to borrow should review options for exiting their financial investments for commercial purposes in their annual treasury management or investment strategies. The options should include using the sales proceeds to repay debt or reduce new borrowing requirements. It also states that authorities should not

take on new borrowing if financial investments for commercial purposes can reasonably be released instead, based on a financial appraisal of financial implications and risk reduction benefits.

55. It was expected under current rules that borrowing long term or refinancing these commercial properties where the property was purchased after November 2020 that the Council could not finance these from the PWLB (Public Works Loans Board). However, in discussions with central Government, and as a result of Local Government Reorganisation this will not apply to Somerset Council.
56. Under these rules the Council cannot purchase properties for financial gain and therefore this pushes the Council into a more passive approach to managing this portfolio. A review of the portfolio is being undertaken to look at the borrowing costs of each property compared to yields and as required by the prudential code to decide whether to divest rather than borrow. This could be used to reduce the Council's costs of borrowing through lower Minimum Revenue Provisions and interest costs (which in essence reduces the revenue costs to the Council). However, the loss of rental income will also impact the MTFP and therefore a complete overview will be required with careful consideration of the borrowing costs, loss of income, length of lease, the capital receipt, as well as any future capital commitments that will be required to maintain the property.
57. The Council currently has a CFR (Capital Funding Requirement) of £1.2bn and almost 11% of the net budget is required to repay debt (this includes Minimum Revenue Provision and interest). There is a need to review the capital programme as soon as slippage/ reprofiled schemes are incorporated within the capital programme to review and reduce this requirement. It will be necessary to review the relative priorities of each individual schemes with an approach of limiting any impact upon the MTFP by expecting that additional costs will be found from removing lesser priority schemes rather than additional borrowing.
58. Borrowing costs for the general fund are made up of MRP (Minimum Revenue Provision) which in essence is set aside to reduce debt and interest costs. The current MRP policy is a mix of the previous five authorities and needs simplifying. Work on this will begin once the capital programme is updated when the final year end positions are known.
59. With the current MTFP position any funding for new Capital schemes will be very limited and focused upon
  - Schemes that are fully externally funded: &
  - Where there is a legal requirement such as Health & Safety Needs

60. Other methods of funding the capital programme include:

- Third Party Contributions -Only Third-Party contributions received or formally agreed are used to fund the programme.
- Capital receipts - will be reviewed as part of the overall funding requirements of both revenue and capital. The authority has some flexibility in the use of capital receipts and the Capital Receipts Flexibility Strategy was approved as part of the 2023/24 budget. The Strategy specifically outlined the implementation costs (where they meet the criteria) of LGR would be funded from the flexibility. Other projects and programmes may be added for 2023/24 and/or 2024/25 but will require full Council approval. It is key that all means of financing remain as flexible as possible as a means of supporting the authority's long-term viability and sustainability. This may mean that some capital receipts currently earmarked to fund the capital programme are replaced by borrowing.
- Revenue contributions to capital – any remaining contributions will be reviewed to ensure that financial resources are utilised as part of the assurance process to maintain the Councils' ongoing sustainability.
- CIL (Community Infrastructure Levy)/S106 - the Capital Programme will include allocations of CIL and S106 funding to ensure that the capital programme shows an accurate picture of overall funding requirements. It will also show the timing differences where schemes require upfront funding that will be repaid in future years as CIL and S106 payments are received.

## Reserves

61. The Council holds three types of reserves:

- **General Fund Unallocated Reserves** – the level of requirement for General Fund Reserves is assessed on a risk-based approach that reviews the risks to the authority and the mitigations including earmarked reserves and contingencies in place to meet those risks. The budget setting report in February 2023 assessed the requirement for Somerset Council to be within the range of £30-£50m. Once the final outturn and preserves position is known of all five legacy councils a full review of reserves will be carried out.

- **Earmarked Reserves** – these can be reserves that are held for specific purposes, such as a reserve to fund elections or insurance risks as well as being held for issues such as budget volatility.
- **Reserves Held on Behalf of Others**- these are reserves that the Council holds as the accountable body so an example would be the LEP Reserve that is held on behalf of the partnership.

All reserves (except than those held on behalf of others) will be reviewed as soon as the five authorities accounts are closed. It is worth noting that £10m of reserves were set aside to support the 2023/24 budget plus the expected 2022/23 overspend of c£20m. If there is an overspend in the current financial year this will cause further stress on the levels of reserves required to meet risks as well as supporting the MTFP for future years.



**Links to Other Strategies**

62. There are several other related strategies that link to and supplement the Financial Strategy. These include: -

- The Council Plan
- Treasury Management Strategy Statement
- Non-Treasury Investment Strategy
- Flexible Capital Receipts Strategy
- Asset Management Plan

**Risks**

63. The table below sets out the main risks associated with the 2023/24 budget, who the risk owner is and how the risk will be managed.

**Table 8 – Risks**

Risk	Rag Rating (R/A/G)	Risk Owner	Comments, Management and Mitigations
National pay award will be higher than estimated	R	Executive Director of Resources & Corporate Services	The pay award for 2022/23 was agreed at a flat rate of £1,925. A 5% increase was built into the budget for 2023/24. This has not been accepted within negotiations to date. Only 2% has been budgeted for 2024/25 and with inflation currently running at 8.7% this will need to be reviewed.

Continuation of high levels of inflation impacting on the cost of services and pay budgets	<b>R</b>	Executive Director of Resources & Corporate Services	The CPI inflation rate was 10.4% in February and now has decreased to 8.7%. This is expected to decrease to around 5% later this year and possibly 2% by late 2024. Inflationary increases are built into some of our major contracts and therefore the timing of inflationary reductions will need to be monitored as part of the MTFP.
Changes to Government Policy that affects future funding (Social Care)	<b>R</b>	Executive Leadership Team	Further funding for social care was made in the Provisional Settlement but funding still remains lower than demand and inflationary pressures within the service. Fair Cost of funding has now been delayed until 2025 and with the funding being given to local authorities for current pressures it remains to be seen how this will be funded in the longer term
Continuation of high interest rates impact on borrowing costs	<b>R</b>	Service Director – Finance and Procurement	The base rate of interest is currently 5%. There are predictions that they could yet peak at 6%. The Council will need to review and reduce its capital programme to ensure that it is sustainable and affordable.

Economic downturn impacts on income	<b>A</b>	Relevant Service Director	This will continue to be reviewed as part of budget monitoring
Increasing demand due to external factors	<b>A</b>	Relevant Service Director	There is a risk that the cost-of-living crisis and reducing budgets in partner organisations have a significant impact on demand including the number of children requiring support, or the complexity of need, and therefore the cost of services. Due to the complexities of families and communities and their resilience it is unclear when this risk might occur.
Unforeseen events outside Somerset Councils control	<b>A</b>	Relevant Director	Events such as extreme weather, increases in fuel and utility costs (currently a major issue) and changes in recycling material values are outside our direct control. These will need to be monitored and the MTFP updated as necessary.

The Government announces further cuts in local government funding	A	Executive Leadership Team	The Provisional Settlement outlined most of the funding for 2024/25. The risk is that funding does not keep in line with inflation as well as a push from Government to reduce the cost of public services through further efficiency targets
Reserves are not sufficient to meet the risks facing the Council including the possibility that the deficit on the High Needs Block could have to be financed from other reserves once the statutory override ends	A	Executive Director of Resources & Corporate Services	A full review of reserves will be carried out as soon as the Statement of accounts are completed for all five authorities to free up reserves where possible. Need to continue to press Government to address the issues around high needs and how deficits will be financed

### Timetable

64. The high-level timetable is as follows:

#### July 2023

- Medium Term Financial Strategy presented to Executive.

#### September 2023

- Budget data collected for the MTFP and capital bids received.

#### December 2023

- Updated Medium Term Financial Plan (MTFP) to the Executive

- Executive review the budget proposals as the basis for consultation.
- Scrutiny review the proposals and public consultation commences.

#### **February 2024**

- Executive review all proposals and consultation and recommend budget to full Council.
- Council reviews and approves the 2024/25 budget and council tax.

#### **Background Papers**

65. 2023/24 Budget report to February 2023 Council and 2023/24 Financial Strategy report to July 2022 Executive.

#### **Report Sign-Off (if appropriate)**

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	20/06/2023
Communications	Chris Palmer	20/06/2023
Finance & Procurement	Nicola Hix	20/06/2023
Workforce	Chris Squire	20/06/2023
Asset Management	Oliver Woodhams	20/06/2023
Executive Director / Senior Manager	Jason Vaughan	20/06/2023
Strategy & Performance	Alyn Jones	20/06/2023
Executive Lead Member	Liz Leyshon	21/06/2023
<b>Consulted:</b>		
Local Division Members		
Opposition Spokesperson	Councillor Mandy Chilcott	21/06/2023
Scrutiny Chair	Councillor Bob Filmer	22/06/2023



**Scrutiny Corporate & Resources Work Programme 2023-2024**

<b>Meeting date</b>	<b>Agenda item</b>	<b>Report Author/Officer attending</b>	<b>Service Area</b>
Thursday 6 July 2023 at 10am Luttrell Room, CH	Forward Plan items to be considered?		
Thursday 8 August 2023 at 10am Venue TBC	Performance & finance  Commercial Investments/Assets from Districts	Ollie Woodhams	
Thursday 7 September 2023 at 10am Venue TBC	Business Process Update (Replacement of SAP HR/Payroll not included in Dynamics) -CONFIRMED	Claire Griffiths	Procurement & Financial Governance
Thursday 9 November 2023 at 10am Venue TBC	Revs & Bens Policy Reviews – TBC	Richard Sealy – AD Customer	Revs & Bens
Thursday 4 January 2024 at 10am Venue TBC	Early Careers Strategy - CONFIRMED	Misha Liddiatt	
Thursday 7 March 2024 at 10am Venue TBC			

**Scrutiny Corporate & Resources committee briefings and/or Task and Finish workshops**

Title	Description	Date	Service Area and Lead Officer
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**Other issues for consideration**