

# Public Agenda Pack



Notice of Meeting of

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

**Thursday, 7 March 2024 at 10.00 am**

**John Meikle Room, The Deane House, Belvedere Road, Taunton TA1 1HE**

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

Chair: Councillor Bob Filmer  
Vice-chair: Councillor Henry Hobhouse

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

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For further information about the meeting, including how to join the meeting virtually, please contact Democratic Services [democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk).

All members of the public are welcome to attend our meetings and ask questions or make a statement **by giving advance notice** in writing or by e-mail to the Monitoring Officer at email: [democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk) by **5pm on Friday, 1 March 2024**.

This meeting will be open to the public and press, subject to the passing of any resolution under the Local Government Act 1972, Schedule 12A: Access to Information.

The meeting will be webcast and an audio recording made.

Issued by (the Proper Officer) on Wednesday, 28 February 2024

# **AGENDA**

**Scrutiny Committee - Corporate and Resources - 10.00 am Thursday, 7 March  
2024**

**Public Guidance Notes contained in Agenda Annexe (Pages 7 - 8)**

**Click here to join the online meeting (Pages 9 - 10)**

## **1 Apologies for Absence**

To receive any apologies for absence.

## **2 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](#) )

## **3 Minutes from the Previous Meeting (Pages 11 - 24)**

To approve the minutes from the previous meeting held on Friday 2 February 2024.

#### **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 Scrutiny Corporate and Resources Forward Plan 2023/2024 (Pages 25 - 26)**

To note the Forward Plan 2023/2024 for the Scrutiny Corporate and Resources and propose any other items for the consideration by the committee.

#### **6 Delivering Economic Growth via Gravity Enterprise Zone (Pages 27 - 54)**

To receive a report on the recommendations to the Executive associated with the planned occupation of part of the Gravity Enterprise Zone by Agratas.

#### **7 Developing the approach to Transformation (Pages 55 - 114)**

To receive the report on the vision and strategy for the council wide Transformation Programme with a number of considerations for the committee to discuss as detailed within the recommendations.

#### **8 2023/2024 Budget Monitoring Report Month 10 (Pages 115 - 178)**

To receive a report detailing the General Fund revenue monthly budget monitoring report for the end of January 2024 (Month 10).



## **Exclusion of Press and Public**

**PLEASE NOTE:** Although the main report for this item not confidential, supporting appendices available to Members contain exempt information and are therefore marked confidential – not for publication. At any point if Members wish to discuss information within this appendix then the Council will be asked to agree the following resolution to exclude the press and public:

### **Exclusion of the Press and Public**

To consider passing a resolution having been duly proposed and seconded under Schedule 12A of the Local Government Act 1972 to exclude the press and public 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, within the meaning of Schedule 12A to the Local Government Act 1972:

**Reason:** Information relating to the financial or business affairs of any particular person (including the authority holding that information).

## **9 Property Rationalisation Programme (Pages 179 - 198)**

To receive an update and presentation on the progress with the Property Rationalisation Programme – please note there is a confidential appendix attached with supporting information and if members wish to discuss any information contained within this appendix, the committee will need to vote to go into closed session.

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## 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.

#### Inspection of Papers

Any person wishing to inspect minutes, reports, or the background papers for any item on the agenda should contact Democratic Services at [democraticserviceteam@somerset.gov.uk](mailto:democraticserviceteam@somerset.gov.uk) or telephone 01823 357628.

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.

### **Recording of meetings**

The Council supports the principles of openness and transparency. It allows filming, recording, and taking photographs at its meetings that are open to the public - providing this is done in a non-disruptive manner. Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings. No filming or recording may take place when the press and public are excluded for that part of the meeting.

## Scrutiny Corporate and Resources 7 March 2024

Microsoft Teams meeting

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Passcode: Dmjaj4

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Minutes of a Meeting of the Scrutiny Committee - Corporate and Resources held in the Hollinsworth Hall, Canalside Conference Centre, Marsh Lane, Huntworth, Bridgwater TA6 6LQ, on Friday, 2 February 2024 at 10.00 am

**Present:**

Cllr Bob Filmer (Chair)

Cllr Henry Hobhouse

Cllr Martin Lovell

Cllr Brian Smedley

Cllr Simon Coles

Cllr Steve Ashton

Cllr Frances Nicholson

Cllr Tony Lock

Cllr Peter Seib

Cllr Mike Murphy

Cllr Dawn Johnson

Cllr Tom Power

**In attendance:**

Cllr Federica Smith-Roberts

Cllr Adam Boyden

Cllr Simon Carswell

Cllr Dixie Darch

Cllr Andy Dingwall

Cllr Liz Leyshon

Cllr Dave Mansell

Cllr Hazel Prior-Sankey

Cllr Bill Revans

Cllr Gill Slocombe

Cllr Richard Wilkins

Cllr Ros Wyke

The Revd Tobie Osmond

Cllr Hilary Bruce

Cllr Theo Butt Philip

Cllr Peter Clayton

Cllr Andy Hadley

Cllr Pauline Ham

Cllr John Hunt

Cllr Evie Potts-Jones

Cllr Leigh Redman

Cllr Heather Shearer

Cllr Sarah Wakefield

Cllr Gwil Wren

Ruth Hobbs

**Other Members present remotely:**

Cllr Shane Collins

Cllr Mandy Chilcott

Cllr Helen Kay

Cllr Adam Dance

Cllr Martin Dimery

Cllr Christine Lawrence

**66 Appointment of Vice Chair** - Agenda Item 1

Resolved that Cllr Henry Hobhouse was appointed as vice-chair.

**67 Apologies for Absence** - Agenda Item 2

Apologies were received from Councillors Collins (on-line attendance), Trimnell, Rodrigues, Soughton, Cottle, Ham and all provided substitutes.

**68 Declarations of Interest** - Agenda Item 3

Councillor Hazel Prior-Sankey declared a non-registrable interest as her husband was a street pastor in Taunton who used the CCTV service.

**69 Minutes from the Previous Meeting** - Agenda Item 4

Resolved that the minutes of the Scrutiny Committee - Corporate and Resources held on 4 January 2024 be confirmed as a correct record.

**70 Public Question Time** - Agenda Item 5

There was one Public Question submitted and a response was provided by the Executive Member.

**71 2024/25 General Fund Revenue Budget, HRA Revenue Budget and Capital Budgets** - Agenda Item 6

Overall Budget:

Councillor Leyshon introduced the budget proposal papers and Jason Vaughan as the S152 Officer went through the legal requirements to set the budget plus explained what a Section 25 statement covered, explaining that a report is needed on the robustness of the estimates in the budget and the minimal levels of reserves retained by the Council and this would be a separate report presented to Full Council.

There were a number of updates since the publication of the papers and these were



as follows:

- Saving options in Communities - CCTV service, sports and leisure facilities at Yeovil Recreation Centre
- Additional funding announced by Government
- Commercial Investment income following review of portfolio by JLL
- Business Rates income following completion of return
- Updated appendix on 2024/25 Budget consultation with notice that the figures may change again as the final finance settlement is expected on 5 February 2024.

The committee also received information on the request for Exceptional Financial Support made to Government to increase Council Tax by an additional 5% plus a further £40m to fund costs of transformation/re-sizing of the Council. Members then asked questions of the officers and Executive, requesting clarification on the following areas:

information on whether all services had put forward savings and whether there were any other options being held back? *Some savings could not be achieved within 2024/25 therefore would be included in following years, Transformation package will be considered by Corporate and Resources Scrutiny in March as not part of current savings proposals*

Budget monitoring and level of variance of budget for Scrutiny involvement? *Scrutiny and Executive receiving monthly updates and looking at favourable and unfavourable issues – early warning of issues arising and tracking of progress/actions*

SEND budget and whether the High Needs Block was impacting on budget and long term implications? *National issue with the projected figures/deficit to be funded by the Council, some authorities have had to have deals with Government, Somerset Council were not in this bracket at present and a Deficit Management Plan being worked on acknowledging that spend on High Needs Block and education system needed to be reduced but other issues coming into force – Scrutiny Children and Families will be tracking progress.*

It was confirmed that General reserves were adequate at present, however the use of them was not sustainable in future years.

Referring to the List of Pressures, would the costs rise and is there a time when the costs would be unachievable? *The projection for 2025/26 budget gap will be £104m and it was acknowledged this would be difficult to close down, reiterating that Local Government funding was broken.*

The committee then considered each Service in turn and the proposals for budget savings and summary of pressures.

### Community Services:

Chris Hall updated Members confirming that a lot of work and discussion was being undertaken with Parish and Town Councils in relation to devolution of various services, this has led to some services being taken on by other councils which included Yeovil Town Council confirming that they would take on the Octagon Theatre, Westlands, Yeovil Recreation Ground and Country Park for which work is still ongoing, especially around timescales and savings.

Confirmation was given that the Police would not provide any further funding for CCTV (£10,000), however discussions being undertaken for Parishes and Towns to contribute, especially if they were benefitting from the service.

Funding allocated for Bridgwater Carnival fencing and toilets were proposed to be withdrawn, however Councillor Slocombe considered that the funding was a health and safety issue and benefited the tourist industry within the County and was not just for Bridgwater, it was confirmed that the safety barriers would be in place however tourism and culture was not a statutory duty of the Authority. It was noted that there were discussions ongoing with Bridgwater Town Council to cover some of these facilities.

Work was progressing on the proposed closure of public toilets and also the locking up of public parks mechanism was being confirmed at present with relevant councils.

It was requested and agreed that regular updates on the devolution programme be provided to Scrutiny and also impact on Capital and Savings by any proposed responsibilities to Parishes. It was also requested that Parish and Town Councils be provided with training and assistance on the new responsibilities that they may be undertaking shortly with discussions being held with SALC currently.

There was also some discussion on the reduction of the grant to the South West Heritage Trust and highlighted the importance of local knowledge.

### Adult Services:

There were comments and questions about the work being undertaken in communities using local providers and micro providers, along with community care. Concerns were expressed with reducing the funding for Mental Health, Drugs and Alcohol services and whether this would lead to increased costs in the future, also whether there were alternative opportunities to the work covered by Discovery. Mt Life, My Future savings had not been met and the members asked whether this was being investigated as savings expected had been predicted to be higher.

Concerns were also raised in relation to the funding available for Preventative Services and Social Care grant as it was expected that costs will grow but that the grant from Government will not meet those costs.

It was clarified that the core services provided by CAB will continue to be funded as this was part of a separate Service Level Agreement, however the savings proposed was for additional services currently being funded and these will be reassessed for alternative provision including the use of Village Agents.

Members requested that updates be provided to scrutiny on the work being provided by parish and town councils within their community and also there was a need to assess the impact on communities, although it was noted that Equality Impact Assessments had been undertaken and updated on all savings proposals being put forward.

#### Children, Families and Education:

Concerns were raised with the number of SEND and psychologist posts being reduced together with the rise in numbers of cases being reported as this combined would make a big impact on families, however it was noted that EHCPs would be drawn up by internal staff as the current external contractor makes the process convoluted and this change would make the plans cost effective.

It was noted that alternative funding would need to be found for virtual schooling and supporting children in schools as children in care are not automatically able to receive pupil premium payments.

Discussion was also undertaken on the move of children to foster carers from care homes as this is considered better for the child and is also less costly than care homes.

It was reiterated that the Council kept the child as the most important factor with consistent staffing, along with the quality of work and that the risk to the “good” OFSTED rating should not be affected.

It was requested that quarterly reports were needed on delivery updates, High Needs and any impact on children and services.

#### Climate and Place

Cllr Darch and Cllr Wilkins detailed changes to the savings proposals: recycling centres may not close, pending a negotiation with the contractor to look at other ways costs could be reduced, and there were also changes to Highways Maintenance.

Concerns were raised about the impact on local residents and the environment of the recycling centres closing, and the wider context was provided of closures happening in other councils and that once a S114 was issued, more centres would likely be closed, as we are operating above statutory requirements. The long-term impact on road quality and parish and town councils was raised for the highway maintenance cuts, and what the resulting change in service standard would look like. Councillors also raised concerns about the cuts to bus subsidies, but were informed there were not any in the current savings proposals but a review would be undertaken.

Detail was requested on budget pressures relating to contract inflation – linked with government legislation around charges for certain materials and items needing specialist care. Detail was also given on the trial of black bags for recycling to reduce costs, currently being tested in Frome.

There was also concern about the remove of Transport Policy Officers, as they apply for funding and it would reduce potential future funding opportunities. Councillors stated this was a false economy, and recommended removing this saving proposal. Concern was also raised around School Crossing Patrols being a significant risk to safety. There was also discussion around the potential impact of increasing income from planning fees and savings relating to economic development. Concern about the flood team and advertising on highways was also raised, and the risk of digital exclusion due to changes to garden waste communication.

It was requested that Scrutiny receive quarterly updates on the issue of Recycling Centres and a number of other significant and high risk savings proposals. It recommended the withdrawal of the reduction in highways maintenance saving (CAP032) and of the transport policy post saving (CAP027).

#### Resources and Corporate

There were no comments made on these proposals.

#### Strategy, Workforce, and Localities

Members raised concerns around the reduction in scrutiny at a time of considerable financial pressure and the importance of robust scrutiny. They also proposed reducing funding to Local Community Networks in order to fund these, and a debate on the impact of LCNs followed.

Concerns were also raised about SRA and members allowances, and the combining of Audit and Constitution & Governance committees when looking at their forward plan. The removal of the Pathway to Employment Scheme was also highlighted as a saving which would have a considerable impact on vulnerable people.

It was recommended that a number of savings in this area be withdrawn, see table below for details.

#### HRA Budget 2024/25

Detail was requested on the Staff Changes pressure, and provided that it was relating to inflationary costs and the proposed restructure and business overhead to support HRA operations.

There were no recommendations for this budget.

#### Capital Budget Proposals

Detail was requested on Section 106 funding and Community Infrastructure Levies, how they are collected and how it is spent. There were also queries about funding for Rights of Way, and it was explained this would be reviewed as part of the Capital Review.

Decarbonisation work was highlighted, such as the Wellington Sports Centre decarbonisation, and it was raised as to why this hadn't been funded by grants, unlike other decarbonisation projects, and it was explained that in previous years and partially this year it had been funded by grants, and the costs only show the current year funding not from external sources.

No recommendations were made with regard to these savings.

#### **The Committee:**

- I. Scrutinised and commented on the draft budget proposals for 2024/25 and the proposed council tax increase, with reference to the cumulative impact assessment, individual equalities impact assessments and the budget consultation;**
- II. Scrutinised and commented on the proposed Housing Revenue Account budget for 2024/25;**
- III. Scrutinised and commented on the proposal Capital Budget for**

2024/25;

**IV. Agreed to make the following recommendations to the Executive:**

<b>Service Ref/title of budget proposal:</b>	<b>Proposed recommendation</b>	<b>Reason</b>
<b>OVERALL BUDGET</b>		
Capitalisation Direction and proposed additional increase to Council Tax - awaiting DLUHC approval	Scrutiny Committee to recommend to Executive and S151 Officer that it receives an update on the outcome of the capitalisation direction and council tax increase request at meeting on 7 March and if unsuccessful what mitigations are proposed	To ensure S114 is avoided
Developing the approach to Transformation (outline business case for Executive 7 February)	Scrutiny Committee to scrutinise the Outline Business Case at its meeting on 7 March	To understand the potential impact on Council services and delivery of Council Plan priorities
Level of General Reserves in 2024/25 and 2025/26 being sufficient and level of pressures for 2025/26 to avoid a S114	Scrutiny Committee to receive regular updates on the level of general and earmarked reserves in 2024/25 and projections for 2025/26, together with projected pressures for 2025/26 as part of monthly budget monitoring reports throughout 2024/25	Concerns whether the level of general reserves and potential pressures projected for 2025/26 will result in Section 114
<b>COMMUNITIES</b>		
Appendix 6 – pg 3		
Devolution of Services/Facilities to Parish/Town councils and pressures on Parishes	The Committee welcomes the partnership work being undertaken with Somerset’s Town and Parish Councils	To monitor the delivery of devolution proposals and

taking on these additional areas of work	and recommends that Scrutiny Committee for Communities receives quarterly update reports regarding the progression and delivery of devolution of various communities services and assets to Parish and Town Councils.	whether additional capacity is needed from Somerset Council to enable this
CMS 018 (pg 3 of Appendix 6 savings proposals) - CCTV	Scrutiny Committee for Communities to receive quarterly update reports regarding the progression and delivery of income generation proposals with relevant Parish and Town Councils to deliver the target value to avoid cessation of the CCTV service.	To monitor the delivery of alternative solutions to avoid cessation of the service and provide a 2024/25 and future years viable solution
CMS022 – Octagon Theatre in Yeovil  CMS038 – Westlands entertainment venue, Yeovil  CMS020 – Yeovil recreation Ground	Scrutiny Committee Communities to receive quarterly updates on the delivery of the devolution of specific assets and services to Yeovil town council as alternative solutions to these savings proposals.  To receive a quarterly update on the capital bid to DCMS and the potential capital investment in the Octagon Theatre	To monitor the delivery of these devolution proposals and the proposed capital project for the Octagon during 2024/25 together with delivery of any mitigations if unsuccessful
<b>Adults &amp; Health Services</b>		
Appendix 6 – pg 1		
Significant and high risk savings proposals	Scrutiny Committee Adults & Health to receive quarterly	To be assured on the delivery of the

	updates on the delivery of ADS 001, ADS 004, ADS 005, ADS 006, ADS 007 and ADS 011 and scrutinise any adverse impacts on service users, partners and providers	proposed savings and scrutinise any adverse impacts on service users
<b>Children, Families &amp; Education</b>		
Education & Inclusion	Recommend that Scrutiny Children & Families receive quarterly reports regarding the Deficit Action Plan for High Needs Block and Dedicated Schools Grant and the continuation of the statutory override	To maintain sufficient oversight on delivery of this plan and its mitigation of significant risks to the Council
Significant and high risk savings proposals	Scrutiny Committee Children & Families to receive quarterly updates on the delivery of savings proposals CFE 003, CFE 004, CFE 005, CFE 009, CFE 011, CFE 012, CFE 013 and CFE 014, together with scrutinising any adverse impacts on young people, partners and providers	To be assured on the delivery of the proposed savings and scrutinise any adverse impacts on young people
Service delivery and Ofsted rating of service for vulnerable children	Seek assurance from the Executive that the proposed savings proposals will not adversely affect outcomes for vulnerable children and the Ofsted rating that the Council has invested significant staff and financial	



	resources to achieve	
<b>Climate &amp; Place Services</b>		
Appendix 6 (savings) - pg 5		
CAP010 Household Waste Recycling Centres	Due to significant member and public concerns about the potential closures, recommend that Scrutiny Committee Climate & Place receive quarterly updates to scrutinise the potential options to deliver this savings proposal (CAP 010) and any adverse impacts on local communities	To scrutinise adverse impacts on local communities
Significant and high risk savings proposals	Scrutiny Committee Climate & Place to receive quarterly updates on the delivery of savings proposals CAP 001, CAP 002, CAP 007, CAP 012, CAP 036 together with scrutinising any adverse impacts on local communities and partners	To be assured on the delivery of the proposed savings and scrutinise any adverse impacts on local communities
CAP 027 Transport policy post	Recommend that the Executive withdraws the proposed saving CAP 027 (£70k) in order to ensure the Council can continue to adequately bid for external funding for its infrastructure and to fund the target saving instead from savings to Local Community Networks support costs	Concerns about lost opportunity for bidding for infrastructure funding
CAP032 reduction in	Recommend that the	Concerns over

highways maintenance	Executive withdraws the proposed saving CAP 032 (£330k) in order to continue existing levels of highways maintenance and to fund the target saving instead from Local Community Networks support costs	impacts to local communities and mitigate risks of reactive costs occurring
<b>Resources &amp; Corporate Services</b>		
No recommendations		
<b>Strategy Workforce &amp; Localities</b>		
SWL 001	Recommend that the Executive withdraws the proposed saving SWL 001	
SWL010 Reduction of Scrutiny committees	Recommend that the Executive withdraws the proposed saving SWL 010 in order to continue existing 5 scrutiny committees and support the increased frequency of their meetings and to fund the target saving and any additional costs from Local Community Networks support costs	Significant concerns over this proposal especially during a financial emergency when greater scrutiny needed.
SWL 006 Combine Audit and C&G Committee	Recommend that the Executive withdraws the proposed saving SWL 006 whilst the council is in a financial emergency and completing the further review work on the Constitution	Concerns that this will adversely impact on Council's governance framework

SWL007 reduction in size of some committees	Recommend that the size of each of the Planning Committees and Scrutiny Committees remains at 13 members	Concerns that reducing size of scrutiny and planning committees will adversely the democratic and local representation.
SWL012 - reduction of some SRAs	The proposed reduction in some SRAs is not in line with the Independent Remuneration Panel's recommendations and this saving proposal should be withdrawn and not be recommended to Council on 20 February	Concern regarding this proposal as impacting on democracy.
Local Community Networks	Recommend that the Executive reduce the council's budget for supporting Local Community Networks and instead share the costs of supporting these meetings with parish and town councils	Views that some of the costs to the Council of supporting the LCNs could be used to fund other savings proposals
<b>HRA Budget 2024/25 Proposals</b>		
No recommendations		

**(The meeting ended at 3.00 pm)**

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**CHAIR**

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**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 7 March 2024 at 10am Venue JMR, Deane House	Developing the approach to Transformation	Alyn Jones/Dawn Bettridge	
	Property Rationalisation & Ways of Working	Ollie Woodhams/Sara Kelly	Strategic Asset Management
	Financial Budget Monitoring Report Month 10 along with other financial updates	Nicola Hix	Finance
25 <sup>th</sup> April 2024 at 10am Venue JMR, Deane House	Council Business Plan	Paul Harding/Julie Jackson	Performance & Improvement
	Finance Report/Update	Jason Vaughan	Finance
	Property Rationalisation update	Ollie Woodhams/Sara Kelly	Strategic Asset Management

Early Careers Strategy - Clive Mallon/Emma McKee – TBC as bumped from March – June?

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

Title	Description	Date	Service Area and Lead Officer
Asset Review	List of Assets declared surplus; reasons & grounds for disposal – Leading to Draft Disposals Policy	November 2023 - COMPLETED	Wendy Kerlake/Sally Stark
Assets for Yield	Disposal of specific asset?	November 2023 - COMPLETED	Robert Orrett/Brendon Fisher/Harvey Gardner

**Other issues for consideration**

- Major building construction projects - summary of delivery programme and overview of process
- Estate decarbonisation & energy management

## Decision Report - Executive Decision

Forward Plan Reference: FP/22/10/03

Decision Date - 12/03/2024

Key Decision - **yes**

Confidential Information - NO



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## Delivering Economic Growth via Gravity Enterprise Zone

Executive Member(s): Leader of the Council, Lead Member for Economic Development, Planning & Assets

Local Member(s) and Division: All

Lead Officer: Mickey Green, Executive Director for Climate and Place

Author: Paul Hickson, Service Director for Economy, Employment and Planning, and Kinga Grabarczyk, Senior Economic Development Officer

Contact Details: [paul.hickson@somerset.gov.uk](mailto:paul.hickson@somerset.gov.uk) and [kinga.grabarczyk@somerset.gov.uk](mailto:kinga.grabarczyk@somerset.gov.uk)

### 1. Summary

- 1.1 This report sets out the first in a series of decisions associated with the planned occupation of a large part of the Gravity site near Bridgwater by Agratas, a wholly owned subsidiary of the Tata Sons Group. Agratas intends to rapidly build the UK's largest gigafactory on this site - a 40GWH facility producing electric batteries to power the UK's green growth. This is one of the largest investments ever in Somerset, delivering an expected c.4000 high-quality, permanent green jobs and other opportunities. Support for skills, training and supply chain should help this act as a catalyst for further inward investment and green growth across Somerset helping deliver on the Council's vision to *'build a fairer, greener, resilient, more flourishing Somerset that cares for the most vulnerable and listens to you'*.
- 1.2 Crucial to attracting this investment to Somerset has been the strategic approach of Somerset local authorities over numerous years - securing designation by national Government of the Gravity site as an Enterprise Zone (enabling the Council to retain all future business rates on the site until 2042), putting in place a Local Development Order on the site to ensure a simplified and accelerated planning regime, working with partners to build a southern access road to the site, and working in conjunction with the site owners, This Is Gravity Ltd and Government to attract international investors to the site. National Government

are providing significant financial support to attract this gigafactory to the UK, and an Investment Plan of £150m is crucial to both attracting this facility to Somerset, helping mitigate potential impacts, and crucially ensuring we capture the potential local benefits.

- 1.3 This investment plan is predicated on future business rates (i.e. we borrow the money up front and pay this back from future business rates) – something which is common to most enterprise zones around the country. However, the scale of this investment, the need for the investment to be undertaken prior to the full level of business rates income being received and the Council’s wider financial position makes this particularly challenging. The Council’s robust and proactive approach has continued – and we are in the advanced stages of finalising an “in principle” agreement for a non-repayable revenue grant of up to £55m from government to fully cover the revenue costs for the Council including all the costs of borrowing until the site is operational and the costs can be covered by Business Rates and a ten-year extension to the duration of the Enterprise Zone designation meaning that the Council will fully retain all Business Rates from the whole Gravity site until 2052 above the agreed baseline which was set at the outset of the original designation. Taken together this means this massive long-term financial and economic boost to the county would be at no extra cost to the council and with no negative impact on its wider finances. Verbal updates to Scrutiny and Executive will be provided (subject to confidentiality restrictions) on these negotiations.
- 1.4 Whilst the benefits to the whole of Somerset are significant, a project of this scale cannot be risk free. A key part of this paper is being open and transparent about these risks and the approach proposed to mitigate them. Crucial to our approach is ensuring that this significant investment benefits the whole of Somerset – for example through the work we will do on supply chain development and training and skills linking with all local FE colleges and schools, and how we build on that to support further green growth in Somerset whilst also supporting our existing businesses. We recognise there will be benefits to the wider region. Work on the Investment Plan is still ongoing to ensure that it delivers its multiple goals as best as possible within a finite limit (supporting the viability of their investment in Somerset, helping mitigate impacts, ensuring this investment delivers benefits for Somerset and its people and place) but also that the way we structure the process around investments de-risks the Council as far as is possible. As this work is commercially confidential and ongoing this will be the subject of further papers to Scrutiny, Executive and Full Council in due course.



- 1.5 Not all the decisions related to this huge project are proposed to be taken by Executive in March, instead this paper sets out those decisions that are urgent now – establishing appropriate governance for the Enterprise Zone to ensure transparency, setting out the principles of the Investment Plan and how it is funded, and crucially being clear on the risks and the proposed mitigation. It is anticipated that a further decision paper will be brought back through Scrutiny, Executive and Full Council setting out more details of the borrowing, how it will be financed at least risk to the Council, and what the Investment Plan will fund. We hope to bring these decisions through in April, though this is dependent upon decisions beyond our control, in particular successful negotiations with government around the grant and Enterprise Zone extension. Member and stakeholder briefings will be undertaken over this period. Further decision making to draw down funding from the investment plan would then be taken through the proposed Executive Sub-Committee, which will also have oversight of the large amount of work requiring many teams across the Council (funded by the project, not from our general revenue budget).

## **2. Recommendations**

### 2.1 The Executive:

- a) Welcomes the progress on the Gravity Enterprise Zone, the expected significant investment by Agratas in creating the UK’s largest gigafactory on the site and the potential benefits to Somerset.
- b) Endorses in principle the creation of the Gravity Locality Investment Plan (the ‘Investment Plan’) and the Council’s proposed approach to financing it and mitigating the risks associated with this scale of investment, as set out in paragraphs 6.1 to 6.9.
- c) Notes the ongoing work associated with finalising the Investment Plan and the financing of this plan to minimise the risk to the Council’s financial situation, and notes that this will be the subject of a future report proposing the Executive recommend to the Full Council an amendment to the Council’s Capital Strategy and Treasury Management Strategy to accommodate the investment.
- d) Delegates authority to the Executive Director for Climate and Place in consultation with the Section 151 Officer to complete negotiations on an extension to the Enterprise Zone designation and to agree the terms of any grant from the Department for Business and Trade, as set out later in this report.

- e) Agrees to establish a Gravity Enterprise Zone Executive Sub-committee (as set out in section on legal implications) and delegates authority to the Executive Director for Climate and Place in consultation with Lead Member Economic Development, Planning and Assets to develop the Terms of Reference and detailed governance arrangements.
- f) Approves the establishment of the advisory Governance Groups required by the Gravity Local Development Order (LDO) Section 106 Agreement and for Officers from Somerset Council to be represented on these groups, and delegates authority to the Head of Planning / Chief Planner to complete the governance arrangements outlined in the legal implications section of this report.

### **3. Reasons for recommendations**

3.1 The recommendations outlined in this report reflect the confirmation from Agratas that they intend to invest to create a gigafactory in Somerset, to ensure that members are aware of their intentions and what it means for Somerset and Somerset Council. There will be future papers coming to Scrutiny, Executive and Full Council, so this paper sets the context for those further decisions, and proposes we take the decisions we need to take now around:

3.1.1 Establishing the governance of the Local Development Order (LDO) and the Enterprise Zone so that we can make decisions at pace but with the right level of transparency and stakeholder involvement.

3.1.2 Delegating authority to officers so that we can finalise the detail of the grant and Enterprise Zone extension so that the Council can have confidence that the scale of Investment Plan needed to attract this opportunity to Somerset can be delivered without adversely affecting on the Council's finances. We do not intend to bring forward to Full Council (via Corporate and Resources Scrutiny and Executive) any recommendations until we have full confidence in the Investment Plan and confirmation on the support from Government (i.e the final grant offer letter and ministerial letter to confirm the extension of the Enterprise Zone) to enable it.

3.2 More importantly this paper aims to ensure that the benefits and risks are clear to the Executive around the borrowing necessary to fund around £150m investment in line with the Investment Plan. The Council's commitment to any

borrowing is predicated on concluding negotiations and agreeing a grant offer of up to £55 million from the Department for Business and Trade (DBT) that will provide funding in the early years to fully cover the costs of necessary revenue spend including borrowing and repayment, and securing through the Department of Housing, Levelling Up and Communities (DLUHC) an extension of the Enterprise Zone status from 2042 to 2052 to help ensure that the development generates enough business rates income to repay the Council's initial investment. This approach is designed to manage the implications on the Council's finances for the duration of the project. The investment fund of £150 million focuses solely on the needs of a potential gigafactory occupier of the site. Any further development on the site will deliver further business rates and enable the scope and the outcomes of the Gravity Locality Investment Plan to be reviewed.

#### **4 Other options considered**

4.1 Alternative options considered by Somerset Council, with reasons for rejecting them, are outlined below:

- **Not bringing forward a decision paper until the investment plan and an up to £55m grant and 10 year Enterprise Zone extension were agreed:** This was rejected as on such a significant decision for the Council it was felt that two stages of decision making was more appropriate, firstly because delaying until these are in place would put at risk delivery of the project by not setting up the necessary governance, and because staging the decision-making enables us to discuss the principles and risks before then dealing with the detail on an investment of an unprecedented scale for this Council.
- **Not committing to borrowing against Business Rate income uplift from the Enterprise Zone.** This option has been rejected because it would significantly jeopardise the delivery of the Gravity Enterprise Zone and the realisation for Somerset of the economic potential and community benefits as a result of early delivery of the site. The capital funds to be secured by this borrowing are essential to making the Gravity site attractive to strategically significant inward investment, bringing forward on- and off-site infrastructure at critical stages and ensuring that Somerset as a locality can benefit from the economic opportunities that will follow. In addition, the Investment Plan, in conjunction with national government support, is a crucial part of attracting this inward investment to Somerset and the UK. Additionally, delivering strategic

inward investment at the Gravity site at this stage in the life of the Enterprise Zone also improves the prospect of further investment in the wider site, and hence further Business Rates income being available for investment in wider economic growth opportunities across Somerset.

- **Deferring borrowing until such time that the site generates business rates income.** This option has been rejected because it would significantly jeopardise the delivery of the Gravity Enterprise Zone. Without forward funding essential infrastructure, it is extremely unlikely that any development will take place that might generate future business rates income. The investment of up to £150m will provide the necessary investment into the site infrastructure needed to deliver a gigafactory. By nature, the investment into infrastructure components needs to take place ahead of any development becoming operational. The up to £55m grant (which we are in the advanced stage of finalising an “in principle” agreement with Government) seeks to ensure that local taxpayers do not face the costs of borrowing until Business Rates start flowing.

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

- 5.1 The proposals in this report represent a unique opportunity to significantly impact the Council’s ambitions for Somerset as set out in the Council Plan. Specifically, development of the Gravity Enterprise Zone and particularly the proposed Agratas gigafactory investment will contribute to:
- **A Greener, More Sustainable Somerset** – the creation of a clean manufacturing campus at the site and the major investment in electric vehicle battery manufacturing will play a significant role in achieving local and national net zero targets.
  - **A Flourishing and Resilient Somerset** – attracting a major new employer with significant growth potential, along with the scope for considerable associated investment, will have a transformational impact on Somerset’s economic performance. There will also be a range of potential supply chain and employment benefits across Somerset and a strengthened and improved external profile for Somerset with scope to attract further inward investment.
  - **A Fairer, Ambitious Somerset** – the establishment of an advanced manufacturing sector of the future in Somerset creating significant numbers of new jobs (circa 4000 linked to existing planned investment) will have a positive impact on average earnings in Somerset which are persistently below the national average. The proximity of the site to communities in need of levelling up (including Bridgwater and Highbridge) coupled with skills development measures and work to raise awareness and ambition among

young people about career opportunities linked to the gigafactory will also address inequalities across the whole of Somerset, with work with FE colleges and schools across Somerset crucial to realising the potential benefits across our whole geography.

- **A Healthy and Caring Somerset** – the Gravity Locality Investment Plan includes measures to promote active travel to the site which will also bring health and wellbeing benefits, both to the workforce and through wider use by local communities in the vicinity of the Enterprise Zone. In addition, the creation a significant number of secure and well-paid jobs, both directly at the site and through supply chain and economic multiplier effects across Somerset, will bring improve wellbeing for Somerset residents.

5.2 The proposals in this report reconcile facilitating transformational projects without detriment to the Council’s Medium Term Financial Plan (MTFP) position by:

- seeking to secure a grant of up to £55m to ensure that both the borrowing costs and revenue costs (including relevant staffing costs) associated with the project are fully funded until business rates flow into the Council.
- seeking to secure a 10-year extension to the Enterprise Zones so that the Business Rates from the gigafactory (when combined with the grant) fully cover the costs of the Investment Plan and the borrowing costs associated with it. It should be noted that this extension would mean that the Council would benefit from business rate retention for a longer period from development across the whole Enterprise Zone site (beyond the currently proposed gigafactory) and hence supporting the long term sustainability of the Council.

## **6. Financial and Risk Implications**

6.1 To enable this £4bn investment in Somerset the Council will fund a £150m investment through borrowing (subject to future Full Council decision making) at a time when it is under severe financial pressure. Ultimately this borrowing will be paid back by the business rates generated on the site and retained by Somerset Council. Through ongoing negotiations with central government, the Council is expecting to secure a grant and a time extension to the Enterprise Zone status, which together assure the investment is viable and can be paid back without negative impact on the Council. The Council will review the terms and conditions of the grant once “in principle” agreement is received to ensure that these are manageable in terms of risk.

- 6.2 The draft Gravity Locality Investment Plan will provide a framework for investment, together with high level headings and indicative capped amounts. Any party proposing to support the development through the investment plan will bear the risk of any cost increases, delays, unexpected costs, etc. The Council's investment will be limited to the sums agreed. Robust governance and suitable contractual conditions will seek to ensure that we limit our risk by linking investments to the outcomes expected, and in particular to the expected business rates receipts, as a failure to realise the future expected business rates receipt is probably the most significant risk facing the Council in relation to this investment.
- 6.3 As the Council proposes to borrow the funds necessary to realise the investment, key risks lie with the cost of borrowing (especially future interest rates raises) and the potential impact on Council's finances. The borrowing is predicated on future business rates received, meaning any changes to predicted level of income collected from future development on the Gravity site will have an impact on the level of funds available to the Council. Business rates valuations, local multipliers, delays to the delivery of the premises will directly impact Council's future income and ability to repay any borrowing. The gigafactory is only likely to occupy a proportion of the site acquired by Agratas, and further development on the remainder of the land they have acquired or the proportion of the site retained by the developer (ca. 25% of the overall developable area) will help mitigate the risks as it will deliver further business rates to be retained by the Council. Amendments to the Council's Treasury Management strategy will be needed by Full Council when the recommendations on the Capital Strategy are taken.

### **Financial modelling**

- 6.4 In 2022 Sedgemoor District Council and Somerset County Council jointly commissioned Cushman & Wakefield to develop a bespoke financial model to underpin the Councils' financial decisions to utilise borrowing against future business rates income retained on the Gravity EZ site. The modelling formed the basis for a local component of a UK Government offer to attract Tata Sons to choose the Gravity site as a location for this nationally significant investment. It was envisaged at the time that the total site could generate enough business rates income over the lifetime of the Enterprise Zone status to support up to £200m upfront enabling investment into the site. In 2022 when a gigafactory occupier was expected to take up around 75% of the developable area of the site it was shared with government that the investment plan value related to this use would be around £150m. The financial modelling reflected a range of sensitivities

due to the uncertainties at that time, including the size of buildings expected to be rateable, rateable values per square metre, interest rates, and amounts borrowed.

- 6.5 In the Summer of 2023, the Council undertook further work to refine the model. Utilising internal resources, the Council developed its own financial model based on the most up to date assumptions, specifically around the potential development confidentially shared by Agratas, including its scale and timescales, but also worsened macroeconomic factors (in particular interest rates). It became apparent that whilst the gigafactory is still anticipated to deliver the same output in terms of batteries, the initial development footprint is significantly smaller than previously anticipated which would result in much lower income from the retained business rates over the life of the Enterprise Zone. This led to the discussions with Government Departments regarding a grant and an extension to the timescale of the Enterprise Zone designation. A number of other assumptions were also updated to reflect the Council's prudent approach to borrowing and expected future income and changes to macroeconomic factors, like inflation and interest rates.

#### **Revenue Grant from DBT and extension to the EZ designation**

- 6.6 The Council's financial position has become more challenging due to various external factors (in particular pressure on the adult social care funding system nationally and its impact in Somerset where we have been successful in holding rates low for many years), affecting the Council's ability to consider any proposed borrowing and impact on revenue accounts and staffing. Additionally, the updated model showed a reduction in the predicted business rates income that could be generated from the site making the £150m investment financially unachievable without taking mitigating action to ensure that Somerset still benefitted from the huge benefits and opportunities the gigafactory will provide.
- 6.7 The Council started discussions with the Department for Business and Trade (DBT) to develop a solution that would enable the Council to fulfil the ambition to support the investment into the Gravity site whilst having a neutral impact on the Council's financial position. Linked discussions with Department for Levelling Up, Housing and Communities (DLUHC) also started to extend the life of the Enterprise Zone status for additional 10 years to make the Investment Plan deliverable.

- 6.8 The financial model developed in house was used to evidence the need for the Government's intervention to make the project financially viable for the Council. The Council was asked to submit a business case to support a non-repayable revenue grant of up to £55m that would cover the cost of delivering the Investment Plan until such time that the business rates income generated by the Gigafactory covered it. If agreed, the grant will cover the cost of borrowing of up to £134m to deliver capital investment, £15.5m to deliver revenue programmes, and £5.4m to cover the staff costs associated with the delivery of the project. The Council is developing a coordinated planning programme with the Site Owners and discussing the potential options for ensuring appropriate resources are in place to manage and coordinate multiple parallel workstreams to facilitate the start of works on site to meet expedited timescales, and to secure further occupier(s) on site.
- 6.9 In addition a business case has been presented to DLUHC to support an extension of the Enterprise Zone designation for 10 years till 2052 to account for much smaller predicted business rates uplift from the gigafactory and to ensure that the Council's borrowing can be repaid in full through the retained Business Rates uplift. It is envisaged that once the investment is fully operational the project will become self-funding. Any further investment delivered within the Enterprise Zone boundary could create an additional income stream for the council that could be used to further de-risk the Council's investment and could deliver further benefits for Somerset.
- 6.10 The two tables below summarise the key risks associated with matters included within this report. Both impact and likelihood of those risks have been scored from 1-5 and mitigation measures have been proposed. A comprehensive programme risk register is maintained and further risks will be reflected alongside further decision papers taken through the Council's formal governance, for example in relation to the impact on Somerset's housing market.

## **Key financial risks and proposed mitigation measures**

<b>1. Increased project costs</b>
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<b>Likelihood</b>	<b>3</b>	<b>Impact</b>	<b>2</b>	<b>Risk Score</b>	<b>6</b>
The Gravity Locality Investment Plan and subsequent business cases will specify Council's maximum contribution and will be capped at that. Any increase of project costs will be the responsibility of the applicant to the Investment Plan (noting that there may be different applications for different projects).					
<b>2. Changes to the cost of borrowing</b>					
<b>Likelihood</b>	<b>3</b>	<b>Impact</b>	<b>4</b>	<b>Risk Score</b>	<b>12</b>
The Council will only borrow what and when is necessary to minimise the risk and the cost to the Council. Putting measures in place to protect the Council from volatile interest rates changes will be crucial to protect Council's finances. In addition to borrowing through the Public Works Loans Board the Council is in discussion with the UK Investment Bank to identify the most appropriate and affordable route. Until business rates flow the borrowing will be fully financed by the up to £55m grant currently being negotiating with Government.					
<b>3. Change in business rates valuation</b>					
<b>Likelihood</b>	<b>2</b>	<b>Impact</b>	<b>4</b>	<b>Risk Score</b>	<b>8</b>
External risk out of the Council's control. Modelling based on prudent assumptions to allow for realistic value of future business rates income.					
<b>4. Changes to national business rates policies</b>					
<b>Likelihood</b>	<b>2</b>	<b>Impact</b>	<b>4</b>	<b>Risk Score</b>	<b>8</b>
External risk out of the Council's control which would significantly impact multiple local authorities. Modelling based on prudent assumptions to allow for realistic value of future business rates income. Focus to deliver further investment beyond a gigafactory to de-risk the investment and expand potential income stream.					
<b>Loss of business rates income</b>					
<b>Likelihood</b>	<b>3</b>	<b>Impact</b>	<b>5</b>	<b>Risk Score</b>	<b>15</b>
External risk outside the Council's control. The Council will actively engage with Government departments to ensure alternative occupier or use is secured if needed. The Council will seek to ensure that terms and conditions of any funding provided to Agratas links to the receipt of the expected level of business rates income.					

### **Other key risks and proposed mitigation measures**

<b>1. Reputational risk due to non-delivery</b>					
<b>Likelihood</b>	<b>2</b>	<b>Impact</b>	<b>4</b>	<b>Risk Score</b>	<b>8</b>
Working closely with central government departments to ensure the investment and benefits for locality, region and UK plc are realised. The delivery timetable is likely to be rapid given the importance of this project to the UK's industrial strategy, and hence the work to ensure there is revenue support for our staffing costs and to ensure a full project team is put in place urgently to reflect the move to the next stage of delivery. Programme management, finance, planning and permitting resources are amongst the urgent resource needs.					
<b>2. Council's financial position</b>					
<b>Likelihood</b>	<b>2</b>	<b>Impact</b>	<b>4</b>	<b>Risk Score</b>	<b>8</b>
Robust modelling and support secured from government in the form of a grant and Enterprise Zone extension ensure that the project delivery will not have an adverse impact on the Council's financial position and that the Council will have the necessary resources to deliver the project. Entering into appropriate legal agreements with Government and the site occupiers ensures that the project can continue even if a s114 notice was declared. Oversight through the proposed Executive Sub-Committee and monitoring by Scrutiny Committee.					
<b>3. Project benefits realised elsewhere and not shared across Somerset</b>					
<b>Likelihood</b>	<b>2</b>	<b>Impact</b>	<b>3</b>	<b>Risk Score</b>	<b>6</b>
The Council is working with partners to develop skills, training, supply chain and further inward investment programmes, learning from our experience with Hinkley Point C to maximise benefit realisation locally and deliver transformational change across the whole of Somerset					

## 7. Legal Implications

- 7.1 There are no immediate legal implications arising from a decision by the Executive to approve in principle the funding of investments in the Enterprise Zone by way of borrowing. However, should the relevant capital strategy constraints be amended by Full Council in order to allow such borrowing, then a

future decision to undertake the borrowing will trigger a number of significant legal implications, including in relation to:

- (i) the terms of any loan agreement(s) between the council and its lender(s),
- (ii) the legal agreements required to deliver the investments (including grant funding agreements with funding recipients and contracts between the council and those suppliers/contractors delivering the investments), and
- (iii) the council's compliance, when making the investments, with the subsidy control regime and public procurement law. These legal implications will be set out for the relevant decision maker at the appropriate time.

7.2 The terms of the funding agreement with the Department for Business and Trade and the confirmation the Department for Levelling Up, Housing and Communities relating to the extension of the Enterprise Zone will impose legally binding obligations on the council and these will need to be reviewed by Legal Services before the Executive Director for Climate and Place authorises the council to enter into these agreements.

7.3 Governance arrangements for the implementation of the Enterprise Zone must set out the authority and terms of reference for the relevant decision-making body (for example, the proposed Enterprise Zone Executive Sub-Committee). Where that body is taking decisions which purport to bind the Council, such decisions must be taken within the scope of the authority delegated to that body. The governance proposed is as follows:

#### Proposed Executive Governance

7.4 In relation to the groups that will facilitate the delivery of the Gravity Enterprise Zone and govern the Gravity Project, there will be:

- One formal decision-making Governance Group; and
- Three advisory Governance Groups that are required to be set up by the Gravity Local Development Order (LDO) Section 106 Agreement (s.106 Agreement).

7.5 Together they constitute the "Governance Groups" for the Gravity Project. In addition to these governance groups a local community forum (including local members and other key local stakeholders) is proposed to be established, as is a wider member forum open to all Somerset Council Councillors to ensure full transparency in this significant programme. It is important to note that only Somerset Council, through the proposed Gravity Enterprise Zone Executive Sub-

Committee, can make a decision on individual investments based on submitted business cases in line with the agreed Investment Plan. Whilst the LDO advisory Governance Groups will have a useful advisory role in the consideration of mitigation requirements, they have no formal role in the financial decision-making process associated with the Investment Plan. It is anticipated that the Corporate and Resources Scrutiny committee will have an ongoing role as the project moves into delivery phase, but as other Council scrutiny committees may also have an interest, exactly how we ensure appropriate scrutiny of this significant programme will be something which is discussed further with scrutiny chairs.

#### *Formal decision-making Governance Group*

7.6 It is proposed that a Gravity Enterprise Zone Executive Sub-committee is established as a strategic decision-making body to drive the delivery of the Enterprise Zone. It is proposed that the membership includes: The Leader of the Council, Lead Member for Resources and Performance, Lead Member for Economic Development, Planning & Assets, Lead Member for Transport and Digital, and Lead Member for the Environment and Climate Change. It is envisaged that the Sub-committee will be supported by a group of senior decision-makers that will have responsibility for day-to-day operations, including LDO compliance, and will act within their delegated authorities to make operational decisions. Support will be provided by a core delivery team from across a variety of services to expedite delivery and to respond to the procedural, compliance, financial and contract management requirements of delivering the Gravity Enterprise Zone. Future investment decisions will be made in line with the Council's governance procedures, be in line with the Gravity Locality Investment Plan and based on HM Treasury Green Book compliant business cases and subsidy control regime. The proposed scope for the sub-committee is as follows:

- Develop and agree the Gravity Locality Investment Plan which will set out priorities and projects needed to maximise the potential of the Gravity Enterprise Zone.
- Monitor delivery, risks, outputs and outcomes from the site, both related to overall delivery and site-specific projects.
- Oversee and assist with maximising the benefits for the whole of Somerset and the potential of the site, including oversight of delivery of relevant project activity such as championing clean growth and a progressive economic vision,

transport innovation and inward investment projects, funding applications, business support matters, and other relevant matters.

- To approve third party funding applications and expenditure by the Council and to monitor compliance with funding agreements to deliver the investment priorities set out in the Gravity Locality Investment Plan in line with the Council's constitution.

### *Advisory Governance Groups*

7.7 Three advisory Governance Groups must be established by the Site Owner in agreement with the Council in accordance with Schedule 2 of the Gravity LDO s.106 Agreement (dated 23 February 2022):

- Gravity Strategic Management and Delivery Team (GSMT)
- Transport and Infrastructure Management Group (TIMG)
- Environmental and Social Value Group (ESG)

7.8 The objectives and roles of the three advisory Governance Groups are defined in Schedule 2 of the Gravity LDO s.106 Agreement to include (but not limited to):

Gravity Strategic Management and Delivery Team (GSMT):

- *Strategic oversight of the impacts of carrying out and operating the Development on the Development Site, and mitigation of those impacts (including through the operation of the Mitigation Checklist procedure.*
- *Advising and assisting Occupiers in the delivery of any part of the Development including compliance with this Agreement.*
- *Such other matters as the parties to this Agreement may agree which pertain to the delivery and management of the Development.*

Transport and Infrastructure Management Group (TIMG):

- *A responsibility for assisting Occupiers to identify measures to be specified in the Mitigation Checklist that mitigate the impacts of the Development in relation to all matters of transport, the local and strategic road network (with first priority to be given to allocating funds for the improvement of the A38/A39 Dunball Roundabout), related transport infrastructure, travel planning and the decarbonisation agenda.*
- *Such other matters as the parties to this Agreement may agree which pertain to the transport infrastructure relevant to the Development.*

Environmental and Social Value Group (ESG):

- *Responsibility for assisting Occupiers to identify measures to be specified in the Mitigation Checklist that relate to environmental and social value, and for ensuring that necessary measures as set out in the Mitigation Checklist are implemented to mitigate the impacts of Development.*
- *Such other matters as the parties to this Agreement may agree which pertain to the environment and social value as may be relevant to the Development.*

7.9 Terms of Reference (TORs) for the Governance Groups were drafted by Officers at Sedgemoor District Council (SDC) in agreement with the Site Owner in 2022. The terms of reference for each advisory Governance Group above have been reviewed to reflect the formation of the new unitary authority.

## **8. HR Implications**

8.1 The management and delivery of the Enterprise Zone, the facilitation of investment at the site including a proposed gigafactory and work to ensure the fullest economic benefit and legacy from this will require staffing capacity and capability from the Council across economic development, planning, highways and infrastructure and other services (e.g. education and ecology). These costs will be financed as a result of the Enterprise Zone, including the grant the Council is in advanced stages of finalising an “in principle” agreement with DBT. In addition, the Council is discussing with the site owners the potential options for ensuring appropriate resources are in place to manage and coordinate multiple parallel workstreams to facilitate the start of works on site. Close liaison will be needed with the transformation programme team to ensure the staff resources necessary for delivery are identified and where funded are protected. As we move into the next phase of this programme it will be crucial that we can bring on board appropriate resources as quickly as possible, particularly in terms of planning and programme management.

### **Other Implications:**

## **9. Equalities Implications**

9.1 There are no specific equalities implications arising from this report. However, it is recognised that there are potential impacts of this development that will need to be considered. It is proposed that those impacts are identified and analysed when the further report is taken through Scrutiny, Executive and Full Council and a full Equalities Impact Assessment will be prepared then.

## **10. Community Safety Implications**

10.1 There are no significant community safety implications associated with this report at present. As the project progresses this will be monitored and learning from other major projects, e.g. Hinkley Point C will be incorporated. Whilst we do not have full details of the construction programme, ultimately it is a much smaller and quicker construction project than Hinkley Point C.

## **11. Climate Change and Sustainability Implications**

11.1 The Local Development Order adopted by Sedgemoor District Council in February 2022 was designed to ensure that the site fulfils the vision for Gravity to be a “smart campus” focussed on clean growth and a shift to a low carbon economy. Recent enquiries for the site to host a gigafactory are in line with this vision, with the UK Government seeing the site, given its scale and location, as prospectively one of a series of gigafactories needed for the transition to electrified transport systems and position the UK as a leading economy for electrical vehicle and components manufacturing. The infrastructure investment to be financed by the capital borrowing proposed in this report will be critical to facilitating this outcome, in line with the sustainable economic development priorities of the Somerset climate emergency strategy and Somerset Plan. The Gravity LDO includes the requirement for a green travel plan and puts emphasis on reducing the need to travel, reducing travel distances, improving access and choice for pedestrian and cycle movements, micro-mobility measures, improvements to public transport connectivity and potentially re-connecting the historic rail link. Key design principles for the development also include prioritising pedestrian, cycle and micro-mobility movements and accommodating high levels of public transport provision. It is anticipated that the Investment Plan will support the realisation of these crucial elements of the development. Whilst it cannot be quantified, hosting the UK’s largest gigafactory puts Somerset on the map as a key player in the green growth agenda, and we would expect to see supporting development come to Somerset as we develop a comparative advantage in this area, including through the skills we expect to develop in our local population.

## **12. Health and Safety Implications**

12.1 There are no health and safety implications associated with this report. However, associated applications for various consents and compliance to implement development on site will consider Health and Safety implications in detail through existing processes and procedures.

### **13. Health and Wellbeing Implications**

13.1 The proposal in this report is expected to lead to positive health and wellbeing implications. The Gravity LDO includes the requirement for a green travel plan and as part of this cycling will be encouraged as a travel to work mode to the site. Cycling has proven health benefits and investment via the Gravity locality investment plan, aligned with measures in the A38 corridor into Bridgwater, for which funding has been secured from Government via the Levelling Up Fund, will provide improved infrastructure for this.

13.2 The role of the Enterprise Zone in stimulating economic growth and its potential to generate a significant number of jobs that are more highly paid than Somerset average earnings provides a strategic opportunity to reduce health and social inequalities in the working age population of Somerset. The Gravity site is located close to Bridgwater, Burnham on Sea and Highbridge, towns which contain several neighbourhoods among the 20% most deprived in England according to the Indices of Deprivation produced by the Government in 2019. It is important to note that the large employment opportunity created by the gigafactory will reach out across the whole County. The themes and priorities of the Gravity Locality Investment Plan, which is being developed in consultation with the partners, will include measures to enable local people to take advantage of the job opportunities arising from the site, including a focus on equipping people with specialist skills required by future occupiers. The Council aims to work closely with local schools, FE and HE providers to ensure training and upskilling opportunities are available to residents across the whole of Somerset. As well as addressing the future workforce requirements of occupiers this targeted approach is designed to maximise benefits to the locality and to capture the transformational potential of the site to make an enduring impact on social inequalities across Somerset.

13.3 The site will be accessible by a range of sustainable travel modes whilst accessibility within it will focus on walking, cycling and micro-mobility solutions as supported by the parameters of the LDO. The smart campus vision for the site seeks the foundations for accelerating and transforming growth whilst simultaneously supporting decarbonisation of transport, creating good jobs and realising positive social outcomes for local communities.



## **14. Social Value**

- 14.1 The proposals in this report will generate significant social value for Somerset through the infrastructure investments, the requirements of the Local Labour Agreements and Skills Charter, the work planned to support the creation of opportunities for small and medium enterprises to be part of supply chains and developing employment, skills and training opportunities for less advantaged groups. Individual investments financed via the proposals in this report will include assessment of their social value implications as part of the business case assessment undertaken. In addition, the commitment of Agratas to working closely with the community is expected to deliver further social value which cannot be quantified at this point in time.

## **15. Scrutiny comments / recommendations:**

- 15.1 The proposed decisions have been considered by the Corporate and Resources Scrutiny Committee on 7 March 2024 and verbal feedback will be provided to the Executive.

## **16. Background**

### Benefit realisation to Somerset

- 16.1 Securing a gigafactory investment will have long-term transformational impact on the Somerset and wider regional economy. It will position Somerset in a pivotal role in delivering the Government's strategy to establish a leading role for the UK in the clean automotive sector. It will also act as a catalyst for further advanced manufacturing growth in Somerset, both within the Gravity Enterprise Zone and beyond, benefiting from the enhanced profile for our area, investment in skills and improved infrastructure. Directly the addition of Agratas to the Somerset business community provides potentially in excess of 4,000 long term job opportunities, many in highly skilled occupations which do not currently feature locally.
- 16.2 The establishment of a major new employer in Somerset in a strategically important sector linked to the net zero agenda will create critical mass in the local economy. In addition to the job opportunities and growth provided by the initial investment because electric battery manufacturing is an emerging

industrial sector there is scope for further growth to supply further companies in the automotive sector and diversification into other markets. As an early mover in this sector there are opportunities for Somerset to be at the host for innovation associated with this technology, including collaboration between industry, universities and institutions such as the national network of manufacturing catapult centres.

- 16.3 The Council will deploy lessons learnt from Hinkley Point C project, working with Agratas and local skills providers to maximise the career and employment opportunities for Somerset residents. Whilst Bridgwater and Taunton College will have a key role in this, reflecting their experience on Hinkley Point C, to be successful this will need to reach out across Somerset to schools and to all FE colleges. There is also a site-wide local labour agreement framework which will ensure that the opportunities created by the project are offered locally in the first instance and will require any operators on site to create learning and upskilling opportunities for the local workforce.
- 16.4 Through work with schools and colleges and local universities there will be a number of opportunities to inspire young people about the opportunities that will result from the Agratas investment and to benefit the local labour force across Somerset (and realistically beyond) and those that will enter the job market in the coming years, to gain new skills, develop their knowledge and benefit from higher quality local employment.
- 16.5 The LDO s.106 Agreement requires the site owners and all future occupiers to comply with the Skills Charter for the Gravity site. Building on the learning from Hinkley Point C, the Skills Charter sets out the high-level principles and objectives for the Gravity site, from which parcel / occupier specific Employment and Skills Plans will be developed to deliver benefits to the local community, Gravity, and its occupiers.
- 16.6 In addition to skills development there will also be significant associated investment, supply chain and economic multiplier benefits for the local economy and a catalyst to reduce inequalities within the county and create opportunities for those areas that are most deprived. Again, there is the opportunity to apply best practice from the Hinkley Point C project to ensure supply chain benefits across Somerset – including mapping capacity and competencies, promoting supply chain readiness and encouraging collaboration among SMEs to supply at scale where appropriate. The benefits should help to address some long-term deprivation issues especially in those communities close to the site, but positive

outcomes should span across the entire Somerset geography, especially with the focus on public transport connectivity to the site.

- 16.7 It is expected that the presence of the gigafactory, the infrastructure, training and skills opportunities and supply chain development work will lead to further investment in Somerset. Gigafactory investment in Somerset represents a long-term investment in an emerging industrial sector and, working with regional and national partners, a long-term strategic approach is essential to capturing the maximum transformational benefit to our economy in Somerset and in the South West as a whole. Learning from Hinkley it is also recognised that we will need to support businesses that risk losing staff to the gigafactory or experience other impacts needing supportive interventions.
- 16.8 The LDO s.106 Agreement requires the site owners and all future occupiers to comply with the Business Charter for the Gravity site. The Business Charter is a commitment to take action within their own organisations and sectors to contribute to clean and inclusive growth. Building on the learning from Hinkley Point C, the Charter acts as a guide in terms of engagement with supply chains and local business, setting expectations for that engagement and ensuring alignment with the key strategies and policies of the LDO to deliver a clean and inclusive smart campus.

#### Gravity Locality Investment Plan

- 16.9 Bringing forward a site of the scale, complexity and past heavy industrial legacy (see Appendix A for the history of the site) will require significant investment. While responsibility relating specifically to the site will fall primarily upon the developer and end user(s), viability issues are likely to affect the deliverability of aspects of this. Significant investment is required to ensure that the Gravity locality and wider area of Somerset have the infrastructure and resources to enable businesses and the local workforce to be able to benefit from the economic opportunities resulting from the gigafactory. The objective of the Gravity Locality Investment Plan is to deliver the Gravity Enterprise Zone in a timely way, whilst creating the right environment for businesses to locate and grow and to support investment projects across the immediate locality to transform the economy. Identified priorities will therefore be aimed at directly supporting site delivery but also considering appropriate opportunities as to how business rates income can be leveraged to add value to other funding bids and to attract additional investment through strong business case submissions. This

will seek to ensure positive outcomes for the locality and the whole County. For these reasons the Council will:

- position the Investment Plan so that it meets strategic investment requirements linked to the needs of the gigafactory and delivers economic, social and environmental benefits to Somerset. This will help to realise the vision and development principles for the site and ensure that value for money for public investment is secured alongside investment by the developer and end user(s);
- ensure that the Investment Plan is aligned to the principles and benefits of the Gravity site's Enterprise Zone status. This involves the potential to finance capital resources for delivery of the locality investment plan by borrowing against the retained uplift in business rate income from the Enterprise Zone, and
- undertake work to scope an Investment Plan as a framework for these investment needs. This plan is indicative at present, with further work ongoing to develop the plan to form a funding framework. The broad headings that have been identified as potential priorities for investment include:
  - strategic access and road infrastructure
  - necessary on-site infrastructure (e.g. energy connections)
  - abnormal site preparation costs
  - training facilities and programmes
  - Supply chain and local infrastructure
  - Transport mitigation (including public transport and active travel)

16.10 The local enabling actions planned in the Gravity Locality Investment Plan and, critically, the ability for a local partner to undertake capital investment financed by borrowing against retained business rates uplift from the Enterprise Zone are important to the commercial attractiveness of the Gravity site. In the case of the UK proposition for Gravity, commitment to deploying the borrowing powers associated with the Enterprise Zone represents a highly significant local part of the overall UK offer to the investor. This local offer will complement Central Government's package of incentives for the investment.

## **Appendices**

- **Appendix A – History of the site**

## **Appendix A: Overview of the history of the site**

- 1) The Gravity site comprises land and buildings associated with the former Royal Ordnance Factory site at Puriton near Bridgwater. This brownfield site is circa 616 acres and has a net developable area of circa 400 acres. The site is well connected to the A39 and only a mile from junction 23 of the M5. There is a railhead associated with its former use, potentially enabling future connection to the national rail network. Historically the Royal Ordnance Factory was a prime industrial player in Somerset, employing circa 2,000 people and acting as a bedrock employer in the Bridgwater area.
  
- 2) Following the closure of the Royal Ordnance Factory in 2008 the local authorities worked with the landowner to look at future options for the site. Sedgemoor District Council (SDC), as local planning authority, adopted a supplementary planning document (Puriton Energy Park SPD) in 2012 which envisioned the re-use of the site as an energy business park. Several factors affected progress in bringing the site forward, including the asset portfolio priorities of the then landowner British Aerospace, the extensive decontamination and site remediation requirements and the condition of legacy buildings. Consequently, the local authorities and the Heart of the Southwest LEP (HotSW LEP) identified the site as potentially suitable for Enterprise Zone designation. In 2012, planning permission was granted for the engineering works to facilitate the remediation of the Site including earthworks and the demolition of existing buildings.
  
- 3) Enterprise Zones were created by Government to provide key sites for economic growth and regeneration across England, supported by deregulation and financial incentives attached to each zone. For businesses these incentives potentially include simplified planning and access to fiscal incentives. In addition, local authorities with jurisdiction over the area containing the Enterprise Zone are able to retain all the uplift in business rates income generated by the site for a fixed period of time, with this income ring-fenced for reinvestment in economic development. This was designed to incentivise accelerated delivery of the Enterprise Zones, including via borrowing financed by the business rates income stream, to invest in measures to bring the sites forward and maximise the economic benefits to the host authority area.

- 4) The combination of the strategic potential of the Gravity site (given its scale, location and potential assets such as water supply and electricity) and investment and regeneration challenges were considered by the partners to make the site an obvious case for Enterprise Zone designation. In 2015 the LEP, with support from SDC and Somerset County Council (SCC), applied to Government for the site to be designated as an Enterprise Zone and this was approved by the Government in the 2015 Autumn Statement. The site was designated an Enterprise Zone in April 2017, lasting until 2042.
- 5) In August 2017, planning permission was granted for the following on the site:
  - a. full planning permission – a new access road to the A39, a B8 storage building and associated infrastructure;
  - b. outline planning permission – B1, B2 and B8 buildings, a green bridge across the access road and associated development;
  - c. land was ‘safeguarded’ for energy-related uses, the re-instatement of a rail head and leisure uses.
- 6) In 2017, the Salamanca Group acquired the site from British Aerospace. In subsequent years Salamanca, through This is Gravity Limited (TIGL - a company established specifically for this site), negotiated acquisitions with secondary landowners, in part to meet planning requirement to construct the new access road (part funded through the LEP’s Growth Deal) from the A39 to the site. TIGL also continued remediation works on the site in preparation for its future redevelopment. The remediation of the site was concluded in 2020.
- 7) In 2020 TIGL, working closely with the local authorities and other partners, prepared a Local Development Order (LDO) for the site to re-imagine it within a new era of clean and inclusive growth. The LDO was prepared on the basis of it being developer funded by TIGL but prepared collaboratively with Sedgemoor District Council and other project partners. The LDO was progressed as a planning tool to assist in accelerating the Site’s delivery; realisation of clean growth ambitions; enabling SC and TIGL to respond quickly to new investment opportunities, in respect of offering an agile and responsive planning process. This LDO was prepared to realise an overall vision and ambition for the site as a smart campus, to host large scale advanced manufacturing and related uses.
- 8) The Gravity LDO was adopted by Sedgemoor District Council in February 2022, which effectively grants planning permission for future proposals in accordance

with development parameters set out in the LDO without the need for a planning application. The Gravity LDO sets out a simplified planning process to facilitate the delivery of substantial commercial floorspace (up to 1 million sqm for an advanced manufacturing facility) and smart campus including a wide range of supporting uses (up to 100,000 sqm), up to 750 homes (for people principally employed on site) and associated infrastructure. The LDO will facilitate the delivery of Gravity – Smart Campus, establishing a planning regime for fast-track responses and implementation to be highly responsive to national and international business needs. The uses permitted by the LDO is framed to attract large scale advanced manufacturing facilities to accelerate progress towards achieving a net zero carbon economy, hosting new business to ensure transport decarbonisation and the shift to electrification.

- 9) As the LDO process and the marketing of the Gravity site has progressed, its profile has increased with potential investors and with Government. The size, locational advantages and development readiness of Gravity made it one of the UK's prime inward investment prospects for a major gigafactory. The local authorities, the LEP and This is Gravity have been working jointly with Government departments including the Office for Investment to support the UK proposition for gigafactory investment and make the case for Gravity as a prospective location for this. This work has paid off in Summer 2023 with Tata Son's announcement to build their first EV battery manufacturing facility in the UK.
  
- 10) In the Summer of 2023 it was announced, that Tata Sons would be delivering a £4bn gigafactory investment in the UK. The facility will be delivered by Agratas, Tata Sons' wholly-owned subsidiary and it was confirmed on 28 February 2024 that the location of this facility would be in Somerset, having taken up circa 75% of the developable land at Gravity site. Their proposals for 3 buildings cover around half the area of the site they have purchased. This investment reflects the long-recognised potential for the Gravity Site to deliver transformational change in the Somerset economy in line with the Somerset Council Plan. The site will create significant numbers of new high-quality jobs and supply chain opportunities for businesses across Somerset and enable Somerset to play a leading role in the emergence of clean manufacturing as part of the UK's transition to a net zero economy – with the gigafactory the first part in that exciting journey.



- 11) The Council continues to work with TIGL in relation to bringing forward the remainder of the Site for development in line with the aspirations of the Gravity LDO.

**Assurance checklist (if appropriate)**

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	22.02.24
Communications	Peter Elliott	21.02.24
Finance & Procurement	Jason Vaughan/Nicola Hix	22.02.24
Workforce	Alyn Jones	26.02.24
Asset Management	Oliver Woodhams	21.02.24
Executive Director / Senior Manager	Mickey Green	24.02.24
Strategy & Performance	Alyn Jones	26.02.24
Leader of the Council	Bill Revans	26.02.24
Executive Lead Member	Ros Wyke	26.02.24
<b>Consulted:</b>		
Local Division Members		
Opposition Spokesperson		
Scrutiny Chair		

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Somerset Council

Scrutiny Committee - Corporate and Resources

7 March 2024



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Corporate and Resources Scrutiny Committee – Approach to Transformation

Lead Officer: Alyn Jones, Executive Director for Strategy, Workforce and Localities

Authors: Alyn Jones, Executive Director for Strategy, Workforce and Localities

Lou Routley, Programme Manager, Strategy and Performance

Contact Details: [alyn.jones@somerset.gov.uk](mailto:alyn.jones@somerset.gov.uk),

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Executive Lead Member: Cllr Theo Butt Philip – Lead Member for Transformation and Human Resources

## 1. Summary

- 1.1. An overarching transformation approach is an essential component to creating long-term financial stability for Somerset Council. On the 7 February, Executive considered the approach to transformation and approved the launch of a Voluntary Redundancy scheme as part of a wider programme of activity to reduce the size of the workforce.
- 1.2. The purpose of this report was to establish the approach and principles associated with transformation and change activities across Somerset Council. The report was clear that as elements of the programme are developed these will be brought to the relevant scrutiny committees for consideration and review prior to any formal decision making.
- 1.3. As part of the development of the Transformation Programme, Scrutiny's views are sought on the approach and, the risks and issues that have been identified. In addition, Scrutiny's views are sought on how they can be best engaged in the development and implementation of the programme and its component parts.

## 2. Recommendations

- 2.1. That the Corporate and Resources Scrutiny Committee consider the report presented to Executive 7<sup>th</sup> February and specifically focus on the following –
  - the vision and strategy for the Council wide transformation programme, explaining the rationale, objectives, and expected outcomes of the programme.

- the outline scope of the programme, including the key services and operations that will be transformed, the timeline and milestones for delivery, and the roles and responsibilities of the executive, senior management, and staff involved.
- the risk assessment and mitigation plan for the programme, covering the strategic risks that may arise during the transformation process.
- provide views to officers on the development of a consistent framework for the scrutiny of the programme, specifying the frequency, format, and focus of the scrutiny meetings, the information and evidence required, and the criteria and methods for evaluation and recommendation.
- consider whether there is a need for collaboration and coordination mechanism with other Scrutiny Committees, to ensure that the cross-cutting and service-specific aspects of the transformation are adequately considered and aligned.

### **3. Background**

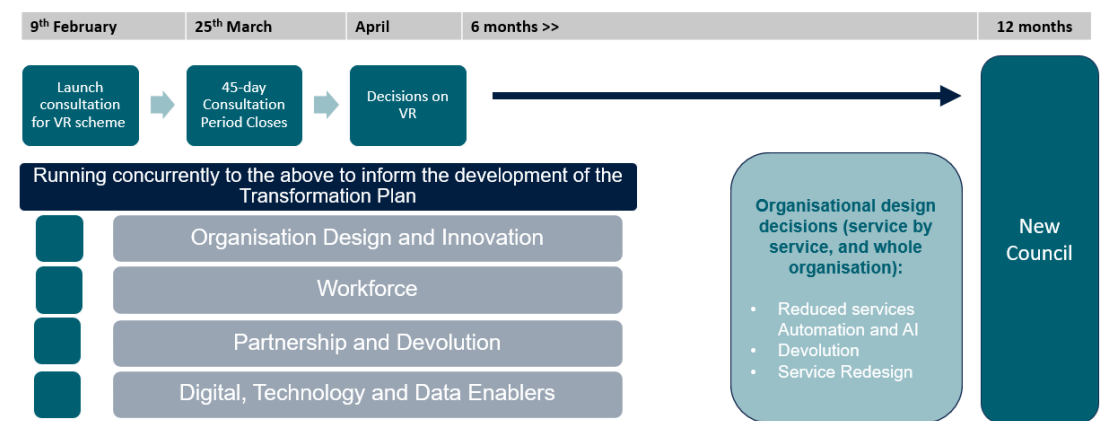
- 3.1.** Somerset Council is a new unitary council, created less than one year ago and faces a very stark and challenging financial position. The scale of the financial challenge is significant and based upon the latest estimates of costs and income, there is a forecast budget gap of £137.3m over the next three financial years. Despite making substantial savings, disposing of assets, using available reserves, and increasing council tax, the council is unable to close the budget gap for 2025/26 without an organisation wide programme of work.
- 3.2.** This report follows those considered by Executive in December 2023 and January 2024. The report explains the need to adopt an approach to transformation to deliver a radically different way of working as a Council, operating with fewer staff, whilst increasing our influence and impact. The Executive has endorsed a new vision for the Council, emphasising a leaner and more productive organisation. There were two aims to the Executive report, firstly to reset the approach to transformation recognising the difference in the scale of the challenge and secondly, to seek support to open a voluntary redundancy (VR) scheme as one the actions we can take to reduce the pay-bill (other interventions are also considered).
- 3.3.** The report set out an approach to whole Council transformation bringing together transformation and change across the organisation to ensure oversight and prioritisation of resources and investment. The Executive report has been included in appendix 1.
- 3.4.** The initial New Council phase of transformation and its component programmes will run concurrently to support delivery of the new Councils vision. The New

Council element will need to deliver at pace with programme activity being delivered from February 2024 and throughout 2024/2025. Given the financial pressure there is an initial focus on the workforce reduction programme as an essential early enabler of organisation redesign and change. Workforce reduction activity will be delivered between February and November 2024.

- 3.5. A Design Authority has been established to provide assurance, guidance, and leadership for the design of the new Council, making sure that decisions on the workforce, structure, and ways of working align to and deliver the strategic vision.
- 3.6. A high-level timeline is set out below -

### High Level Transformation Approach Timeline

This diagram is designed to visualise the multi layered approach that we will take to reach decision points for each service which will run concurrently to the Voluntary Redundancy (VR) process



- 3.7. High-level risks have been identified at this stage of the programme. Detailed risk logs are being developed as each component programme is defined. The high-level risks include:

Description	Cause	Consequence	RAG	Mitigation
Service instability	Unmanaged VR/ High level of CR (Compulsory Redundancies)	Inability to provide essential services to the Somerset residents	15	To have a robust and compliant CR/VR process. Agreed exempt roles and ensuring any CR is backed up by a careful service redesign.  Ensure lessons learned from other VR schemes including Somerset West and Taunton

Insufficient budget for Redundancies	Lack of sufficient funding for the programme	Cannot initiate redundancies without a budget to fund them. Without redundancies, savings associated with the programme will not be materialised	20	The Financial Strategy for the programme is being developed. The source of funding for the programme will be in the strategy
Excessive loss of talent and organisational knowledge	People leaving the organisation ahead of the process or without a proper hand over	Loss of key talent – loss of organisational memory, knowledge, and skills. Inability to deliver transformation.	15	Clear communication and engagement with staff throughout.  Have a process to capture and retain organisational knowledge. Skills audit for transformation delivery.  Phase VR exits between May and November 2024, at pace where practicable.
Damage to Trade Union relations and risk of industrial action	Failure to consult properly and failure to engage	Loss of trust, confidence in management	15	Trade Unions are being involved and engaged from outset and will be part of decision-making process
Value for Money not evidenced	Failure to forecast the costs (including all contributing factors such as pension strain)	Insufficient budget and an extended payback period.	15	Development of an accurate forecast utilising staff pay data, redundancy costs and pension strain (where appropriate).

**3.8** The New Council transformation approach as three initial programmes of work that will run concurrently in 2024/25. Other elements of the programme incorporating specific transformation activities in Adults, Children’s and Place service will be added in as they are developed in the coming weeks and months.

### **3.9 Workforce Programme**

The Workforce programme comprises of 4 workstreams to enable the Council to reduce in size and shift the organisational culture in line with new core values and behaviours. This includes:

1. Workforce reduction and restructuring – eleven key lines of enquiry, including a VR scheme and a full Council structural redesign and restructuring programme to reduce the pay bill by c £40m by 25/26
2. Workforce data, insights, and analytics – establishment control, data led workforce decision making.
3. Pay and Reward – improvements to how we manage Job Evaluation and developing a new Council Pay & Grading framework.
4. Organisational Development and Supporting People Through Change – ensuring the basics are in place to improve employee performance and engagement and ensuring we do change well.

### **3.10 Organisational Redesign & Innovation programme**

This programme will set the direction for the transformation and redesign of the whole organisation, its structure, services, and systems based on a clear vision statement and an agreed set of organisational design principles, to support delivery of a smaller, leaner more financially sustainable organisation. It comprises five workstreams:

1. Organisational and Service Design – development of a new organisational vision, a set of Organisational Design Principles that will inform and guide the design of the organisation and its services, a Target Operating Model that will define how the organisation will operate to deliver its vision and outcomes, and a revised organisational structure.
2. Service Re-Design - a set of service design principles, and a programme of service redesign across the Council.
3. Property Rationalisation – rationalisation of our assets to support transformation of the Council and new ways of working.
4. Governance and Decision Making – streamlined governance and decision-making arrangements across the Council.
5. Technology, data and change capabilities – identification and delivery of the services, systems, skills and capabilities to support change.

### **3.11 Partnerships, Devolution and Localities programme**

This programme comprises three inter-related workstreams aimed at reviewing and transforming how we work with our partners and communities and deliver devolution objectives.

1. Partnerships – understanding, rationalising and refocussing how the Council works with partners including Voluntary, Community, Faith and Social Enterprise Sector (VCFSE), NHS and City, Town and Parish Councils.
2. Devolution – delivering a prioritised programme of devolution activity aimed at sustaining valued local services, mitigating financial challenge and delivering savings.
3. Localities – comprehensive review of all the ways in which the Council works with and in localities, ensuring future arrangements are streamlined, effective and aligned with organisational design principles and Council priorities.

#### **4 Reasons for recommendation**

**4.1** As part of the development of the Transformation Programme, Scrutiny’s views are sought on the approach and the risks and issues that have been identified. In addition, Scrutiny’s views are sought on how they can be best engaged in the development and implementation of the transformation programme and its component parts.

**4.2** It is important that the Council learns from the lessons of the past and builds a future Council that is more sustainable and productive, whilst having to do less with less. The recommended approach to whole Council transformation is designed to be agile, fast-paced, and aligned to the Council Strategy, MTFP (Medium Term Financial Plan) and new core Values. We will be inviting both internal scrutiny and external reviews to ensure that the programme remains transparent and fit for purpose.

#### **4.3 Other options to a ‘whole Council’ transformation approach**

Two alternative options were considered. These were:

1. ‘No Change’ - No change to the organisational structure, service delivery and workforce model. Continue with the original Local Government Reorganisation (LGR) restructuring programme to save c £9.4m over 3 years. This was rejected due to being too slow to realise necessary benefits and the savings being insufficient to close the budget gap in 24/25.
2. Separate Directorate led transformation and change including LGR – This was rejected as again was too slow in delivering the required benefits and would be fragmented with no organisational oversight of approach.



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

- 5.1** The overarching transformation approach is key to closing the budget gap for 2024/25 and to support long-term financial stability. The workforce reduction programme within the transformation portfolio delivers the single largest financial benefit in 25/26 and is therefore an essential element toward future financial stability.
- 5.2** The ambitions within our Council Plan are enabled by the resources available. Our budgetary position affects the level of impact that can be achieved for our communities. Moving towards a financially sustainable council will help safeguard our ambitions.

## **6 Financial, Risk, Legal, HR, Other, Equalities, Community Safety, Health & Safety, Health & Well-Being, Sustainability and Social Value Implications**

The Committee is asked to consider the specific implications set out in the report Developing the Approach to Transformation and supporting appendices.

## **7 Background papers and Appendix**

7.1 Developing the Approach to Transformation, report to Executive 7th February 2024.

**Note** For sight of individual background papers please contact the report author.

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## Decision Report - Executive Decision

Forward Plan Reference: FP/24/01/20

Decision Date – 07/02/2024

Key Decision – Yes



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### Developing the Approach to Transformation

Executive Member(s): Lead Member for Transformation and Human Resources

Local Member(s) and Division: Applicable to all members/divisions

Lead Officer: Alyn Jones, Executive Director, Strategy, Workforce and Localities

Author: Sara Cretney, Service Director Strategy & Performance, Dawn Bettridge, Interim Service Director Workforce

### Summary / Background

1. Somerset Council faces a challenging financial situation, marked by increased service delivery costs outpacing income growth.
2. Somerset Council needs a clear and robust plan to support long-term financial stability. As part of this plan, the pace and scale of current Local Government Reorganisation transition and transformation will need to be rapidly accelerated to deliver a radically different model and way of working as a Council, operating with fewer staff, whilst increasing our influence and impact.
3. The Executive has endorsed a new vision for the Council, emphasising a leaner and more productive organisation. The report sets out an approach to whole Council transformation which will bring together transformation and change programmes across the organisation to ensure whole council oversight and prioritisation of resources and investment.
4. The business case then focusses specifically on the Workforce Reduction Programme, due to this being an early enabler of organisational redesign and change. The workforce reduction programme will not in itself reshape the Council. The other two programmes running in parallel to this activity; organisational design and innovation, and Partnerships and devolution, along with the original vision of the LGR strategy, will shape what a good Council looks like.

5. As part of the workforce reduction programme the council will strive to mitigate compulsory redundancies and will be in regular contact with Trade Unions throughout this programme of works. The council will actively pursue lines of enquiry including removal of budgeted vacancies, reduction of agencies interims and consultants, voluntary reduction of contract hours and review of fixed term contracts to name a few to reduce the cost of the pay-bill. Further lines of enquiry can be found below (page 5).

## Recommendations

6. That the Executive
  - a. Note the new approach to whole Council transformation.
  - b. Approve the launch of the Voluntary Redundancy (VR) scheme, and the 45-day consultation period on 9 February 2024, as part of the Workforce Reduction programme.
  - c. Note that the delivery of the VR scheme will be dependent on the current financial strategy.

## Reasons for recommendations

7. To ensure awareness of the approach to transformation, noting the structure of the programme and to seek support for the initial phase of workforce reduction, as an enabler for wider whole Council transformation and innovation and to support long term financial sustainability.

## Options considered

8. Two alternative options were considered. These were:
  - a. 'No Change' - No change to the organisational structure, service delivery and workforce model. Continue with the original Local Government Reorganisation (LGR) restructuring programme to save c £9.4m over 3 years. This was rejected due to being too slow to realise necessary benefits and the savings being insufficient to close the budget gap in 24/25.
  - b. Separate Directorate led transformation and change including LGR – This was rejected as again was too slow in delivering the required benefits and also would be fragmented with no organisational oversight of approach.

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

9. The overarching transformation approach is key to closing the budget gap for 2024/25 and to support long-term financial stability. The workforce reduction programme within the transformation portfolio delivers the single largest financial benefit in 25/26 and is therefore an essential element toward future financial stability.
10. The ambitions within our Council Plan are enabled by the resources available. Our budgetary position affects the level of impact that can be achieved for our communities. Moving towards a financially sustainable council will help safeguard our ambitions.

## Financial and Risk Implications

11. The wider transformation programmes, within the transformation approach, will bring forward individual costed business cases.
12. Depending on the scale of the programme, the cost element relating to the workforce reduction programme (only) is projected to be between £37m to £40m. This will deliver recurring (year on year) pay-bill savings of £40m which includes £8.4m of LGR staff savings from 2025/26 onwards.
13. If DLUHC capitalisation support is not secured the VR scheme will be terminated during the consultation period.
14. Other factors that affect overall budget savings from a VR scheme include a 28% salary uplift for employer's oncosts (NI & Pension). As all staff (with the exception of schools' staff and a small number of exempt jobs) will be in scope of the VR scheme. The detailed data analysis will consider the predicted distribution of VR leavers from across all grades, based on an analysis of 'as is' and optimal spans and layers of control.
15. This is a high-level business case and is too early to accurately outline costs and investment across the whole portfolio of Council Transformation. There are number of influencing factors such as salary cost, number of years of continuous employment, and contractual redundancy terms. However, at this stage the following working assessment has been developed. This requires further review and validation taking into account the factors above.

Average annual salary saving including 28% on-costs	Allowance for redundancy cost including pension strain (where appropriate)	Payback (years)
£42,112	£65,800	1.6

## 16. Key risks

Description	Cause	Consequence	RAG	Mitigation
Service instability	Unmanaged VR/High level of CR	Inability to provide essential services to the Somerset residents	15	To have a robust and compliant CR/VR process. Agreed exempt roles and ensuring any CR is backed up by a careful service redesign.  Ensure lessons learned from other VR schemes including Somerset West and Taunton
Insufficient budget for Redundancies	Lack of sufficient funding for the programme	Cannot initiate redundancies without a budget to fund them. Without redundancies, savings associated with the programme will not be materialised	20	The Financial Strategy for the programme is being developed. The source of funding for the programme will be in the strategy
Excessive loss of talent and organisational knowledge	People leaving the organisation ahead of the process or without a proper hand over	Loss of key talent – loss of organisational memory, knowledge and skills. Inability to deliver transformation.	15	Clear communication and engagement with staff throughout.  Have a process to capture and retain organisational knowledge. Skills audit for transformation delivery.  Phase VR exits between May and November 2024,

				at pace where practicable.
Damage to Trade Union relations and risk of industrial action	Failure to consult properly and failure to engage	Loss of trust, confidence in management	15	Trade Unions are being involved and engaged from outset and will be part of decision-making process
Value for Money not evidenced	Failure to forecast the costs (including all contributing factors such as pension strain)	Insufficient budget and an extended payback period.	15	Development of an accurate forecast utilising staff pay data, redundancy costs and pension strain (where appropriate).

### Legal Implications

17. All HR policies and procedures need to, and will be, followed to be legally compliant and reduce the risk of employment tribunals, reputational damage, and internal workforce disruption.
18. Any changes in the provision of services would be considered through the appropriate decision-making process, including consideration by Scrutiny as the programme develops.

### HR Implications

19. The workforce will be significantly smaller as a result of the workforce reduction programme.
20. Somerset Council aims to minimise compulsory redundancies as much as possible, although some will be inevitable as a result of some services stopping or reducing.

21. To mitigate high numbers of compulsory redundancies, the following workforce cost reduction lines of enquiry are being worked on to reduce the cost of the pay-bill:

- Managed and controlled recruitment
- Establishment control
- Removal of budgeted vacancies where a post is not essential.
- Reduction of agency workers
- Reduction of interims and consultants
- Voluntary reduction of contract hours
- Review of Fixed Term Contracts
- Annual leave purchase scheme
- Overtime
- Expenses and allowances
- Voluntary redundancy

### **Equalities Implications**

22. The EIA has been drafted and can be found as appendix B below and is focused on the VR Programme only. Going forward, other parts of the Programme will require individual EIAs to make sure the impact is monitored and considered at all steps of the Programme. There will also be a cumulative EIA for the Programme once all individual EIAs are completed. This will be carried out, reviewed and updated throughout the duration of the Programme.

### **Community Safety Implications**

23. There are no community safety implications associated with this decision. However, any service specific impacts on community safety will be considered separately as the programme develops.

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

24. Somerset Council have declared both a Climate and Ecological Emergency. Through that, the Council has committed to working towards making the whole county, including our own estate and operations, 'Carbon Neutral' by 2030 and to take positive action to reverse the damage on our natural habitats by man-made activity. We have also pledged to ensure that Somerset is resilient to, and prepared for, the effects of Climate Change. There are no climate change and sustainability implications directly arising from this decision.



## **Health and Safety Implications**

25. There are no direct health and safety implications from this decision. However, any specific impacts and implications will be considered separately as the programme develops.

## **Health and Wellbeing Implications**

26. We recognise that any period of change can be unsettling. Our employee wellbeing programme has a range of resources available to staff to help with their physical and mental wellbeing. As part of the Workforce programme, we will ensure that an extensive communication and engagement approach is maintained, including face to face staff 'marketplace' roadshows across the county.

## **Social Value**

27. There are no Social Value implications directly arising from this decision. However, any specific impacts and implications will be considered separately.

## **Scrutiny comments / recommendations:**

28. The purpose of this report is to establish the approach and principles associated with transformation and change activities across Somerset Council. As elements of the programme are developed these will be brought to the relevant scrutiny committees for consideration and review prior to formal decision making. Scrutiny will also be involved in the process of how the wider transformation is to be delivered, provide insight and challenge.

## **Background**

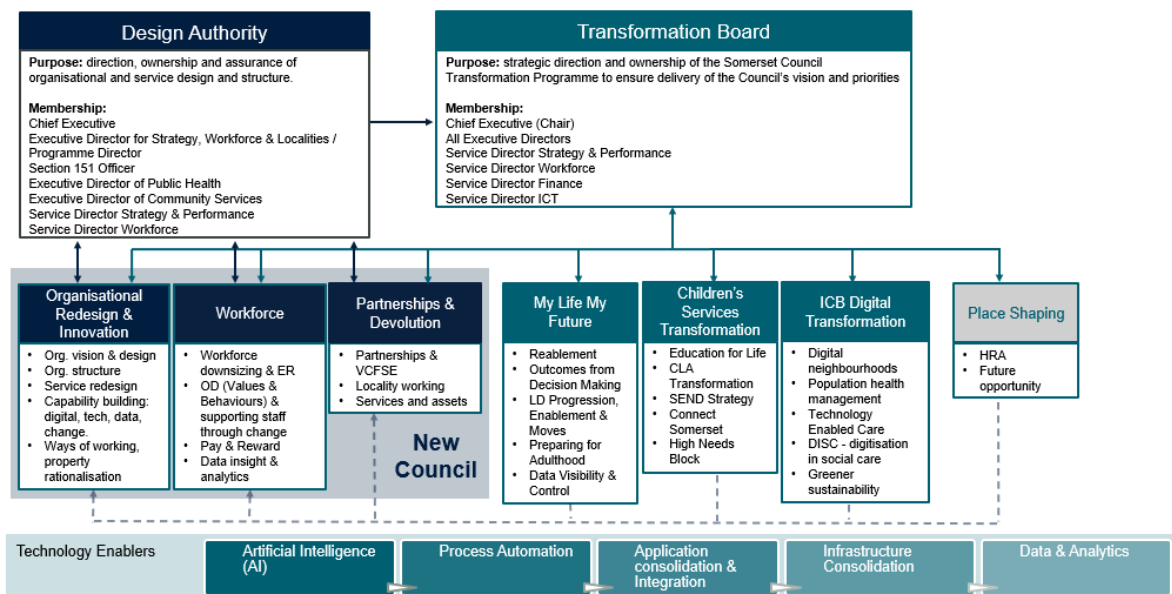
29. The financial emergency facing the council requires a change in thinking around the pace, scale, and structure of transformation to deliver a radically different way of working as a Council, operating with fewer staff, whilst increasing our influence and impact.

30. Executive agreed a new 'vision for a sustainable Somerset Council' and associated organisational design principles on 06 December 2023 which will seek to deliver a new, smaller, leaner, more productive Council.

31. Achieving this vision will be complex and require whole organisation transformation in order to maximise the opportunity of bringing together the five predecessor councils and meet the financial challenge.

32. The new transformation approach will bring together transformation and change programmes across the organisation, under a single approach and governance to ensure whole council oversight, and prioritisation of resources and investment. The diagram below sets out how the programmes that are currently under way (for example, My Life My Future) or under development (for example, Place Shaping) fit in to the overall transformation approach. This diagram outlines the current position:

## Somerset Council Transformation Governance Structure



33. Focusing on the New Council element of the transformation approach, a Design Authority has been established to provide assurance, guidance, and leadership for the design of the new Council, making sure that decisions on the workforce, structure, and ways of working align to and deliver the strategic vision.

34. All component programmes will run concurrently and coherently to support delivery of the new Council vision. The Organisational Design and Innovation programme will design a more financially sustainable, agile and resilient council for the future to deliver the strategic vision and priorities for the people of Somerset. It will create clarity on what the design principles mean in practice for the decisions that will be made about how the Council is

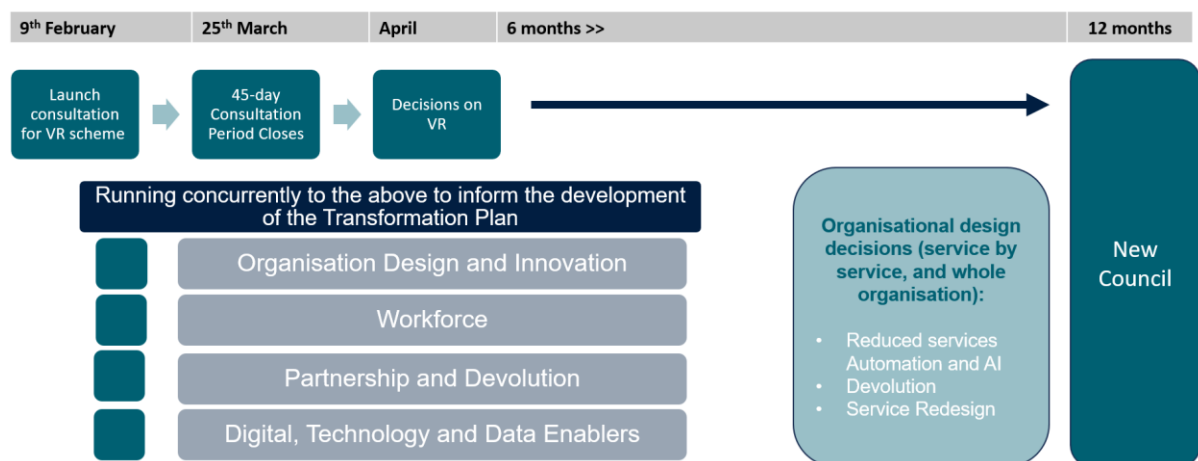
structured and how it will work. This will be captured in a target operating model which will focus on people and skills, organisation and governance, technology, data and insights, process and measures, and partnership and localities.

35. The overall approach will optimise the workforce size and structure through the Workforce Reduction Programme, prioritising operational effectiveness and efficiency while maintaining sufficient capacity to fulfil legal obligations. The Organisational Design and Innovation element in particular will reshape service delivery to meet the evolving needs of the people of Somerset, linking up with the Partnership and Devolution programme to maximise collaboration and partnership working, and seek to devolve services and assets where appropriate.

36. Included below is a high-level timeline diagram which seeks to visualise the multi-layered approach that will be taken to reach decision points for each service which will run concurrently to the Voluntary Redundancy (VR) process.

## High Level Transformation Approach Timeline

This diagram is designed to visualise the multi layered approach that we will take to reach decision points for each service which will run concurrently to the Voluntary Redundancy (VR) process



37. Other approaches to transformation and change have been considered, and are referenced within the business case, but were rejected as being too slow to realise the necessary benefits required, reinforcing directorate led change and silo working as well as lacking cross-organisational oversight and approach.

38. Given the financial pressure there is an inevitable initial focus on the workforce cost reduction as an essential first step in the wider Council transformation approach.
39. The Council needs to deliver substantial workforce savings from staffing reductions, and from the keys line of enquiry including reducing the use of agency staff and deleted vacancies, where practicable. This includes LGR (Local Government Reorganisation) staff savings.
40. The maximum number of full-time equivalent posts that will be removed equates to c.20-26% reduction of the whole workforce, however job losses will be reduced by removal of budgeted vacant posts where practicable, and removal of other pay-bill savings from the in-year workforce savings initiatives.
41. It is proposed that a Voluntary Redundancy (VR) scheme will commence on 9 February 2024 with a 45-day consultation and concurrent VR application period, closing on 25 March 2024.
42. In addition to minimising the need for compulsory redundancies, other benefits of a VR scheme include the opportunity for the Council's Design Authority (led by the Chief Executive) to define what the future organisational model and structure will look like, and to manage and maintain employee engagement. This allows the organisation, in parallel to the VR scheme, the necessary time to delve into the complexities of organisational design principles, spans and layers of control, and the organisational model and structure. This deliberate approach, evidenced by workforce data, insight, and analytics, ensures that the transformation programme will deliver a planned and timely Council re-design.
43. If approved, VR decisions will be made in April 2024 and staff will leave the organisation between 1 May – 31 July 2024 dependant on the length of their contractual notice period (Pay in Lieu of Notice will only be approved by exception). To enable a smooth and phased transition, the latest date staff will leave the Council on VR will be 30 November 2024.
44. The funding strategy to pay for the VR scheme is contingent on permitted utilisation of Council reserves, the Capitalisation Direction, and the sale of Council assets. The cost of the scheme will be between £37m-£40m in 2024/25 to deliver reoccurring (year on year) pay-bill savings from 2025/26 onwards. If a DLUHC Capitalisation Direction is not secured to support the overall financial recovery strategy, the VR scheme will be terminated during

the consultation period with associated risks to staff morale, trust in leadership and Council reputation.

## Background Papers

None

## Appendices:

- Appendix A – Draft Business Case for Transformation Programme - [Draft Business Case for Council Transformation Programme v2 141223.docx](#)
- Appendix B - Equality Impact Assessment - [VR Programme Equality Impact Assessment- Jan 2024.docx](#)

## Report Sign-Off

Legal and Governance Implications	David Clark	30.01.24
Communications	Peter Elliott	30.01.24
Finance & Procurement	Nicola Hix/Jason Vaughan	30.01.24
Workforce	Dawn Bettridge	29.01.24
Asset Management	Oliver Woodhams	30.01.24
Executive Director / Senior Manager	Alyn Jones	30.01.24
Strategy & Performance	Sara Cretney	24.01.24
Executive Lead Member	Cllr Theo Butt Phillip	29.01.24
<b>Consulted:</b>	Councillor Name	
Local Division Members	N/A	
Opposition Spokesperson	Cllr Faye Purbrick Opposition Spokesperson for Transformation and Human Resources	Sent on 28.01.24
Scrutiny Chair	Cllr Bob Filmer for Scrutiny Corporate & Resources Committee	Sent on 25.01.24

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## Appendix A – High Level Business Case and its Appendix 1

### High Level Business Case Overarching Programme: Council Transformation Business Case Focus: Workforce

	Information
Directorate	All
Service	All
SRO:	Duncan Sharkey
Owner	Alyn Jones
Author(s):	Alyn Jones, Dawn Bettridge, Sara Cretney, Roshan Robati

### Version Control

Version	Issue Date	Changes
V0.1	23.11.23	First draft
V0.2	14.12.23	Second version incorporating comments / amendments from Dawn Bettridge, Sara Cretney
V0.3	21.1.24	Amendments to include overview of VR programme from Dawn Bettridge and Sari Brice
V0.4	25.1.24	Amendments to include summary of approach from Alyn Jones
V 0.5	29.1.24	Amendments to include Informal Exec pre-agenda meeting feedback from Dawn Bettridge

### Sign-off

This document requires sign off by SRO

Title	Signature	Name	Date
Business Case Sign Off			

## 1. Introduction & Background

Like many other councils, Somerset Council is facing an extremely challenging financial position with the cost of delivering services increasing significantly faster than the income received. The new Council came into existence at the most challenging time for local government in a generation. Fourteen years of austerity and growing demand has reduced the spending power and financial flexibility of all councils. The cost of delivering services has dramatically increased due to rising energy costs, rising interest rates, rising costs of care, and increasing numbers of people who need the Council's support.

Somerset Council needs a clear and robust plan to support long-term financial stability. In addition, the pace and scale of current Council transition and transformation will need to accelerate to deliver a radically different way of working as a Council, operating with fewer staff, whilst increasing our influence and impact.

Executive agreed a new 'vision for a sustainable Somerset Council' and associated organisational design principles on 06 December 2023 which will seek to deliver a new, smaller, leaner, more productive Council. Achieving this vision will be complex and require whole organisation transformation in order to maximise the opportunity of bringing together the five predecessor councils and meet the financial challenge. The new transformation approach will bring together transformation and change across the organisation to ensure whole council oversight and prioritisation of resources and investment.

Given the financial pressure there is an inevitable initial focus on the workforce reduction programme as an essential early enabler of organisational redesign and change. The workforce reduction programme will not in itself reshape the Council. The other two programmes running in parallel to this activity; organisational design and innovation, and Partnerships and devolution, along with the original vision of the LGR strategy, will shape what a good Council looks like.

As a listening Council the 2024/25 Public Budget Consultation exercise tells us that people expect us to resize the organisation in terms of staffing. The workforce management case outlines the significant scale of workforce reductions that will be implemented in 2024 to contribute c.£40m savings in 2025/26 and beyond.

### 1.1. Strategy investment aims

Project Primary Driver (tick all that apply)	Maintaining/Improving service delivery	Pressure Reduction	Cash Savings	Risk Avoidance	Delivering a Piece of Legislation
	✓	✓	✓	✓	



## 1.2. Financial Strategy savings type

MTFP Financial Strategy type (tick all that apply)	Alternative service delivery	Asset Management	Efficiency Saving	Income Generation	Service levels
			✓		✓

## 2. Options Considered

Option 1: No Change	
Details:	No change to the organisational structure, service delivery and workforce model. Continue with the original LGR restructuring programme to save c £9.4m over three years.
Expected Outcomes:	Consolidation of workforce from five councils to one.
Time Estimates:	Completion of LGR restructuring by end 25/26
Cost Estimates:	23/24 - £1m 24/25 - £4m 25/26 - £4.4m
Likely Impacts / Cumulative Impacts to SC:	See LGR business case and EIA (Equality Impact Assessment).
Reason option has been chosen or rejected:	<p><b>Rejected:</b></p> <ul style="list-style-type: none"> <li>▪ Too slow to realise benefits</li> <li>▪ Savings insufficient to close the budget gap in 24/25</li> <li>▪ Transformation not happening horizontally across the organisation</li> <li>▪ Reinforces directorate led change and silo working</li> <li>▪ Cultural change slow shift to 'one team'</li> <li>▪ No cross-organisational oversight of approach</li> </ul>

Option 2: Separate Directorate led transformation and change including LGR	
Details:	Separate Financial Emergency Programme, Adults and Childrens Services transformation programmes, piecemeal improvement and change projects.
Expected Outcomes:	MTFP Savings delivery Adults' transformation programme delivery Children's transformation programme delivery
Time Estimates:	MTFP – 24/25. In year. Adults – see separate programme benefits realisation work Childrens – see separate programme information (currently being reviewed by PeopleToo)
Cost Estimates:	MTFP – 24/25. TBC Adults – see separate programme benefits realisation work Children's - see separate programme information (currently being reviewed by PeopleToo)

Likely Impacts/Cumulative Impacts to SC:	See individual business cases and EIA(s).
Reason option has been chosen or rejected:	<p><b>Rejected:</b></p> <ul style="list-style-type: none"> <li>▪ Too slow</li> <li>▪ Insufficient impact on financial gap</li> <li>▪ Reinforces directorate led change and silo working</li> <li>▪ No cross-organisational oversight of approach</li> </ul>

Option 3: Somerset Council Transformation Programme Approach	
Details:	<p>To develop a transformation programme to deliver a sustainable Somerset Council: bringing together transformation and change programmes across the organisation, fundamentally redesigning the whole Council in line with the new Values, Behaviours, Organisation Design Principles and a new operating model that delivers our purpose and vision for the people of Somerset, with a reduced sustainable budget and a smaller workforce.</p> <p>Within the Council Transformation portfolio, the Workforce Reduction programme is designed as an enabler for wider Council Transformation and innovation. Detailed in the management case at the end of this business case is a proposed Voluntary Redundancy (VR) scheme to commence in February 2024 to deliver c £40m of reoccurring pay-bill cost reductions in 25/26, through a reduction of between 20-26% of the current workforce.</p>
Expected Outcomes:	<ul style="list-style-type: none"> <li>▪ Smaller, leaner organisation (reduction in establishment, increased productivity)</li> <li>▪ Contribution to the financial stability of the Council</li> <li>▪ A new organisational design and structure that is: <ul style="list-style-type: none"> <li>○ flexible and agile</li> <li>○ smaller and leaner</li> <li>○ data driven and digitally enabled</li> <li>○ sustainable and resilient</li> <li>○ local, connected and inclusive</li> <li>○ values led</li> </ul> </li> </ul>
Time Estimates:	<p>The Transformation Portfolio of programmes will be in place for the next 3 years to ensure a sustainable and financially viable Council.</p> <p>The whole Council Transformation will take c 3 years to deliver. Individual business cases will be developed during that time across the transformation portfolio.</p>

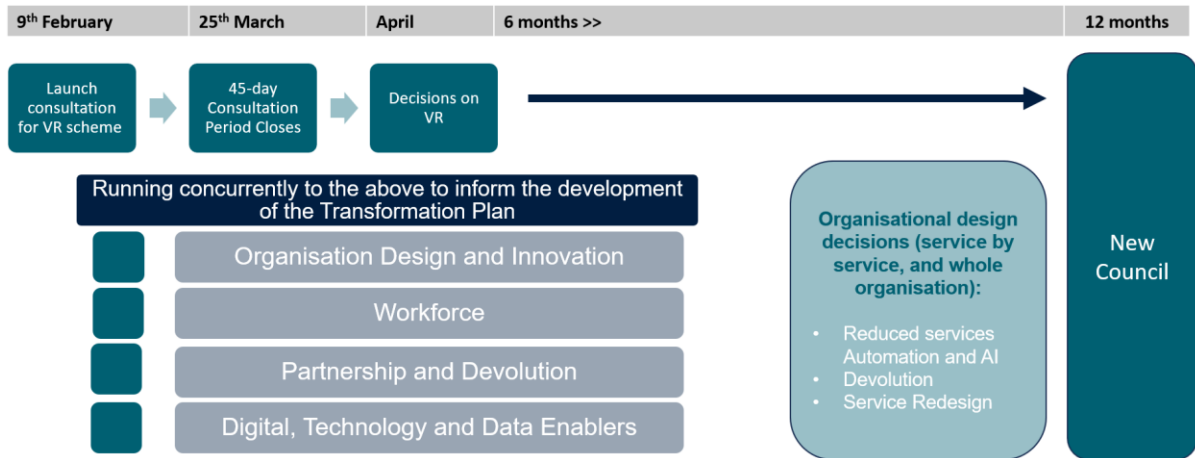
	8.2.24 – 30.11.24 Workforce Reduction Programme – a programme within the Portfolio of the whole Council Transformation, to deliver budget savings in 25/26 and beyond.
Cost Estimates	To be determined by individual business cases for programmes within the transformation portfolio.  VR Cost estimates with the management case (section 3).
Likely Impacts/Cumulative Impacts to SC:	EIA first draft: <a href="#">sharepoint</a>
Reason option has been chosen or rejected:	<p><b>Chosen:</b></p> <p>The Council Transformation programme will:</p> <ul style="list-style-type: none"> <li>▪ Deliver a whole Council approach and oversight, moving away from silo working.</li> <li>▪ Develop a Target Operating Model which will operationalise the Organisational Design Principles: people and skills, organisation and governance, technology, data and insights, process and measures, partnership and localities.</li> <li>▪ Focus on providing impact and value to the people and communities of Somerset.</li> <li>▪ Contribute to the financial stability of the Council, delivering significant financial savings.</li> <li>▪ Optimise the workforce size and structure, prioritising operational effectiveness and efficiency while maintaining sufficient capacity to fulfil legal obligations.</li> <li>▪ Reshape service delivery to meet the evolving needs of the people of Somerset, maximising collaboration and partnership working, seeking to devolve services and assets where appropriate.</li> <li>▪ Streamline governance, processes and reduce bureaucracy.</li> </ul>

**2.1. Implementation for Preferred Option**

This is a complex, whole organisation transformation programme which will require detailed workforce, finance and service level data and analysis, product and milestone planning, risks, issues and dependency management. The table overleaf shows high level deliverables identified at this point (dates and key milestones subject to change as the programme is developed). Below is a high-level timeline for the transformation approach which sets out how the component programmes support delivery of the new Council vision.

## High Level Transformation Approach Timeline

This diagram is designed to visualise the multi layered approach that we will take to reach decision points for each service which will run concurrently to the Voluntary Redundancy (VR) process



### Timescales - Workforce Reduction Programme

The Voluntary Redundancy (VR) scheme will commence on 9 February 2024 with a 45-day consultation and concurrent VR application period subject to Member approval at Executive on Wednesday 7 February. Should the external support from DLUHC not be secured, the VR scheme would need to be terminated with no VR applications accepted. This is a high risk to staff morale and Council reputation. The alternative is to delay the implementation of the VR scheme until after Full Council.

VR decisions will be made in April 2024 and staff will leave the organisation between 1 May – 31 July 2024 dependant on the length of their contractual notice period (Pay in Lieu of Notice will only be approved by exception). To enable a smooth and phased transition, the latest date staff will leave the Council on VR will be 30 November 2024.

<b>Actions / Milestones (Highlights from detailed project plans)</b>	<b>Indicative Date</b>	<b>Lead</b>
<b>Programme Governance</b>		<b>Sara Cretney</b>
Establish Design Authority	12/01/2024	Sara Cretney
Define, finalise and adopt programme strategy to include but not exhaustive: <ul style="list-style-type: none"> <li>Detailed programme plan (including tranches)</li> <li>Programme organisation</li> <li>Comms, engagement, and stakeholder management plan</li> </ul>	16/02/2024	Sara Cretney
Develop and adopt the Financial Strategy	16/02/2024	Jason Vaughan
<b>Organisational Redesign &amp; Innovation</b>		<b>Sara Cretney</b>
<b>Organisation Vision and Design</b>		
Develop Organisational Design Principles	Complete	Sara Cretney
<b>Service Redesign</b>		
Develop service design principles and blueprint	28/02/2024	Sara Cretney
Revised project prioritisation matrix focussed on creating value for money	28/02/2024	Sara Cretney
Programme of innovative working and service redesign prioritised on cost/benefit analysis.	28/02/2024	Sara Cretney
<b>Organisational Structure</b>		
Target Operating Model and gap analysis	28/02/2024	Sara Cretney
<b>Capability building, digital tech, data, change</b>		
Identification and programming of core digital and technology capabilities to enable innovation.	28/02/2024	Andy Kennell
<b>New ways of working</b>		
Legal and legislative compliance framework	15/02/2024	David Clark
<b>Workforce</b>		<b>Dawn Bettridge</b>
<b>Workforce reduction and restructuring</b>		
Decision for continuation or pause to LGR service restructuring	Complete	Alyn Jones
Commence 45-day consultation on MTFP proposals	17/01/2024	Sari Brice
Compliant VR process and project plan including 45-day Trade Union consultation and high engagement	31/1/2024	Sari Brice
Financial Strategy in place to fund the programme including the redundancies	05/02/2024	Jason Vaughan
Optimised and reshaped programme-level Equality Impact Assessment	26/01/2024	Michelle Anderson

Launch 45-day consultation for Voluntary Redundancy scheme	09/02/2024	Sari Brice
Conclude 45-day consultation for Voluntary Redundancy scheme	25/03/2024	Sari Brice
Spans and layers of control exercise to identify where posts can be removed	31/03/2024	Dawn Bettridge
Redundancy approvals	April 2024	Sari Brice
Staff VR leavers from 1 May 2024 - end July 2024 (latest 30.11.24)	Subject to contractual notice	Sari Brice
<b>Organisational Development and Supporting staff through change</b>		
Organisational development interventions to improve culture change and performance, and supporting people through change	Jan 2024 – Dec 2024	Clive Mallon
Development of new values and behaviours	Complete	Clive Mallon
Skills and capacity baseline assessment and development plan. New appraisal system. New Leadership development framework.	31/06/2024	Clive Mallon
<b>Pay and Reward</b>		
Review and analyse the existing pay and reward framework including Job Evaluation, Establishment Control, Allowances / Additional Payments, process improvement (Digital by default), financial and non-financial pay, reward, and recognition solutions.	Feb 2024 – Apr 2024	Amanda Kotvics
Development of a new Pay & Grading (Total Reward) model for the Council (21mths)	Apr 2024 – Dec '25	
<b>Data, insight, and analytics</b>		
Provide workforce data, insight and analytics to support the wider Workforce deliverables.	December 2023 – November 2024	Helen Thomas
<b>Partnership and Devolution</b>		<b>Sara Skirton</b>
<b>Partnerships &amp; VCFSE (Voluntary, Community, Faith and Social Enterprise)</b>		
Develop and agree Strategic Partnership objectives and roadmap	Commence February / March – dependency on Workforce and Org Redesign	Sara Skirton
Stakeholder assessment and management plan for locality working		Sara Skirton
Scope the locality working and define future model		Sara Skirton
Develop service devolution programme activity (including TUPE arrangements where relevant)		Sara Skirton
<b>Devolution</b>		
Agreement and adoption of Asset and Service Devolution Framework	Complete	Sara Skirton

### 3. Financial Case for the workforce phase

The cost of a VR scheme is complex to accurately forecast, and the average cost of a redundancy varies widely due to a number of factors including applicant age, length of service, salary, the applicable TUPE protected redundancy multiplier (ranging from one to three times) and the value of the pension strain (if applicable).

The two sections below outline some of the factors that must be taken into account when developing the financial case.

#### 3.1 Statutory Redundancy Payments

Under the Employment Rights Act 1996, redundancy payments are made according to the following scale:

1. 1½ week's pay for each year of employment during which the employee was aged 41+.
2. 1 week's pay for each year of employment during which the employee was aged 22-40 inclusive.
3. ½ week's pay for each year of employment in which the employee was aged under 22.

Reckonable service is limited to the last 20 years before redundancy. The payment is therefore subject to an overall maximum of 30 weeks' pay, depending upon the number of years worked after and including the age of 41.

'Employment' is regarded as continuous local government service or an associated employer.

The qualifying service in respect of receipt of redundancy payments is two years continuous service regardless of hours worked.

For Voluntary Redundancies, the Authority has exercised its discretion to make payments on contractual redundancy entitlements, as opposed to the current statutory maximum.

#### 3.2 Predecessor Council Redundancy Terms

All previous District Councils have a range of TUPE protected policies [Redundancy \(sharepoint.com\)](http://sharepoint.com)

Council	Redundancy Payment Terms
County Council	1 x the number of week's entitlement under the statutory scheme based on actual weekly pay (max 30 weeks' pay).
Mendip	3 x the number of weeks' entitlement under the statutory scheme, based on actual weekly pay (max 90 weeks' pay).



Sedgemoor	3 x the number of weeks' entitlement under the statutory scheme, based on actual weekly pay (max 90 weeks' pay).
Somerset West & Taunton	1.5 x the number of weeks entitlement under the statutory scheme, based on actual weekly pay (max 45 weeks' pay).
South Somerset	2.5 x the number of weeks' entitlement under the statutory scheme, based on the greater of either actual weekly pay or the statutory maximum weekly pay (currently £643 per week) (max 75 weeks' pay).

It has been agreed that where there was a difference between the compulsory and voluntary redundancy payment terms in the legacy councils' redundancy policies that the more favourable terms will be applied. This is the same principle as has been applied and followed in all the LGR restructuring that has occurred to date.

Redundancy payments below £30,000 are not taxable.

### 3.3 Range of VR costs and savings

Informed by a planned analysis of organisational spans and layers of control, the Council aims to achieve significant workforce savings from staffing reductions for 2025/26. This includes LGR (Local Government Reorganisation) staff savings that are still to be delivered.

High level data assumptions informing an indication of the cost of redundancies and number of redundancies are as follows (@ Dec 2023):

- Current Total employee headcount 5234
- FTE 4586 (excludes schools' staff)
- Av. salary cost (per FTE) from SAP payroll is £32.9k
- Average oncosts associated with each FTE is 28% (average of £9.2k)
- Average pension strain for those that are eligible (aged 55 and over and a member of the LGPS) is £35.3k
- There will be some who are members of alternative pension schemes such as NHS, NEST which may have different terms and conditions relating to redundancy and early payment of pension.

The need for redundancy will be reduced through the removal of budgeted vacant posts where practicable, and removal of other pay-bill savings from the in-year savings initiatives (section 5.2).

The funding strategy to pay for the VR scheme is contingent on permitted utilisation of Council reserves, the Capitalisation Direction, and the sale of Council assets. Using current policy and guidance associated with redundancy, the total scheme will require a maximum 3-year payback. However, the objective of this programme will be to seek a payback of 2-years.



Other factors that affect overall budget savings from a VR scheme include a 28% salary uplift for oncosts (Pension & NI). As the majority of staff (with the exception of schools' staff and VR Exempt Posts) will be in scope of the VR scheme the detailed data analysis will consider the predicted distribution of VR leavers from across all grades, based on an analysis of 'as is' and optimal spans and layers of control from a diagonal slice analysis across the whole organisation.

### 3.4 Expected Financial Impact of Recommended Solution

Details to be validated:

- Target reduction in overall workforce costs (section 5.2) that help reduce the need for compulsory redundancies.
- Funding required to fund the cost of a VR scheme and payback period.

This is a high-level business case and is too early to accurately outline costs and investment across the whole portfolio of Council Transformation. There are number of influencing factors such as salary cost, number of years of continuous employment, contractual redundancy terms However, at this stage the following working assessment has been developed. This requires further review and validation taking into account the factors above.

Average annual salary saving including 28% on-costs	Allowance for redundancy cost including pension strain (where appropriate)	Payback (years)
£42,112	£65,800	1.6

#### 4.1. Non-financial Benefits

Description	Owner	Baseline Data Sources for Tracking	Anticipated Outcome	Realisation Date
Workforce Optimisation	Dawn Bettridge	SAP	Smaller workforce size Optimal Council structures with adherence to design principles (spans and layers)	1.4.25
Employee Well-Being	Dawn Bettridge	Workforce data and surveys	Staff and managers say they feel supported and valued Reduction in workplace stress and levels of absenteeism	1.12.24
Managed Redundancies	Dawn Bettridge	Workforce data	Minimised compulsory redundancies Evidence of redeployment and reskilling of affected employees wherever possible	31.3.25
Stakeholder Satisfaction	Sara Cretney	Staff Surveys/ Questioners	Maintain/improve satisfaction levels among staff, union representatives, and external partners	31.3.25
Legal and Regulatory Compliance	David Clark	Workforce data	Compliance with employment law and regulations Absence of legal disputes related to staff reductions and Industrial action	31.3.24
Successful devolution of assets and services	Sara Skirton	Establishment and pay- bill data	Successful TUPE of staff	31.3.24

How will these contribute to Somerset Council's priorities – give brief details	
Council Plan Priorities: <ul style="list-style-type: none"> <li>▪ Fairer, Ambitious Somerset</li> <li>▪ Greener, More Sustainable</li> <li>▪ Flourishing, Resilient</li> <li>▪ Healthy, Caring</li> </ul>	This programme will support the effectiveness of the whole Council to respond to and deliver the vision and priorities as set out in the Council Plan.
Service specific Strategies	

Benefit enabling dependencies (dependency on people) – give brief details	
Adoption of new technology	Upskill staff on digital skills
Adoption of new ways of working	Dynamic working New values and behaviours New appraisal system

## 5. Management Case

### 5.1. Whole-organisation Transformation Approach

Somerset Council needs a clear and robust plan to support long-term financial stability. In addition, the pace and scale of current Council transition and transformation will need to accelerate to deliver a radically different way of working as a Council, operating with fewer staff, whilst increasing our influence and impact.

A whole-organisation transformation approach is required to deliver the new vision for Somerset Council to be:

- A council that is **flexible and agile**
- A **smaller and leaner** council
- A **data driven and digitally enabled** council
- A **sustainable and resilient** council
- A council that is **local, connected and inclusive**

The new transformation approach will bring together transformation and change across the organisation to ensure whole council oversight and prioritisation of resources and investment – see diagram overleaf.

#### Council Transformation high level objectives:

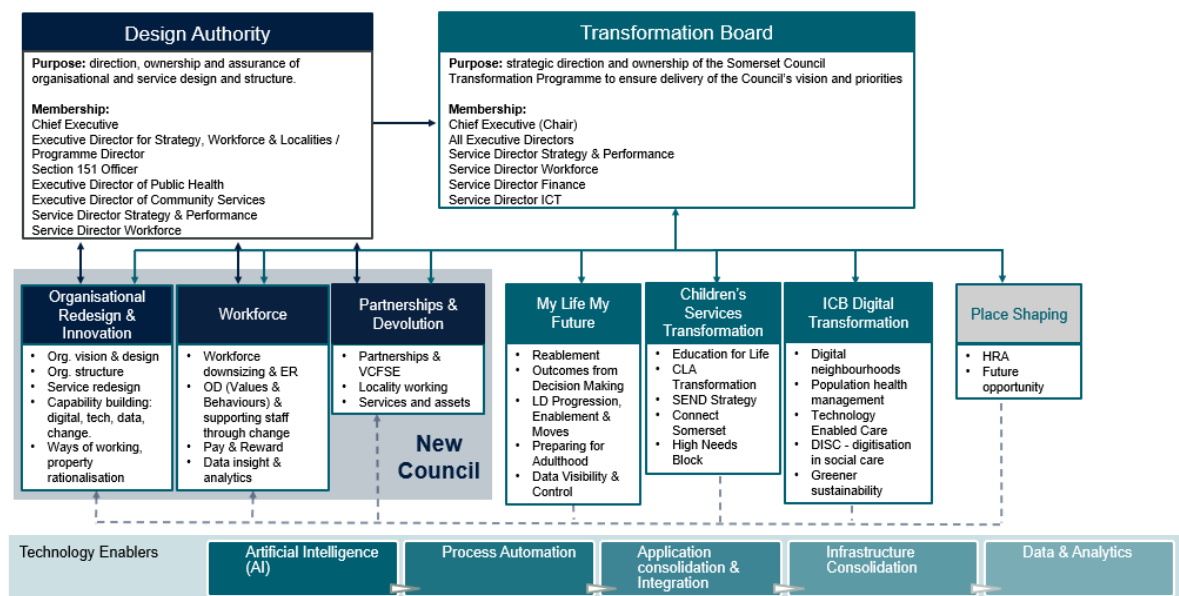
- Reduction in staffing costs and non-staffing revenue spend by end 2024/25.
- Reduction in establishment by end 2024/25.
- Reduction in service demand
- Reduction in duplication and waste
- Increase in alignment and consolidation of services
- Streamlined governance structure
- Increased employee engagement
- Clear vision and purpose to guide Council prioritisation and direction
- Increase in assets and services delivered by partners, VCFSE and town and parish councils
- Embed Equality, Diversity and Inclusion in decision making at all levels
- Maintain positive engagement with Trade Unions
- Embed robust performance management

- Increased adoption of new technology and digital
- Streamlined and proportionate governance and quicker decision making based on data and evidence
- Increased visibility and overview of transformation and change activities

This business case focusses on the workforce reduction as an enabler for wider Council transformation and innovation.

The Transformation Approach will address the various recommendations from the Annual Report from Grant Thornton (Jan 2024). The overarching recommendation relating to transformation in the report is 'Financial Sustainability - implementing a transformation at scale and pace.'

## Somerset Council Transformation Governance Structure



### 5.2. Management case for a Workforce Reduction programme

As part of the wider transformation portfolio, a strategic approach to workforce reduction to reduce the budget gap by c.£40m in 2025/26 is required. Due to the complexity, cost, and pace of this element of the Transformation Programme an overview of the workforce reduction management case has been provided below.

Somerset Council aims to minimise compulsory redundancies as much as possible, although some will be inevitable as a result of some services stopping or reducing.

To mitigate high numbers of compulsory redundancies, the following workforce cost reduction interventions are being analysed to reduce the cost of the pay-bill:

- Managed and controlled recruitment
- Establishment control

- Removal of budgeted vacancies where a post is not essential.
- Reduction of agency workers
- Reduction of interims and consultants
- Voluntary reduction of contract hours
- Review of Fixed Term Contracts
- Overtime
- Expenses and allowances
- Annual leave purchase scheme
- Voluntary redundancy

### **Voluntary Redundancy (VR)**

Voluntary redundancy (VR) offers employees the opportunity, subject to approval, to apply to leave the Council on contractual redundancy terms. This aligns with the overarching goal of creating a smaller, leaner, more productive council, employing fewer people and where possible avoiding compulsory redundancies. The workforce team has put together a carefully planned, robust, legal and fair VR process, ensuring that employees are well-informed, engaged, and supported throughout the voluntary redundancy process. The Council retains control of who is given approval to leave on VR and when employees will be given notice of redundancy. All posts that are made redundant will be removed from the establishment and will not be replaced.

We will create a supportive environment throughout the VR process, including timely and transparent internal communication and engagement, trade union and employee consultation, and supporting all managers and staff including those who will be leaving the Council, those who wish to leave but will not be approved for VR, and those who hope to remain employed with Somerset Council in the longer term.

Clear milestones, including the development and implementation of a compliant VR process, consultation and engagement with trade unions, and alignment with the broader financial strategy is in place to achieve the workforce reduction goals outlined in this business case.

In addition to minimising the need for compulsory redundancies, other benefits of a VR scheme include the opportunity for the Council's Design Authority (led by the Chief Executive) to define what the future organisational model and structure will look like, and to manage and maintain employee engagement. This allows the organisation, in parallel to the VR scheme, the necessary time to delve into the complexities of organisational design principles, spans and layers of control, and the organisational model and structure. This deliberate approach, evidenced by workforce data, insight, and analytics, ensures that the transformation programme will deliver a planned and timely Council re-design and achieve workforce optimisation based on the future model of the Council and its requirements, allowing a focus on long-term financial sustainability and efficiency.

### **VR Exemptions and knowledge transfer**

Due to known recruitment and retention difficulties a small number of job types will be exempt from the VR scheme where it makes sense to do so. This includes the following job categories:

1. Social workers,
2. Senior Social Work Assistants,
3. Engineers,
4. Spatial planners and development management professionals,
5. Lawyers,
6. Occupational therapists (registered, qualified professionals),
7. Adults Social Care Practitioner
8. Health Visitors (registered, qualified professionals),
9. School nurses (registered, qualified professionals),
10. Family Intervention workers (Childrens),
11. All 100% HRA funded posts,
12. All 100% externally Grant funded posts,
13. Estates and building surveyors,
14. Advanced Mental Health Practitioners (Adults - Social worker / OT qualified),
15. Building control surveyors,
16. Ecologists

A VR scheme is known to be costly but can be delivered at pace and enable those staff who wish to leave the organisation to exit with a controlled and positive experience, thereby helping to maintain staff morale and reducing the number of compulsory redundancies.

The talent and knowledge drain from significantly reducing the workforce over the next 6-9 months is not to be underestimated. A planned number of workstreams will be in place concurrently including Organisation Design and Innovation, Workforce data insight and analytics, Supporting People through Change, Organisation Development, Pay and Reward, and Partnerships and Localism (devolution / TUPE). Programme management will ensure that project dependencies and risks are identified, planned for, and mitigated.

### 5.3. Risks and Assumptions

Description	Cause	Consequence	Risk Rating			Mitigation	Owner
			Likelihood	Impact	RAG		
Terminating or delaying the VR scheme.	External Support from DLUHC is not secured.	Damage to Council reputation, staff morale and trust in leadership	4	5	20	We will make it clear as part of the VR scheme that we might accept none of the applications. We will maintain a high emphasis on internal communications and engagement with staff.	Jason Vaughan
Service instability	Unmanaged VR/High level of CR (Compulsory Redundancies)	Inability to provide essential services to the Somerset residents	3	5	15	To have a robust and compliant CR/VR process. Agreed exempt roles and ensuring any CR is backed up by a careful service redesign	Design Authority
Insufficient budget for Redundancies – unable to achieve savings	Lack of sufficient funding for the programme	Cannot initiate redundancies without a budget to fund them. Without redundancies, savings associated with the programme will not be materialised	4	5	20	The Financial Strategy for the programme is being developed. The source of funding for the programme will be in the strategy	Jason Vaughan
Excessive loss of talent and organisational knowledge	People leaving the organisation ahead of the process or without a proper hand over	Loss of key talent – loss of organisational memory, knowledge and skills. Inability to deliver transformation.	3	5	15	Clear communication and engagement with staff throughout Have a process to capture and retain organisational knowledge. Skills audit for transformation delivery	Dawn Bettridge
Damage to Trade Union relations and risk of industrial action	Failure to consult properly and failure to engage	Loss of trust, confidence in management	3	5	15	Trade Unions are being involved and engaged from outset and will be consulted on the VR scheme	Dawn Bettridge

#### 5.4. Legal Implications

All HR policies and procedures need to be followed and be legally compliant to reduce the risk of employment tribunals, reputational damage and internal workforce disruption.

#### 5.5. Resource Requirements

The whole of the Workforce service has been reconfigured informally to be able to run the Workforce Reduction programme and maintain essential operational HR, Payroll, Business Partnering, Learning and Development and Health and Safety services.

Internal capacity has been identified to support the programme – external specialist resource will only be sought for skills, knowledge, capability and capacity that is not available internally. Work is currently underway to scope the resource requirements as the wider transformation programme is further developed.

LGA funded support has been secured to complete a deep dive of the transformation approach and governance.

#### **Resources to deliver the workforce programme.**

In addition to the budget required to fund a VR scheme the following costs are proposed:

- Programme, project, HR & OD (Organisational Development) subject matter expertise – low additional cost, resources are allocated from existing inhouse teams and from extended / additional staffing arrangements.
- Additional HR leadership, experience, resilience, and capacity is being provided by the Interim Service Director Workforce and an Interim HR transformation consultant/lead. This compares favorably to outsourcing the workforce reduction programme at a cost of £3m (quoted from an external consultancy).
- Expert analysis and validation of our workforce data to identify where posts can be safely removed in line with organisation design principles will be resourced by a mixture of existing inhouse staff plus external expertise (provided by LGA, Stanton Marris, Korn Ferry) to ensure validity of workforce savings and future service delivery models)
- A specification for the future Pay and Grading Structure modelling and costing work will be developed as the current Somerset Council pay and grading structure requires remodelling to be 'market right' for a smaller and reprofiled future workforce.

#### 5.6. Equality Impact Assessment

Is there an impact on service delivery to residents or business?	Yes
Will there be an impact on staff within the service or wider Council	Yes
<b>Where there is a Yes answer, please set out the impacts identified to date: -</b>	



The initial EIA focuses on VR Programme element. Going forwards, other parts of the programme will require individual EIAs (Equalities Impact Assessments) to make sure impact is monitored and considered at all steps of the programme. There will also be a cumulative EIA for the programme once all individual EIAs are completed. This will be carried out, reviewed and updated throughout the duration of the programme.	
Has an EIA been started or completed ( <a href="#">link to template</a> )	Yes
If yes, please forward to <a href="mailto:eia@somerset.gov.uk">eia@somerset.gov.uk</a>	
If no, please identify the reasons that EIA not being completed: N/A	

## 5.7. Impact on Stakeholders

**Staff** – Staff at all levels of the Council are in scope of this programme with the exception of School employees (some roles are listed in the business case as VR exemptions due to recruitment and retention challenges).

**Members** – All Members will need to be briefed and engaged as this programme impacts staff, service delivery and service levels. The Executive will be kept informed and engaged through Informal Executive meetings.

**Trade Unions** – All recognised Trade Unions will need to be properly consulted. Facility time is likely to need to be increased for the duration of this programme.

**Partners** – to be engaged throughout, particularly Town and Parish Councils, VCFSE and Health partners (TUPE considerations).

**Agency managed service provider (Matrix)** – engagement needed to ensure contract value for money and partnership working to reduce agency numbers and costs.

## Appendix 1 Lessons Learned

Lesson	How Somerset Council is incorporating the learning
<b>Birmingham, Bournemouth Christchurch and Poole, Thurrock, our own LGR Peer Review</b>	
<p><b>Lack of clarity</b> on future plans creates significant risk of inconsistent leadership, challenge and delivery: ultimately failure.</p>	<ul style="list-style-type: none"> <li>• Creating clear leadership and governance with understood roles, responsibilities, and boundaries.</li> </ul>
<p>Need to reframe <b>values and behaviours</b> as well as services, processes and structures to ensure cross-council solutions to cross-council problems.</p>	<ul style="list-style-type: none"> <li>• New Values and Behaviours agreed and will be embedded across the programme design and delivery as well as across the employee lifecycle.</li> </ul>
<p>Transformation Programme must be proportionate and understood in wider context of <b>financial sustainability</b>.</p>	<ul style="list-style-type: none"> <li>• The approach is designed to support long term financial sustainability.</li> <li>• The cost element relating to the workforce reduction programme (only) is projected to be between c. £37m to £40m. This will deliver reoccurring (year on year) pay-bill savings of c.£40m from 2025/26 onwards.</li> <li>• Section 151 Officer is on the Design Authority and the Transformation Board.</li> <li>• The Financial Emergency Programme has informed the development of the programme.</li> </ul>
<p>Need to allocate the right <b>skills, capabilities and capacity</b> to lead, manage and deliver change.</p>	<ul style="list-style-type: none"> <li>• Skills, capabilities audit and upskilling as part of both the</li> </ul>
<p>Must be “corporate” a <b>whole-council programme</b>: balance people and place agendas, without losing sight of agreed priority areas for improvement.</p>	<ul style="list-style-type: none"> <li>• Complete.</li> </ul>
<p><b>Effective governance</b> (programme management, democratic and “informal” as well as systems that support):</p> <ul style="list-style-type: none"> <li>• Sufficient “grip” including proactive and cross-cutting risk management, strong and proportionate programme architecture</li> </ul> <p>Openness to challenge (including through audit) by staff, Members and others</p>	<ul style="list-style-type: none"> <li>• Creating clear leadership and governance with understood roles, responsibilities, and boundaries.</li> <li>• Review of Programme Management Office to support managing and monitoring delivery.</li> <li>• Inviting in challenge e.g. LGA deep dive into transformation approach planned for March 2024.</li> </ul>
<b>Recommendations from Grant Thornton - Interim Annual Report to Somerset Council – January 2024</b>	
<p>Somerset Council should continue to develop and deliver mitigating actions to <b>manage demand and costs</b> in relation to <b>Adults and Children’s services</b>.</p>	<ul style="list-style-type: none"> <li>• A detailed transformation plan is being implemented to help create a council that is sustainable for the future. The ‘My life, my future’ programme (Adults transformation and Children’s services transformation are incorporated into this programme.</li> </ul>

Somerset Council should implement the <b>transformation at scale and pace</b> in order to address the significant structural budget deficit.	<ul style="list-style-type: none"> <li>We are developing a comprehensive transformation programme to deliver our vision to be a smaller, leaner council. Employing fewer people, focusing only on the unique value the authority can provide. The outline transformation business case is now being prepared, programme governance is agreed and will be implemented in the first quarter of 2024.</li> </ul>
Somerset Council should ensure that <b>proper governance arrangements</b> are in place to oversee the <b>disposal of the commercial property</b> portfolio.	<ul style="list-style-type: none"> <li>Generation of capital receipts from asset disposal is a key part of our financial strategy. We have agreed to dispose our commercial property investments and have developed a pipeline of disposals of surplus assets. The Executive have also approved the appointment of Jones Laing La Salle as external agents to support us in this work.</li> <li>A Member led Property and Investment Sub Committee are fully engaged in this work and the Executive have also tasked our Asset Management Group to bring forward asset disposals from assets held outside of the commercial investment portfolio, including council office rationalisation proposals.</li> <li>Governance for this activity takes place through the Asset Management Group at a practical level, with formal democratic governance and oversight to ensure transparency.</li> </ul>
Robust <b>procurement and contract management</b> arrangements should be implemented at Somerset Council.	<ul style="list-style-type: none"> <li>Our priority is to find savings through efficiencies and improved practices before reducing services. This therefore includes tackling weaknesses in contracts and procurement to ensure value for money. A Commercial and Procurement Control Board has been created to review and challenge all new commissions, annual uplifts in contracts and contracts renewals.</li> <li>Our 'No Purchase Order, no Pay' is putting robust procurement arrangements in place to ensure spend is subject to proper governance and decision-making, and that monitoring, and contract management is also robust.</li> </ul>
<b>LGA Pre LGR Peer Challenge for Somerset December 2022</b>	
Articulate your <b>vision</b> – we heard that the political administration has a vision and sense of priority activity for the new council; this now needs to be made explicit and socialised.	<ul style="list-style-type: none"> <li>Vision agreed by Executive on 6 December 2023.</li> </ul>
Stop, think and <b>create space</b> as your council 'top team' – when key senior positions have been filled ensuring you	<ul style="list-style-type: none"> <li>Done via the implementation of the Design Authority and Transformation Board</li> </ul>

create organisational time and space to consider ways in which the new council will thrive into the future.	
Ensure <b>robust finance plans</b> are in place and widely understood – providing clarity on the accurate current budget position and how this could impact on the functionality of the new council.	<ul style="list-style-type: none"> <li>Regular MTFP reports are produced and shared.</li> </ul>
Make sure <b>you allow sufficient time</b> for tranche 2 and make the right appointments to deliver your new plan and culture.	<ul style="list-style-type: none"> <li>Culture part of the overall programme.</li> </ul>
Don't underestimate the <b>time needed for stabilisation</b> – this will inevitably go beyond 6 months and may even last a full electoral cycle for ambitions to be fully realised.	<ul style="list-style-type: none"> <li>Will be incorporated into the timeline and plan.</li> </ul>
Keep resolutely focussed at delivering the <b>one council ethos and culture</b> , throughout the new council and with your partners	<ul style="list-style-type: none"> <li>The implementation of the Design Authority will ensure this focus.</li> </ul>
Ensure you have the necessary capacity in the new council to ensure <b>effective communication</b> , internally as well as externally	<ul style="list-style-type: none"> <li>A high focus on employee, stakeholder and member communication, engagement, support through change, and wellbeing</li> </ul>
Develop a strong package of <b>support and engagement</b> with and for your members, including and effective member development programme.	<ul style="list-style-type: none"> <li>A high focus on employee, stakeholder and member communication, engagement, support through change, and wellbeing</li> </ul>
<b>Internal Lessons Learned from LGR Programme</b>	
Put in place early arrangements/mechanisms for consistent, accurate, timely and accessible <b>messaging</b> across the programme team, led by a dedicated comms lead for the programme, driven by a communication strategy and plan	<ul style="list-style-type: none"> <li>A high focus on employee, stakeholder and member communication, engagement, support through change, and wellbeing.</li> <li>Dedicated communications and engagement resources.</li> </ul>
Set up a <b>single central repository</b> for programme documentation to ensure there is 'one version of the truth' that is readily accessible.	<ul style="list-style-type: none"> <li>Reviewed and refreshed programme management office arrangements</li> </ul>
Ensure <b>design principles</b> inform programme decision making.	<ul style="list-style-type: none"> <li>Design Principles agreed – Organisation and Structural design principles</li> <li>Design Authority established</li> </ul>
Identify, and secure access to, internal <b>subject matter experts</b> (SMEs) as early as possible.	<ul style="list-style-type: none"> <li>Clear stakeholder involvement and engagement. Design Authority “pulling” expertise in when appropriate.</li> </ul>

Spend time documenting and <b>clarifying workstreams scope</b> at an early stage to avoid possible duplicated effort or gaps in responsibility.	<ul style="list-style-type: none"> <li>• Creating clear leadership, governance and structures with understood roles, responsibilities, and boundaries.</li> </ul>
Ensure EDI ( <b>Equity, Diversity, and Inclusion</b> ) is embedded across the programme and doesn't exist as a standalone workstream	<ul style="list-style-type: none"> <li>• One of the agreed Design Principles is that Equity, Diversity and Inclusion will be at the heart of decision making.</li> </ul>
Allocate <b>consistent project support</b> , leaving SMEs to focus on delivery rather than on reporting, updating project documentation etc.	<ul style="list-style-type: none"> <li>• Reviewed and refreshed programme management office arrangements.</li> </ul>
Agree a <b>clear governance approach</b> at the outset including a forward plan.	<ul style="list-style-type: none"> <li>• Creating clear leadership and governance with understood roles, responsibilities, and boundaries.</li> </ul>
Provide early clarity around who provides the <b>ultimate project/programme steer</b> to avoid conflicting decisions being made and associated wasted effort	<ul style="list-style-type: none"> <li>• Creating clear leadership and governance with understood roles, responsibilities, and boundaries.</li> </ul>
Set clear <b>terms of reference</b> for all project meetings, clarifying roles and responsibilities at the outset, to ensure consistency across the programme and that the meetings are focused on the 'right things'	<ul style="list-style-type: none"> <li>• Creating clear leadership and governance with understood roles, responsibilities, and boundaries.</li> </ul>
Don't overload the programme resource with an unrealistic volume of simultaneous changes /activities. Be <b>realistic</b> and consider staggering change to ensure enough resources are available to support the transition.	<ul style="list-style-type: none"> <li>• Programme and project management expertise and governance</li> <li>• Dedicated subject matter expert workstream resources (PMO, HR, OD, Finance).</li> </ul>
<b>Lessons Learned – Taunton Deane BC / West Somerset Council Transformation – South West Audit Partnership (SWAP)</b>	
To be more <b>realistic</b> about what can be achieved with the available resource and within the time available.	<ul style="list-style-type: none"> <li>• By adopting an organisation-wide approach to transformation; bringing programmes within an overarching transformation portfolio; enables stronger control of resource allocation and prioritisation</li> </ul>
The voluntary <b>redundancy option for all staff</b> within the organisation was not in the best interests of the organisation.	<ul style="list-style-type: none"> <li>• VR to be corporately controlled with clear, fair and non-discriminatory corporate decision-criteria and knowledge transfer.</li> <li>• A more considered approach is planned for Somerset Council. Not everyone that applies for Voluntary Redundancy may get approved. Certain roles that are hard to recruit or retain will be exempt from the VR process.</li> </ul>
Ensure <b>redundancies are delayed/staggered</b> sufficiently until new processes are in place when actual efficiencies have been realised.	<ul style="list-style-type: none"> <li>• Programme management will ensure that project dependencies and risks are identified, planned for, and mitigated as far as is reasonably possible.</li> </ul>

Where a business case is based on high-level <b>subjective assumptions</b> ensure these are regularly reviewed during the implementation stage to ensure they are realistic and achievable.	<ul style="list-style-type: none"> <li>This will be a key element to our approach. Assumptions will be tested and kept under review on an ongoing basis.</li> </ul>
Ensure a <b>fully functioning Programme Office</b> is in place with appropriate skills and experience to lead complex transformation programmes	<ul style="list-style-type: none"> <li>This is integral to our transformation planning and approach.</li> </ul>
Ensure there is a detailed <b>benefit realisation plan</b> in place at the commencement of the transformation programme and that it is embedded throughout the monitoring arrangements.	<ul style="list-style-type: none"> <li>Benefits identification, tracking, realisation, and reporting has been a key element of LGR so far and will continue into our approach to the wider transformation.</li> </ul>

#### **Additional learning being incorporated into Workforce Reduction programme and wider transformation approach:**

- Recommendations from the Grant Thornton Annual Report (covers the period 22/23 and looks forward to 23/24) will be fed into each programme business case and lessons learned document. For the workforce programme we have taken on board the need for implementing transformation at scale and pace.
- Design Authority to lead and work through wicked issues and accelerate critical decision making (thought leadership).
- Clear accountabilities, priorities, and performance management (improved staff engagement and productivity)
- Change management (to take people with us on the change journey and do change well).
- Matrix management and task management (different ways of working)
- Digital solutions (remove manual processes and duplication)
- Organisation Design principles (create an organisation design that delivers what we say we will)
- Structural Design principles (spans and layers exercise to inform where roles can be removed)
- HR Policies and procedures that enable sustainable organisational change (e.g., VR leavers not permitted to return as permanent or agency within 2 years of exit)
- HR processes that enable pace, whilst ensuring we are robust, legal, and fit for purpose (e.g., No bumping in the VR scheme, Role Matching to be managed within the CR consultation period)
- Consideration of dependencies in parallel to workforce reduction (Pay and Reward, Job Evaluation)
- Knowledge transfer and phasing of the VR leavers

## Appendix 2 – Extract from Executive Report 06/12/23

### **Vision for a sustainable Somerset Council**

Our vision for the council is to be a smaller leaner council, employing fewer people, focusing only on the unique value we can provide. We will bring people together and build strategic relationships with our partners and communities to work as a team, harness and build our collective power to deliver outcomes for the people of Somerset.

We want to free our staff up to be leaders and do what is important – our processes will be streamlined and redesigned to support us to do that efficiently and effectively. At our core, we will be focusing on delivering value and impact, we will be maximising the use and opportunity of digital, Artificial Intelligence and data insight to help us realise our vision.

We will automate any work that is repeatable and can be mapped. Any work that is complex, unique, intuitive, one of a kind and relational will be done by our people, who will be problem solvers: highly skilled, agile, continuously learning and locally based in our communities.

The design of our services will be focussed on providing value to the people of Somerset, not on the professional and siloed specialisms of council teams.

### **Organisational Design Principles** that will support the delivery of this vision:

A council that is **flexible and agile** which will:

- be clear on accountability and responsibility, reducing the need for complex systems of governance, streamlining decision making and reporting processes.
- create clear and flexible roles and functions, working across the council rather than in silos.
- empower our people to be directly accountable for the delivery of outcomes, reducing the management overhead associated with the operation of our Council.
- use agile, iterative, and dynamic approaches to improvement, transformation, and change, delivering outcomes at a much swifter pace than current processes, practices and policies allow.
- build new capabilities and competences that enable and facilitate the whole of the organisation to change - and keep changing - so that we can continuously innovate at speed and scale rather than wrapping change in bureaucratic process, governance, and procedures.

A **smaller and leaner** council which will:

- design out repetition and duplication – eliminating duplication of roles and functions across the council. We will redesign how our business is supported requiring fewer staff to administer what we do in our back office.
- focus our direct engagement with the public on those services that support the most vulnerable members of our community, enabling information regarding all other service delivery to be available at a time convenient to those who wish to access it.



- focus on further developing integrating health and social care to support collaboration, personalisation, and early intervention, to increase independence and wellbeing.
- have the right mix of deep expertise and cross-functional generalists – it may be better to outsource some skills that may have traditionally been handled in house.

A **data driven and digitally enabled** council which will:

- use data to power every part of the council’s business, protecting it, and exploiting it, to make good investment decisions, improve our services and maintain public trust.
- optimise use of digital technology and Artificial Intelligence – reducing the number of staff required to run our services, processes, projects, and governance.
- promote a digital culture for collaboration and innovation, working with the many organisations and agencies that serve Somerset to increase smart solutions, infrastructure, and connectivity.
- provide a joined up digital experience for customers as they access council services.

A **sustainable and resilient** council which will:

- enable partners and other third parties to operate functions and services that are better delivered by others because of their knowledge and expertise.
- balance investment and savings and measure our impact to inform investment decisions.
- prioritise listening and learning to improve service delivery.
- continue to tackle the climate and ecological emergency to the extent possible given our financial constraints.

A council that is **local, connected and inclusive** which will:

- develop and facilitate our Local Community Networks so that they can set their own priorities, determine local action plans and act upon them.
- work with our partners so that we can collaborate to support our communities to access advice, guidance and, where necessary services, across the public sector and voluntary sectors in Somerset.
- make equality, diversity and inclusion the lens through which all decisions are taken. We will include it at an early stage – not as a thing to do “later”.
- ensure that our workforce understands the places and people they support without the need for physical assets to demonstrate our connection to communities.
- have fewer people, but with a wide range of knowledge and skills so that the best response from the most appropriate service or partner is deployed.
- prioritise digital inclusion - improving skills, access and confidence for our staff and customers.
- ensure that our business community has a strong voice and, that we work with them to deliver green growth.
- design our services with various situations, contexts, and preferences in mind, and we provide multiple ways for our community to access, understand, and interact with our services.



## Appendix 3 – Spans and Layers

### Organisation Design Principles (Structural) – proposed

#### Definition

- Spans of control - the number of people reporting directly to one individual (direct line management reports)
- Organisational layers of control – the maximum number of levels in the Council hierarchy, i.e., from the Chief Executive to the lowest non-management layer

#### Why are Spans and Layers important?

The right number of spans and layers can:

- Reduce management costs across the whole Council.
- Enable more efficient and faster cascade of communication.
- Enable faster decision making (less bureaucracy and complexity between the top and bottom of the organisation hierarchy)
- Enable greater empowerment, increased accountability, and productivity.

#### How will the Council's Spans and Layers be agreed?

- The Design Authority will set the optimal number of spans and layers based on industry best practice (guidance from LGA, Stanton Marris, Korn Ferry)
- Spans and layers will form part of our Organisation Design Principles and establishment control guiding principles.
- There may be some exceptions to the norm. For example, in areas where there are a lot of staff doing similar work, or where staff are supervised on a day-to-day basis there may be more staff reporting to one manager or supervisor.
- Spans and layers should not be confused with pay and grading.
  - You can have more than one grade within each level.
  - The grades and levels in one Service Area can be different to another.
  - Pay scales are attached to a grade, not a level.

#### Recommended approach to Spans and Layers

##### Spans

- At each management and supervisory level, the organisation structure will generally be designed with at least 4 to 8 direct reports, with a recommended average of at least 6.
- In Services with multiple staff doing similar work and/or with a high level of direction and support or a low level of job variance, the span will be higher.
- Executive Director discretion can and should be applied to ensure spans of control are practicable and fit for purpose, especially for professional services.




##### Layers

- The **new** organisation structure should be designed to meet a maximum 6 layers from the Chief Executive down to the most junior level of staff.
- As a new Unitary Authority, it is likely we will create at least 8 or 9 layers unless the organisation design parameter of 6 is made a firm organisation design principle.

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# Somerset Equality Impact Assessment

Before completing this EIA, please ensure you have read the EIA guidance notes – available from your Equality Officer or [www.somerset.gov.uk/impactassessment](http://www.somerset.gov.uk/impactassessment)

<b>Organisation prepared for (mark as appropriate)</b>						
<b>Version</b>	<b>V1.0</b>		<b>Date Completed</b>	<b>29/01/2023</b>		
<b>Description of what is being impact assessed</b>						
<p>Within the Council Transformation portfolio, the Workforce Reduction programme is designed as an enabler for wider Council Transformation and innovation. Detailed in the management case is a proposed Voluntary Redundancy (VR) scheme to commence in February 2024 to deliver c £40m of re-occurring pay-bill cost reductions in 2025/26, through a reduction of between 20-26% of the current workforce. The expected outcomes of the VR programme are:</p> <ul style="list-style-type: none"> <li>▪ Smaller, leaner organisation (reduction in establishment, increased productivity)</li> <li>▪ Contribution to the financial stability of the Council</li> <li>▪ A new organisational design and structure that is:             <ul style="list-style-type: none"> <li>○ flexible and agile</li> <li>○ smaller and leaner</li> <li>○ data driven and digitally enabled</li> <li>○ sustainable and resilient</li> <li>○ local, connected and inclusive</li> <li>○ values led</li> </ul> </li> </ul> <p>During the consultation period the EIA will be regularly reviewed and updated to reflect any changes. A further review and update will take place once the application window has closed.</p>						

This EIA covers the VR Programme only. Going forward, other parts of the Programme will require individual EIAs to make sure the impact is monitored and considered at all steps of the Programme. There will also be a cumulative EIA for the Programme once all individual EIAs are completed. This will be carried out, reviewed and updated throughout the duration of the Programme.

### 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

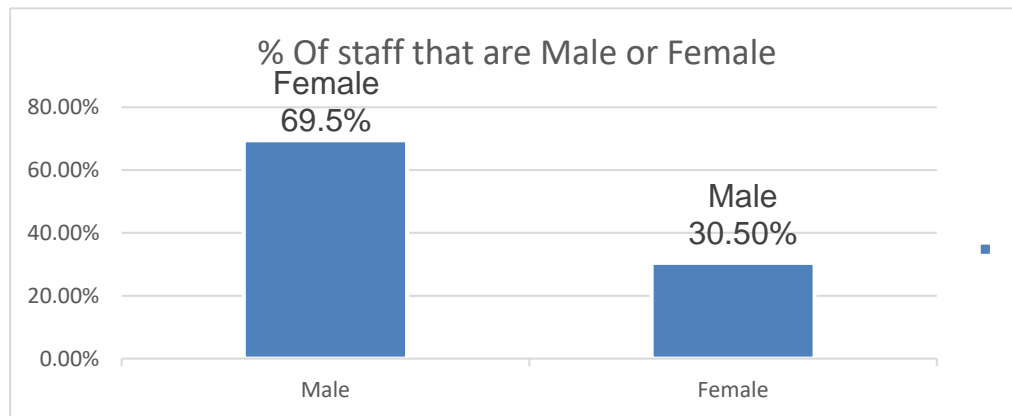
The VR Programme covers all directorates and services across Somerset Council. Therefore, it is likely that all staff employed by the Council will be impacted. There are some roles that will be exempt from the voluntary redundancy process due to the critical nature of the role and the ability to recruit and retain staff in these roles. These are set out in appendix 1 to this EIA.

### Workforce data January 2024.

**Total headcount: 5168**

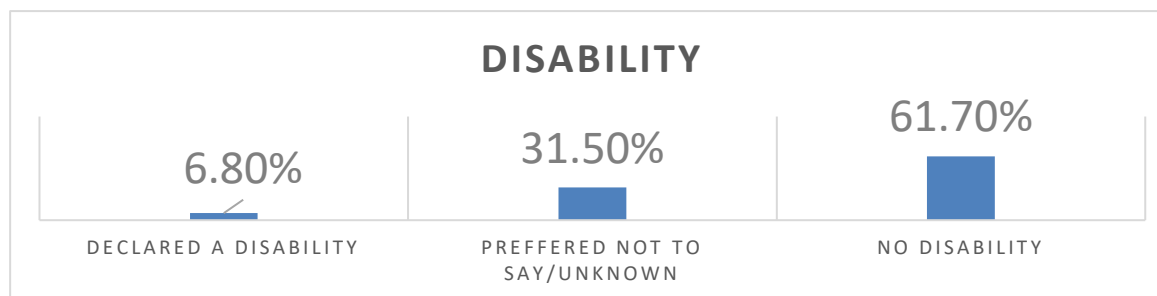
#### Sex

<b>Female</b>	69.5%
<b>Male</b>	30.5%



### Disability

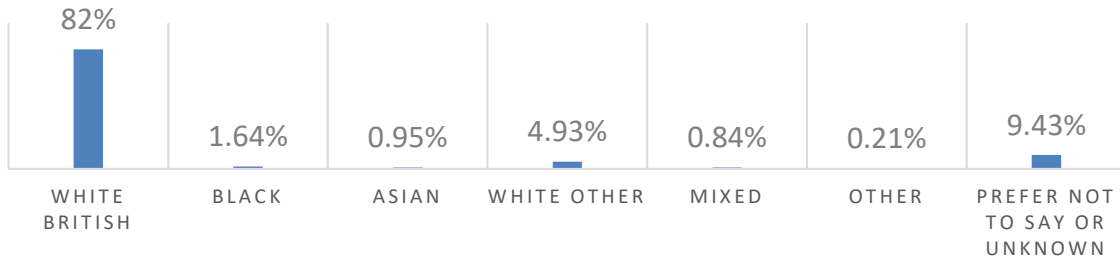
<b>Declared disability</b>	6.8%
<b>Preferred not to say/unknown</b>	31.5%
<b>No Disability</b>	61.7%



### Ethnicity

<b>White British</b>	82%
<b>Black</b>	1.64%
<b>Asian</b>	0.95%
<b>White Other</b>	4.93%
<b>Mixed</b>	0.84%
<b>Other</b>	0.21%
<b>Prefer not to say or unknown</b>	9.43%

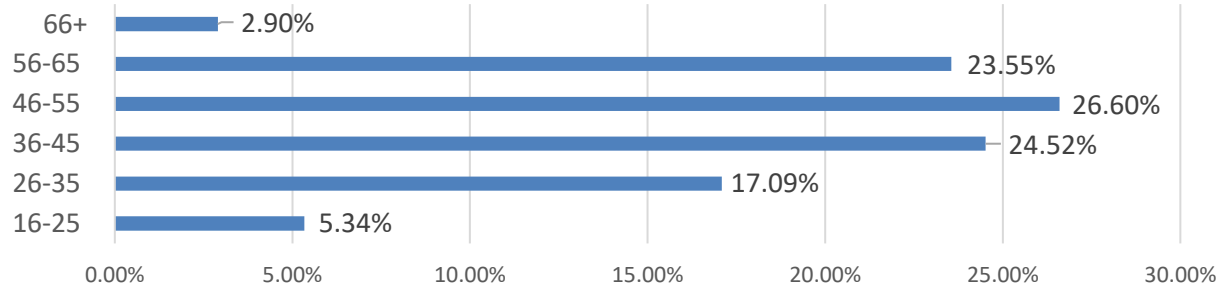
## ETHNICITY



## Age

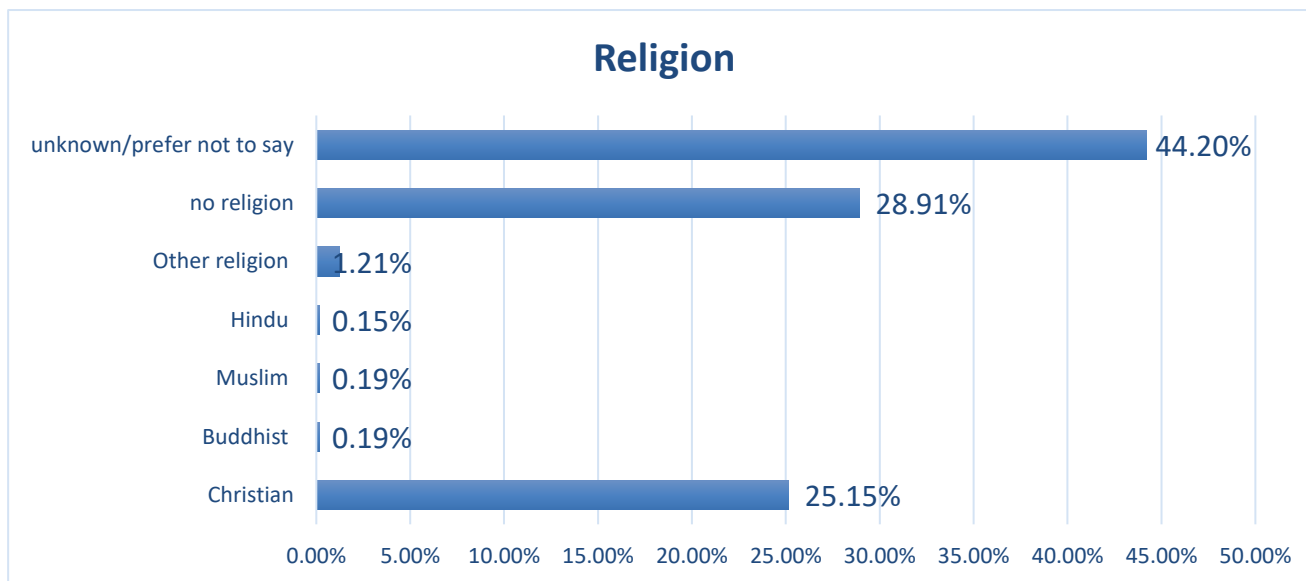
16-25	5.34%
26-35	17.09%
36-45	24.52%
46-55	26.60%
56-65	23.55%
66+	2.90%

## Age



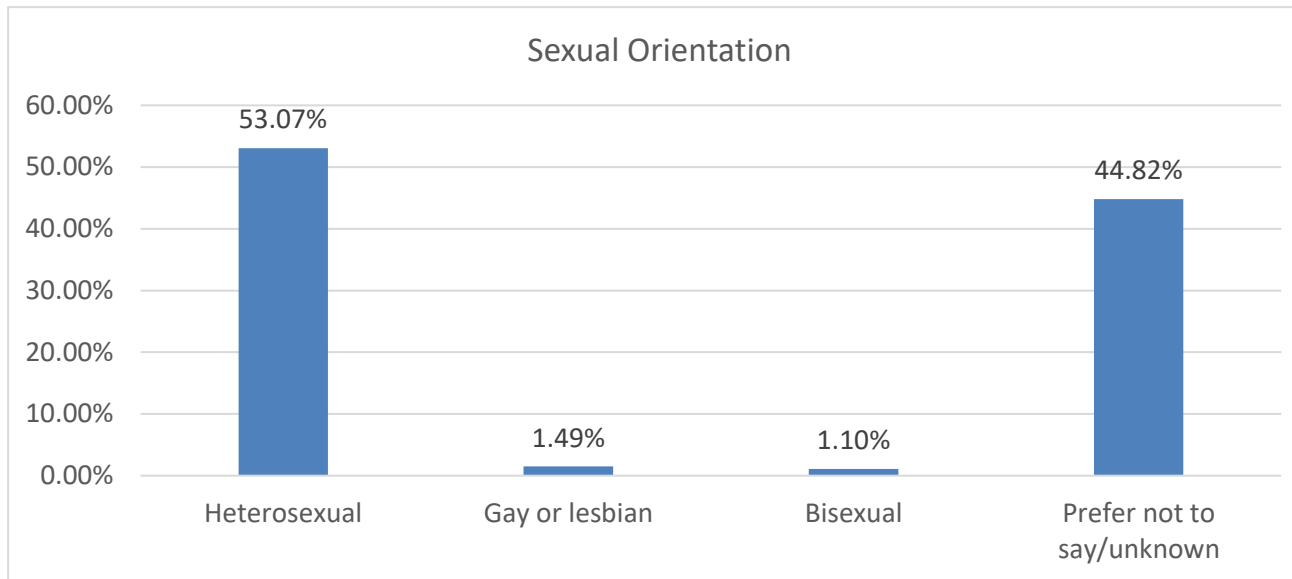
## Religion

<b>Christian</b>	25.15%
<b>Buddhist</b>	0.19%
<b>Muslim</b>	0.19%
<b>Hindu</b>	0.15%
<b>Other religion</b>	1.21%
<b>no religion</b>	28.91%
<b>unknown/prefer not to say</b>	44.20%



### Sexual Orientation

<b>Heterosexual</b>	53.07%
<b>Gay or lesbian</b>	1.49%
<b>Bisexual</b>	1.10%
<b>Prefer not to say/unknown</b>	44.82%



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



A formal 45-day collective consultation period on redundancies and as required under the Trade Union & Labour Relations (Consolidation) Act 1992 (s188) is planned as part of the VR Programme. This includes consultation with staff and Trade Union representatives. Any impacts on protected characteristics will be considered as part of the consultation along with mitigations.

### 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	<ul style="list-style-type: none"> <li>Some colleagues who are younger may be less likely to volunteer for redundancy.</li> <li>Older employees are likely to be eligible for a higher redundancy payment due to length of service and salary and will therefore cost more to release.</li> <li>Any employee who is a member of the LGPS and is made redundant over the age of 55 is entitled to immediate access to their pension for which there is a cost to the employer. These costs can be significant. There could be a perception that younger employees are at greater risk of redundancy to avoid these costs.</li> </ul>	☒	☐	☐
Disability	<ul style="list-style-type: none"> <li>Some employees with disabilities may be reluctant to apply for VR due to increased anxiety about seeking work elsewhere.</li> <li>If there is a lack of clear process and timeline neurodivergent employees may find it challenging to engage with &amp; understand. A lack of clarity or non-adherence to timescales is likely to increase anxiety levels in this group of employees.</li> <li>Employees with long-term health conditions/disabilities may view VR as an opportunity if considering their future.</li> </ul>	☒	☐	☐

<b>Gender reassignment</b>	<ul style="list-style-type: none"> <li>Employees who are transitioning may prioritise working for a known supportive employer and therefore feel that VR is not an option for them.</li> </ul>	☒	☐	☐
<b>Marriage and civil partnership</b>	<ul style="list-style-type: none"> <li>Marriage and civil partnership has been fully considered and no impact identified.</li> </ul>	☐	☒	☐
<b>Pregnancy and maternity</b>	<ul style="list-style-type: none"> <li>Colleagues on maternity leave or long-term pregnancy-related absence may not receive timely communications and information to allow them to apply and/or have the full amount of time to consider their options.</li> </ul>	☒	☐	☐
<b>Race and ethnicity</b>	<ul style="list-style-type: none"> <li>Some colleagues may not have English as a first language and therefore not understand or be able to access the VR scheme.</li> </ul>	☒	☐	☐
<b>Religion or belief</b>	<ul style="list-style-type: none"> <li>If the window to submit expressions of interest/applications for VR includes a significant period of religious observance groups that observe this period may be at a disadvantage as will have less time to consider their options.</li> </ul>	☒	☐	☐
<b>Sex</b>	<ul style="list-style-type: none"> <li>Term-time only roles are more often held by women. If the window to submit expressions of interest/applications for VR includes school holidays, these employees may be at a disadvantage as will have less time to consider their options.</li> </ul>	☒	☐	☐
<b>Sexual orientation</b>	<ul style="list-style-type: none"> <li>The protected characteristic of sexual orientation has been considered and no specific impact identified.</li> </ul>	☐	☒	☐

<b>Armed Forces (including serving personnel, families and veterans)</b>	<ul style="list-style-type: none"> <li>We recognise we have staff who are reservists and who may be or currently are called up for duty. These staff are less/unlikely to be able to access the VR process in a timely manner.</li> </ul>	□	⊗	□
<b>Other, e.g. carers, low income, rurality/isolation, etc.</b>	<ul style="list-style-type: none"> <li>Some employees who are in low-income households may see VR as more attractive.</li> </ul>	□	⊗	□

### 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
Ensure clear and timely communications of any VR process to all staff who are not currently in the workplace. This should include those on maternity leave, paternity leave, adoption leave, long-term sickness, reservist duties and compassionate leave.	9th Feb '24	Lauren Fellingham /Sarah Welland	Weekly meetings	□
Promote existing Financial Wellbeing support to help ensure employees make informed decisions.	9th Feb '24	Sari Brice/Sarah Welland	Weekly meetings	□
Give consideration to the timing of any programme launch and ensure window of	9th Feb '24	Design Authority	Weekly meetings	□

opportunity enables all employees to apply if they wish.				
Ensure employees who do not have English as a first language both, understand and are able to access support to apply.	9th Feb '24	Sari Brice/Sarah Welland	Weekly meetings	<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	Select date			<input type="checkbox"/>
	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>Sari Brice/Michelle Anderson</b>			
<b>Date</b>	<b>28/01/24</b>			
<b>Signed off by:</b>				
<b>Date</b>				
<b>Equality Lead sign off name:</b>	<b>Michelle Anderson</b>			
<b>Equality Lead sign off date:</b>	<b>29/01/24</b>			

<b>To be reviewed by:</b> (officer name)	
<b>Next Review date:</b>	<b>28/03/2024</b>

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Somerset Council

Scrutiny Committee

- Corporate and Resources 07/03/2024



2023/24 Budget Monitoring Report – Month 10 – End of January 2024

Lead Officer: Nicola Hix, Director of Finance & Procurement

Author: Nicola Hix, Director of Finance & Procurement

Contact Details: Details: nicola.hix@somerset.gov.uk

Executive Lead Member: Deputy Leader of the Council and Lead Member on Resources and Performance

## Summary

1. This is the General Fund revenue monthly budget monitoring report for the end of January 2024, (month 10). The last report the Executive received was the quarter three (month 9), as at the end of December 2023, which forecast a net overspend of £17.5m.
2. The Council is now projecting an overspend of £16.3m for 2023/24, which equates to 3.0% of the net budget for the year. This is a small improvement of £1.2m from the previous forecast overspend.
3. The forecast overspend for the year remains driven by Adults Services and Childrens Services which are both forecasting overspends of £14.9m. Together these total £29.8m and mask that the rest of the council is forecast to be £13.5m underspent.

**Table 1: 2023/24 Budget Monitoring Report Overview of Movement in Forecast Outturn Position**

Service Area	Month 3	Month 4	Month 5	Month 6	Month 7	Month 9	Month 10	Movement
	Variance £m	Variance £m	Variance £m	Variance £m	Variance £m	Variance £m	Variance £m	
Adult Services	12.1	12.1	14.9	14.9	14.9	14.9	14.9	0.0
Children, Families & Education Services	8.8	8.8	11.8	12.4	13.9	15.3	14.9	(0.4)
Remaining Services	7.7	5.2	0.6	(8.6)	(10.5)	(12.7)	(13.5)	(0.8)
<b>Total Position</b>	<b>28.6</b>	<b>26.1</b>	<b>27.3</b>	<b>18.7</b>	<b>18.3</b>	<b>17.5</b>	<b>16.3</b>	<b>(1.2)</b>

4. The Adult Services projected overspend has remained the same as reported in Month 9 due to the mitigations the service has in place to reduce it down from the potential adverse variance of £24.2m, as detailed in Appendix 1.
5. In month nine, the Council reported an unfavourable variance within Children, Families & Education Services of £15.3m which predominantly related to external placements, fieldwork (support for children at home) and special educational needs and disabilities (SEND) transport budgets. Although this remains the case, there has been a small favourable movement of £0.4m since month nine.
6. The remainder of the Council continues to forecast an underspend of £13.5m, which is an improvement of £0.8m since month nine. Although this forecast underspend includes some one-off incomes for the Council, such as increased Treasury Management Income and Connecting Devon and Somerset funding repaid. We are also seeing the impact of the services responding to the financial emergency and making savings/cutting expenditure as much as possible.
7. The Council continues to have its control boards in place, and the monitoring and outcomes of these boards are included in our quarterly monitoring reports to Executive. However, the main achievement of the boards can be seen in the reduction of the forecast overspend each month. Having these control boards in place has encouraged the whole organisation to think differently, especially knowing that Officers on the boards will challenge and scrutinise from a non-service perspective.
8. **Table 2** provides a summary of budget, projections, and variances on a service-by-service basis as at the end of January 2024. This table has been updated to breakdown the budget into expenditure and income to show the net budget for each service.



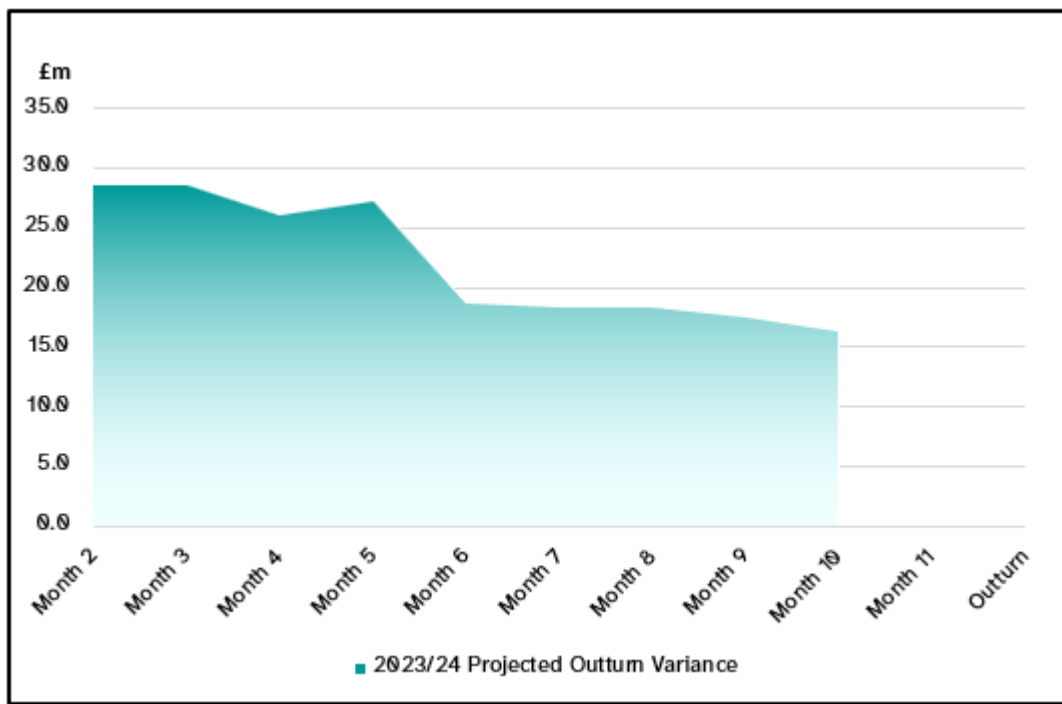
**Table 2: 2023/24 Budget Monitoring Report as at the end of January 2024  
(Month 10)**

Service Area	Original Budget £m	Current Expenditure Budget £m	Current Income Budget £m	Current Net Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	RAG Status	Movement From Month 9 £m
<b>Adult Services</b>									
Adult Social Care Operations:									
Physical Disability/Sensory Loss/65 Plus	111.9	140.8	(26.6)	114.2	119.5	5.3	A	Red	0.0
Mental Health	26.5	28.3	(4.6)	23.7	24.7	1.0	A	Red	0.0
Learning Disabilities	110.4	116.7	(6.9)	109.8	117.3	7.5	A	Red	0.0
Adult Social Care Commissioning	(62.2)	8.7	(75.1)	(66.4)	(65.3)	1.1	A	Red	0.0
<b>Adult Services Total</b>	<b>186.6</b>	<b>294.5</b>	<b>(113.2)</b>	<b>181.3</b>	<b>196.2</b>	<b>14.9</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Children, Families &amp; Education Services</b>									
Children & Families	81.8	95.2	(13.3)	81.9	94.7	12.8	A	Red	(0.3)
Commissioning & Performance	10.5	13.7	(3.5)	10.2	9.9	(0.3)	(F)	Green	(0.2)
Inclusion	12.6	79.8	(65.1)	14.7	16.8	2.1	A	Red	(0.1)
Education, Partnerships & Skills	17.4	29.7	(15.6)	14.1	14.6	0.5	A	Red	0.3
Childrens Services	0.7	1.1	(0.4)	0.7	0.5	(0.2)	(F)	Green	(0.1)
<b>Children, Family &amp; Education Services Total</b>	<b>123.0</b>	<b>219.5</b>	<b>(97.9)</b>	<b>121.6</b>	<b>136.5</b>	<b>14.9</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>
<b>Community Services</b>									
Housing	5.9	10.4	(4.1)	6.3	6.6	0.3	A	Red	0.3
Customer Services	7.0	6.8	(0.7)	6.1	6.0	(0.1)	(F)	Green	(0.1)
Cultural Services	9.3	13.3	(3.9)	9.4	8.5	(0.9)	(F)	Green	(0.6)
Regulatory & Operational Services	12.4	25.8	(11.1)	14.7	14.7	0.0	-	Green	0.0
<b>Community Services Total</b>	<b>34.6</b>	<b>56.3</b>	<b>(19.8)</b>	<b>36.5</b>	<b>35.8</b>	<b>(0.7)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.4)</b>
<b>Climate &amp; Place</b>									
Climate, Environment & Sustainability	54.6	63.9	(8.6)	55.3	55.3	0.0	-	Green	(0.1)
Infrastructure & Transport	22.5	47.5	(25.2)	22.3	22.6	0.3	A	Red	(0.3)
Economy, Employment & Planning	10.6	18.2	(8.3)	9.9	9.3	(0.6)	(F)	Green	0.1
Accountable Bodies	3.7	6.2	(2.8)	3.4	(3.6)	(7.0)	(F)	Green	0.0
<b>Climate &amp; Place Total</b>	<b>91.4</b>	<b>135.8</b>	<b>(44.9)</b>	<b>90.9</b>	<b>83.6</b>	<b>(7.3)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.3)</b>
<b>Strategy, Workforce &amp; Localities</b>									
Partnership & Localities	0.8	3.5	(0.2)	3.3	3.3	(0.0)	(F)	Green	0.0
Strategy & Performance	3.2	8.1	(2.2)	5.9	5.3	(0.6)	(F)	Green	0.0
Workforce	6.0	10.8	(4.1)	6.7	6.0	(0.7)	(F)	Green	0.0
Governance, Democratic & Legal Services	10.2	11.4	(1.5)	9.9	11.1	1.2	A	Red	(0.2)
<b>Strategy, Workforce &amp; Localities Total</b>	<b>20.2</b>	<b>33.8</b>	<b>(8.0)</b>	<b>25.8</b>	<b>25.7</b>	<b>(0.1)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.2)</b>
<b>Resources &amp; Corporate Services</b>									
Finance & Procurement	11.9	118.8	(104.1)	14.7	13.9	(0.8)	(F)	Green	0.3
Strategic Asset Management	(9.2)	19.6	(28.8)	(9.2)	(9.2)	0.0	-	Green	(0.1)
Information Communication Technology	17.8	21.0	(2.9)	18.1	16.5	(1.6)	(F)	Green	(0.2)
<b>Resources &amp; Corporate Services Total</b>	<b>20.5</b>	<b>159.4</b>	<b>(135.8)</b>	<b>23.6</b>	<b>21.2</b>	<b>(2.4)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>
<b>Public Health</b>	<b>1.2</b>	<b>23.6</b>	<b>(22.6)</b>	<b>1.0</b>	<b>1.0</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Corporate Management</b>	<b>0.5</b>	<b>1.1</b>	<b>0.0</b>	<b>1.1</b>	<b>1.1</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Non-Service</b>	<b>58.7</b>	<b>70.5</b>	<b>(16.4)</b>	<b>54.1</b>	<b>51.1</b>	<b>(3.0)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>
<b>Traded Services Total</b>	<b>0.0</b>	<b>1.8</b>	<b>(1.8)</b>	<b>0.0</b>	<b>0.5</b>	<b>0.5</b>	<b>A</b>	<b>Red</b>	<b>0.1</b>
<b>Total Service Position</b>	<b>536.7</b>	<b>996.3</b>	<b>(460.4)</b>	<b>535.9</b>	<b>552.7</b>	<b>16.8</b>	<b>A</b>	<b>Red</b>	<b>(1.2)</b>
Corporate Contingency	6.0	5.7	0.0	5.7	5.7	0.0	-	Green	0.0
<b>Total After Contingencies</b>	<b>542.7</b>	<b>1,002.0</b>	<b>(460.4)</b>	<b>541.6</b>	<b>558.4</b>	<b>16.8</b>	<b>A</b>	<b>Red</b>	<b>(1.2)</b>
Reserves	(19.9)	0.3	(19.9)	(19.6)	(19.6)	0.0	-	Green	0.0
Transfers to Schools	0.0	0.8	0.0	0.8	0.8	0.0	-	Green	0.0
Council Tax	(338.7)	0.0	(338.7)	(338.7)	(338.7)	0.0	-	Green	0.0
Business Rates	(122.2)	0.0	(122.2)	(122.2)	(122.2)	0.0	-	Green	0.0
Grants	(57.3)	0.0	(57.3)	(57.3)	(57.8)	(0.5)	(F)	Green	0.0
Flexible Use of Capital Receipts	(4.0)	0.0	(4.0)	(4.0)	(4.0)	0.0	-	Green	0.0
Collection Fund Surplus/Deficit	(0.6)	6.1	(6.7)	(0.6)	(0.6)	0.0	-	Green	0.0
<b>Total Position</b>	<b>0.0</b>	<b>1,009.2</b>	<b>(1,009.2)</b>	<b>0.0</b>	<b>16.3</b>	<b>16.3</b>	<b>A</b>	<b>Red</b>	<b>(1.2)</b>

9. The Finance Business Partnering team continue to work closely with directorate management teams to challenge the financial assumptions which are being forecast. Everyone continues to be fully engaged in understanding the reasons

behind the assumptions and are also working together as a team to mitigate overspends were possible.

**Chart 1** shows how the forecast outturn variance has moved month by month.



## Recommendations

10. This report is was presented to the Executive Committee on 06 March 2024 where Executive was asked to:
  - a) Note the forecast overspend of £16.3m (3.0%) for the year and the recovery action being taken and mitigations put in place to address this.

## Reasons for recommendations

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

## Other options considered

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

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

13. The 2023/24 Budget was approved by Council in February 2023 as part of the Medium-Term Financial Plan (MTFP) and is the financial resourcing plan to deliver the Council Plan.

## Financial and Risk Implications

14. There are two relevant Strategic Risk which are ORG0070 Budget Overspend in the current financial year and ORG0057 Sustainable Medium Term Financial Plan. For both of these risks the current scores are:

<b>Likelihood</b>	<b>5</b>	<b>Impact</b>	<b>5</b>	<b>Risk Score</b>	<b>25</b>
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15. The financial impact of an overspend of £16.3m in the current financial year would result in a reduction in the level of General Reserves from £49.8m to £33.5m. This remains above the £30m minimum risk-based assessment of the reserves approved by Council in February 2023.
16. The variances causing the net overspend are a mixture of on-going and once-off items. The on-going items will have a financial impact upon 2024/25 if they are not addressed.

## Legal Implications

17. There are no specific legal implications arising from this report.

## HR Implications

18. There are no specific HR implications arising from this report.

## Other Implications:

## Equalities Implications

19. There are no specific equalities implications arising from this report.

## Community Safety Implications

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

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

21. There are no climate change and sustainability implications arising from this report.

### **Health and Safety Implications**

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

### **Health and Wellbeing Implications**

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

### **Social Value**

24. There are no Social Value implications arising from this report.

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

25. This report has already been approved by Executive. Any comments from this report will be taken to the next Executive meeting, being held on 08 April 2024.

### **Background**

26. Full Council approved the 2023/24 Budget in February 2023, the first budget for Somerset Council. Budget monitoring is delegated to Executive and Scrutiny, with revenue service reports presented monthly and a full overview of revenue, capital, and reserves quarterly. This report outlines the forecast year-end position of services against the 2023/24 budget of £541.6m as at the end of January 2024.
27. **Table 2** (section 8) provides a summary of each service budget, with projections and variances for the year shown against these. Further details and mitigations being taken by the responsible director are outlined in appendices 1 to 8. The significant variances at month ten are:
  - Adult Services have a £14.9m adverse variance against their budget (8.2% of service budget). This variance is mainly in the Adult Social Care and Learning Disabilities budget areas due to an increase in fee levels for both care home placements and delivery of home care.

- Children, Families & Education Services have a £14.9m adverse variance against their budget (12.3% of service budget), a favourable movement of £0.4m from month nine. The overall variance predominantly relates to external placements, fieldwork (support for children at home), and SEND transport budgets.
- Community Services have a £0.7m favourable variance against a budget of £36.3m (1.9% of Service budget). The underspend mostly relates to the Theatres budget which is due to additional income from ticket sales and underspends on premises budgets.
- Climate & Place (including Accountable Bodies) has a favourable variance of £7.3m against their budget of £90.9m (8.0% of service budget). This is an improvement of £0.3m since month nine. The underspend mainly relates to income received via Connecting Devon and Somerset.
- Strategy, Workforce & Localities have a £0.1m favourable variance (0.4% of service budget). There are some overspends within the service which mostly relate to external legal costs where specific expertise is required. These overspends are offset by vacancies and reducing Learning and Development costs by focusing on e-learning, statutory and mandatory training.
- Resources & Corporate Services have a £2.4m favourable variance (10.2% of service budget). Most of the favourable variance is seen in the Finance & Procurement budget and the Information Communication Technology budget and relates to the holding of vacant posts and additional grant income.
- Non-Service has a favourable variance of £3.0m due to once-off, in-year favourable treasury management activities, together with careful management of the Council's cashflow, which has at times seen higher than anticipated cashflow levels.

### **2023/24 Budget & Forecast Outturn Position**

28. The 2023/24 budget was put together using the information from the five predecessor councils before the full officer structure was finalised. Each council recorded things in different ways, therefore there is still some alignment of budgets to take place which will require budget virements. Service Directors are

currently developing their service structures which will require further adjustments to the budget in order to reflect the new staffing establishment.

29. After accounting for all service expenditure and contingencies the projected outturn position at month ten is £558.4m against a net current budget of £541.6m. This gives a £16.3m adverse variance which represents a variance of 3.0%.
30. With the financial challenges outlined in this paper the Council needs to move at pace to deal with the difficult financial situation that the council now faces. Further information for each service is shown in appendices 1 to 8, along with details on movements, actions to be taken, future risks and opportunities.

### **Background Papers**

31. 2024/25 General Fund Revenue Budget and Medium-Term Financial Plan & Council Tax Setting report to Council February 2024
32. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023
33. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council February 2023
34. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive November 2023
35. 2024/25 General Fund Revenue Budget & Capital Programme update report to Corporate & Resources Scrutiny & Executive
36. 2024/25 General Fund Revenue Budget update report to Executive January 2024
37. 2024/25 General Fund Revenue Budget update report to Executive February 2024
38. 2024/25 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council February 2024

## **Appendices**

Appendix 1: Adult Services

Appendix 2: Children, Families & Education Services

Appendix 3: Community Services

Appendix 4: Climate & Place (including Accountable Bodies)

Appendix 5: Strategy, Workforce & Localities

Appendix 6: Resources & Corporate Services

Appendix 7: Public Health

Appendix 8: Other service areas

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## Appendix 1 – Adult Services

Lead Member for Adult Services: Cllr Sarah Wakefield

Executive Director: Mel Lock

Service Directors

- Adult Social Care Operations: Emily Fulbrook
- Adult Social Care Commissioning: Paul Coles
- Adult Social Care Transformation: Niki Shaw

**Table 1: Adult Services as at the end of January 2024 (Month 10)**

- 2023/24 net budget £181.3m, projected adverse variance £14.9m, no movement from month nine.
- 2022/23 net budget £160.7m, outturn adverse variance £15.4m

Service Area	Current Expenditure Budget £m	Current Income Budget £m	Current Net Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	RAG Status	Movement From Month 9 £m
<b>Adult Social Care Operations</b>								
<b>Physical Disability/Sensory Loss/65 Plus</b>								
PD/SL/65P Residential & Nursing	76.5	(18.5)	58.0	58.9	0.9	A	Red	0.0
Home Care	30.5	(2.3)	28.2	31.0	2.8	A	Red	0.0
Direct Payments	14.8	(2.3)	12.5	14.2	1.7	A	Red	0.0
Staffing Costs	14.3	(1.9)	12.4	11.4	(1.0)	(F)	Green	0.0
Transport, Daycare & Other	4.7	(1.6)	3.1	4.0	0.9	A	Red	0.0
<b>sub total</b>	<b>140.8</b>	<b>(26.6)</b>	<b>114.2</b>	<b>119.5</b>	<b>5.3</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Mental Health</b>								
MH Residential & Nursing	17.2	(2.5)	14.7	14.6	(0.1)	(F)	Green	0.0
Home Care/Supported Living	7.7	(2.0)	5.7	6.9	1.2	A	Red	0.0
Staffing/Deprivation of Liberty, Safeguards	1.5	0.0	1.5	1.5	0.0	-	Green	0.0
Direct Payments, Day Care & Transport	1.9	(0.1)	1.8	1.7	(0.1)	(F)	Green	0.0
<b>sub total</b>	<b>28.3</b>	<b>(4.6)</b>	<b>23.7</b>	<b>24.7</b>	<b>1.0</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Learning Disabilities</b>								
LD Residential & Nursing	25.4	(1.6)	23.8	25.3	1.5	A	Red	0.0
Supported Living/Home Care	34.9	(1.3)	33.6	38.4	4.8	A	Red	0.0
Direct Payments/In Control	12.7	(2.0)	10.7	9.7	(1.0)	(F)	Green	0.0
Day Care	6.4	0.0	6.4	6.9	0.5	A	Red	0.0
Discovery	31.6	(1.1)	30.5	30.9	0.4	A	Red	0.0
Transport, Shared Lives & Other	3.3	(0.9)	2.4	2.6	0.2	A	Red	0.0
Central & Salaries	2.4	0.0	2.4	3.5	1.1	A	Red	0.0
<b>sub total</b>	<b>116.7</b>	<b>(6.9)</b>	<b>109.8</b>	<b>117.3</b>	<b>7.5</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Adult Social Care Commissioning</b>								
Commissioning	8.7	(75.1)	(66.4)	(65.3)	1.1	A	Red	0.0
<b>sub total</b>	<b>8.7</b>	<b>(75.1)</b>	<b>(66.4)</b>	<b>(65.3)</b>	<b>1.1</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Total</b>	<b>294.5</b>	<b>(113.2)</b>	<b>181.3</b>	<b>196.2</b>	<b>14.9</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>

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

Adult Services overspend is £24.2m due to increase in both fee levels for care home placements and delivery of home care, offset by a number of in year mitigations to reduce it to £14.9m. Additional costs within the intermediate care model have been

identified and discussions are being held with Integrated Care Board. These costs mainly relate to pathway beds which are used to support discharges from acute hospitals.

Since 2020/21 we have seen an increase of 41% in residential placements costs and this significant increase can be seen across all care home placement types. In October 2022, the unmet needs list was around 150 people waiting for homecare, the number current waiting for over 7 days is zero, this increased in delivery is now showing as a full year effect in the table above.

To offset the overspend a number of in year mitigations and funding have been identified including the market sustainability funding - workforce grant of £3.8m, in year mitigations of £3m including reviewing all 1:1 with a view to reducing hours required and £2.5m NHS monies.

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

This area of Adult Services is currently projecting to be £5.3m overspent. As in previous years, we continue to see pressure within residential and nursing placements, with pressure on the weekly costs, as well as the number of people receiving support. Historically the authority has paid low fee rates within this sector. The increase in fee levels for 23/24 are still not stabilising the market, due to the increase in inflation and cost of living.

There continue to be a number of interim placements as the service works with the NHS trusts to ensure a timely discharge for people from hospital. These placements are currently projected to cost £1.8m.

We continue to deliver more homecare, to allow people to remain in their own homes for as long as possible to help reduce the overreliance on beds, as well as it being the best place for them. This has led to reported overspends of £2.8m for home care. As we continue to offer choice and have a varied market that includes micro-providers, we have seen an increase in the use of direct payments, resulting in a projected overspend of £1.7m.

#### Mental Health

This budget includes individuals who have a diagnosis of dementia. The budget continues to be an area of growth for the past few years, and this has continued in 2023/24. We are currently projecting an overspend of £1m mainly within home care

and supported living. Residential and nursing continues to be a pressure for the service due to a combination of increasing numbers and high unit costs.

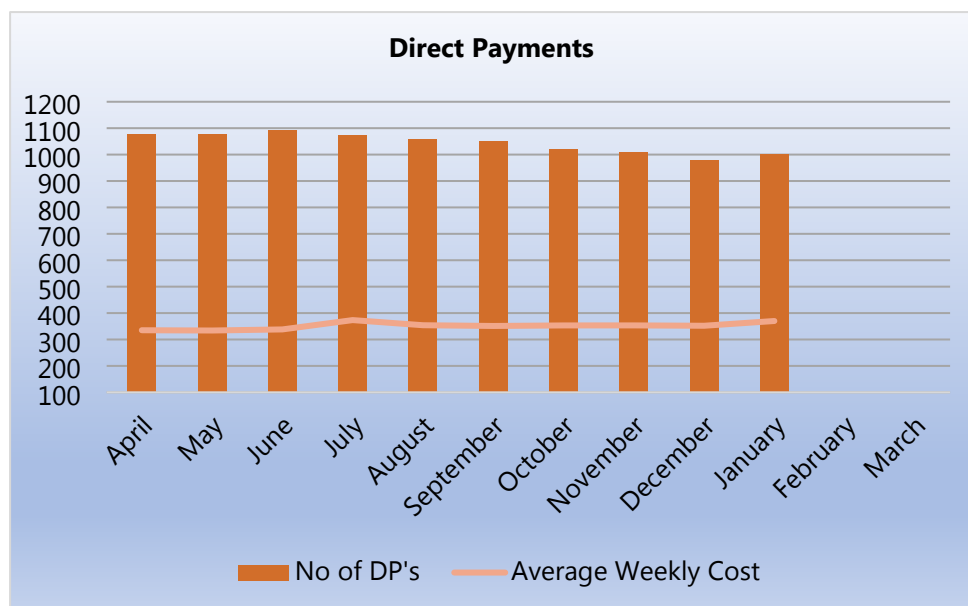
### Learning Disabilities

Overall, the cost of Learning Disabilities is projected to overspend by £7.5m. Since 2022/23 outturn we have seen a number of high costs placements come through, either via transitions or due to other forms of funding ending. The main pressure areas continue to be residential and nursing £1.5m, supported living and homecare £4.8m and day care £0.5m due to market sustainability. Supported Living is in the best interest of people but is an area where unit costs can be high.

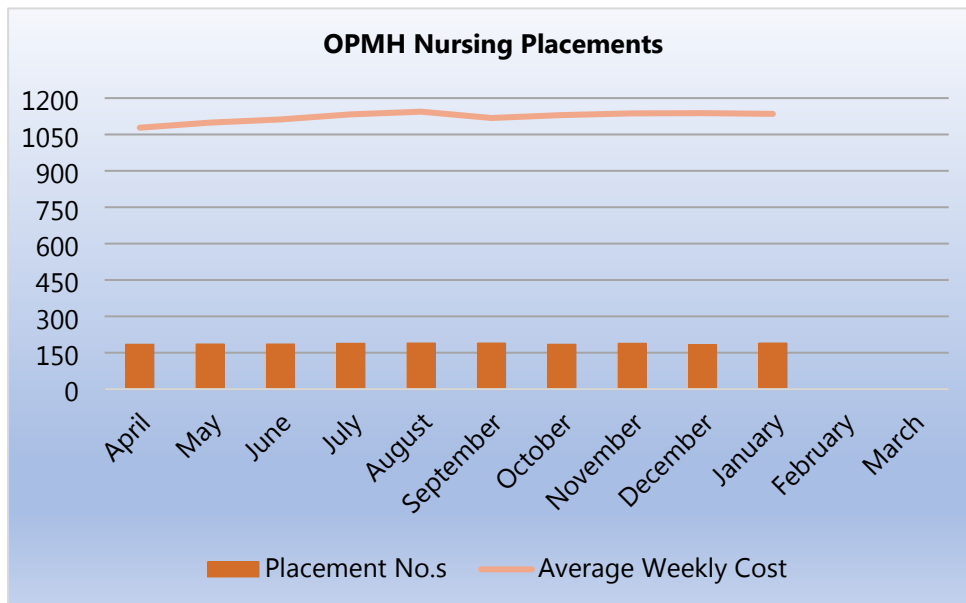
### Commissioning

Commissioning is currently projecting to overspend by £1.1m, as the Adult Services' transformation 'my life, my future' will not achieve the full £5m saving relating to this financial year.

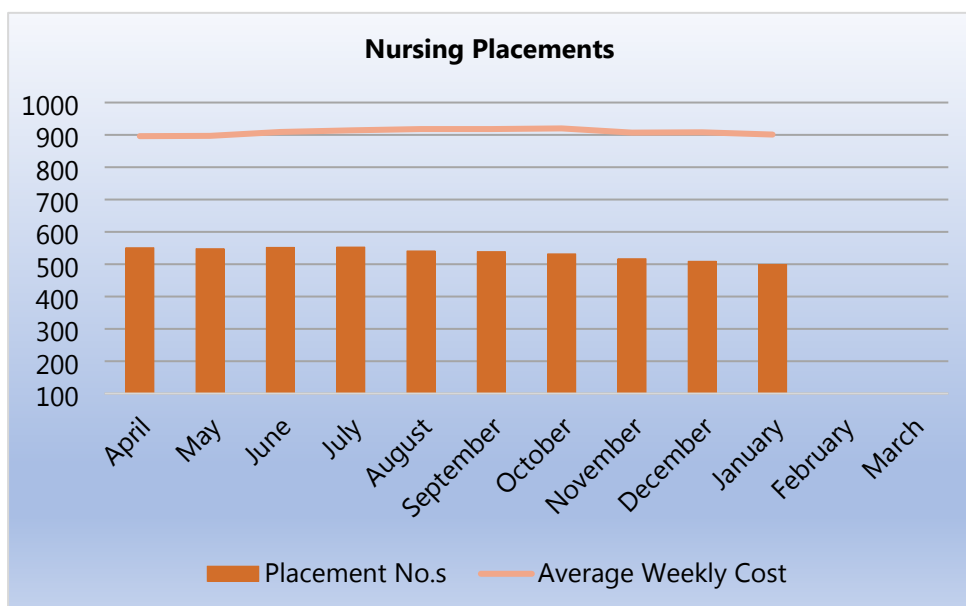
### **Adult Services - key performance cost drivers**



Since the beginning of the financial year, we have seen the number of people receiving a Direct Payment within ASC decrease from 1,077 to 1011 packages. The current weekly average cost of an ASC Direct Payment is £370 per package.



The number of Older People Mental Health (OPMH) Nursing placements has slightly increased from 185 to 190 placements since April. The current weekly average cost for OPMH Nursing is £1,135 per placement.



Nursing placements decreased by fifty-two since April from 551 to 499. The current weekly average cost for Nursing is £901 per placement.

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

90% of the ASC budget is spent on individual placements purchased through the market via block and spot placements. Therefore, there is a significant risk that this

budget will continue to overspend. This is due to increased demand, the cost-of-living rise, particularly the increases in petrol, gas, electric, and food.

We have a number of mitigations that are reflected in the financial position above:

- Enhanced Peer Forum – Robust financial and operating challenge
- Reviewing Interim Placements – This review will identify those who should be self-funding/contributing towards their long-term care.
- My life, my future – reduce the overreliance on bed placements and redesign the reablement service.
- Review all high cost/complex placements.
- Review void costs.

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## **Appendix 2 – Children, Families & Education Services**

### **Children & Family Services**

Lead Member for Children, Families and Education: Cllr Heather Shearer

Executive Director: Claire Winter

Service Directors:

- Children and Families: Jayne Shelbourn-Barrow
- Commissioning and Performance: Richard Selwyn
- Inclusion: Rob Hart
- Education, Partnerships and Skills: Amelia Walker

### **Table 1: 2023/24 Children & Family Services as at the end of January 2024 (Month 10)**

- 2023/24 net budget £121.6m, projected adverse variance £14.9m, favourable movement £0.4m from month nine.
- 2022/23 net budget £107.1m, outturn adverse variance £21.2m

Service Area	Current Expenditure Budget	Current Income Budget	Current Net Budget	Full Year Projection	Month 10 Variance	A/(F)	RAG Status	Movement From Month 9
	£m	£m	£m	£m	£m			£m
<b>Children &amp; Families</b>								
Prevention Services	6.8	(1.1)	5.7	5.6	(0.1)	(F)	Green	(0.0)
Fostering & Permanence	13.3	0.0	13.3	12.9	(0.4)	(F)	Green	0.3
External Placements	49.6	(11.3)	38.3	49.3	11.0	A	Red	0.1
Fieldwork	9.1	0.0	9.1	9.9	0.8	A	Red	(0.5)
Disabilities	7.1	(0.3)	6.8	6.2	(0.6)	(F)	Green	0.0
Partnership, Audit & Quality	3.0	(0.3)	2.7	2.6	(0.1)	(F)	Green	0.0
Children Looked After	4.7	0.0	4.7	4.9	0.2	A	Red	(0.1)
Leaving Care	2.5	(0.3)	2.2	2.4	0.2	A	Red	(0.1)
CSC Management	(0.9)	0.0	(0.9)	0.9	1.8	A	Red	0.0
C&F Apportionments	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>95.2</b>	<b>(13.3)</b>	<b>81.9</b>	<b>94.7</b>	<b>12.8</b>	<b>A</b>	<b>Red</b>	<b>(0.3)</b>
<b>Commissioning &amp; Performance</b>								
C&P Commissioning	4.9	(3.3)	1.6	1.5	(0.1)	(F)	Green	(0.1)
Performance & Transformation	4.5	(0.1)	4.4	4.2	(0.2)	(F)	Green	(0.1)
Business Support	4.3	(0.1)	4.2	4.2	0.0	-	Green	0.0
Children, Families & Education Team	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
Early Help Services	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>13.7</b>	<b>(3.5)</b>	<b>10.2</b>	<b>9.9</b>	<b>(0.3)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.2)</b>
<b>Inclusion</b>								
Special Educational Needs & Disabilities	59.3	(56.7)	2.6	2.7	0.1	A	Red	0.0
Vulnerable Learners	4.6	(4.4)	0.2	0.3	0.1	A	Red	0.1
Educational Psychology	3.3	(1.3)	2.0	2.1	0.1	A	Red	0.1
Inclusion Transformation & Partnerships	1.0	(0.7)	0.3	0.4	0.1	A	Red	0.0
SEND Transport	10.2	(0.7)	9.5	11.2	1.7	A	Red	(0.3)
Inclusion Strategic Management	1.4	(1.3)	0.1	0.1	0.0	-	Green	0.0
<b>sub total</b>	<b>79.8</b>	<b>(65.1)</b>	<b>14.7</b>	<b>16.8</b>	<b>2.1</b>	<b>A</b>	<b>Red</b>	<b>(0.1)</b>
<b>Education, Partnerships &amp; Skills</b>								
Education Leadership	2.7	(2.6)	0.1	0.0	(0.1)	(F)	Green	0.3
Education Operations	6.1	(6.2)	(0.1)	(0.4)	(0.3)	(F)	Green	(0.1)
Curriculum & Literacy	3.2	(3.3)	(0.1)	0.2	0.3	A	Red	0.0
Education Places	2.1	(1.5)	0.6	0.6	0.0	-	Green	0.0
Home to School Transport	14.4	(1.5)	12.9	12.9	0.0	-	Green	0.1
EPS Management	1.2	(0.5)	0.7	1.3	0.6	A	Red	0.0
<b>sub total</b>	<b>29.7</b>	<b>(15.6)</b>	<b>14.1</b>	<b>14.6</b>	<b>0.5</b>	<b>A</b>	<b>Red</b>	<b>0.3</b>
<b>Childrens Services</b>								
Childrens Directorate	1.1	(0.4)	0.7	0.5	(0.2)	(F)	Green	(0.1)
<b>sub total</b>	<b>1.1</b>	<b>(0.4)</b>	<b>0.7</b>	<b>0.5</b>	<b>(0.2)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.1)</b>
<b>Children, Families &amp; Education Services</b>	<b>219.5</b>	<b>(97.9)</b>	<b>121.6</b>	<b>136.5</b>	<b>14.9</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>

## Children & Family Services - key explanations, actions, and mitigating controls

### External Placements

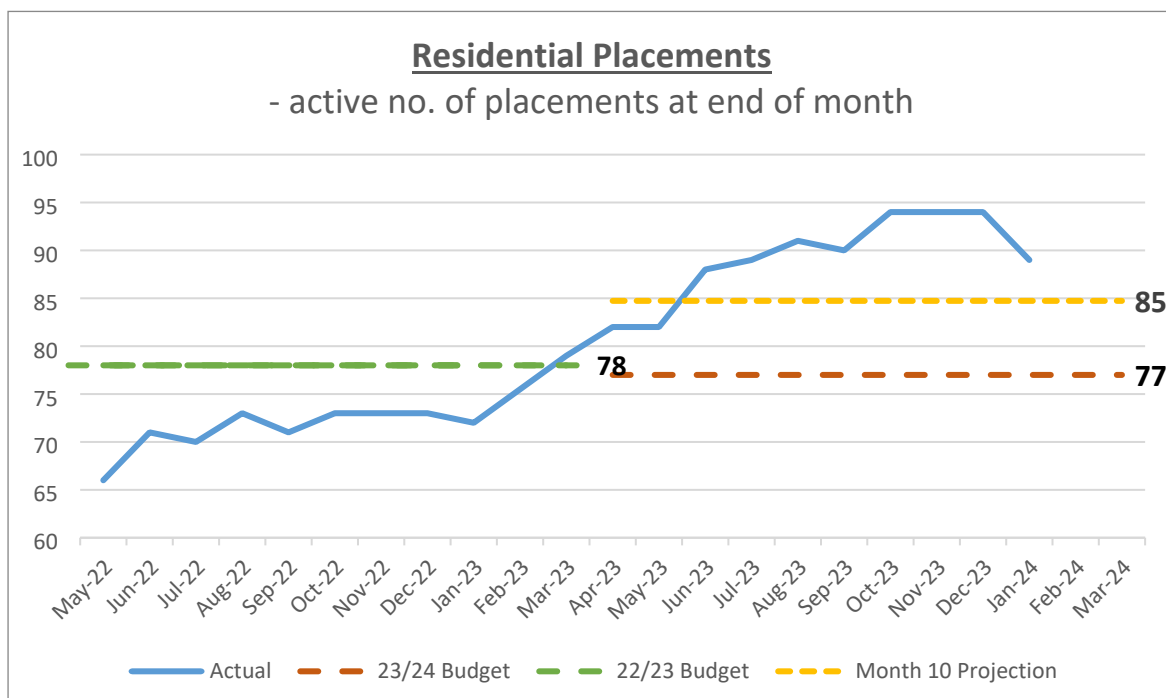
The table below provides a breakdown of the external placements budget by placement type.

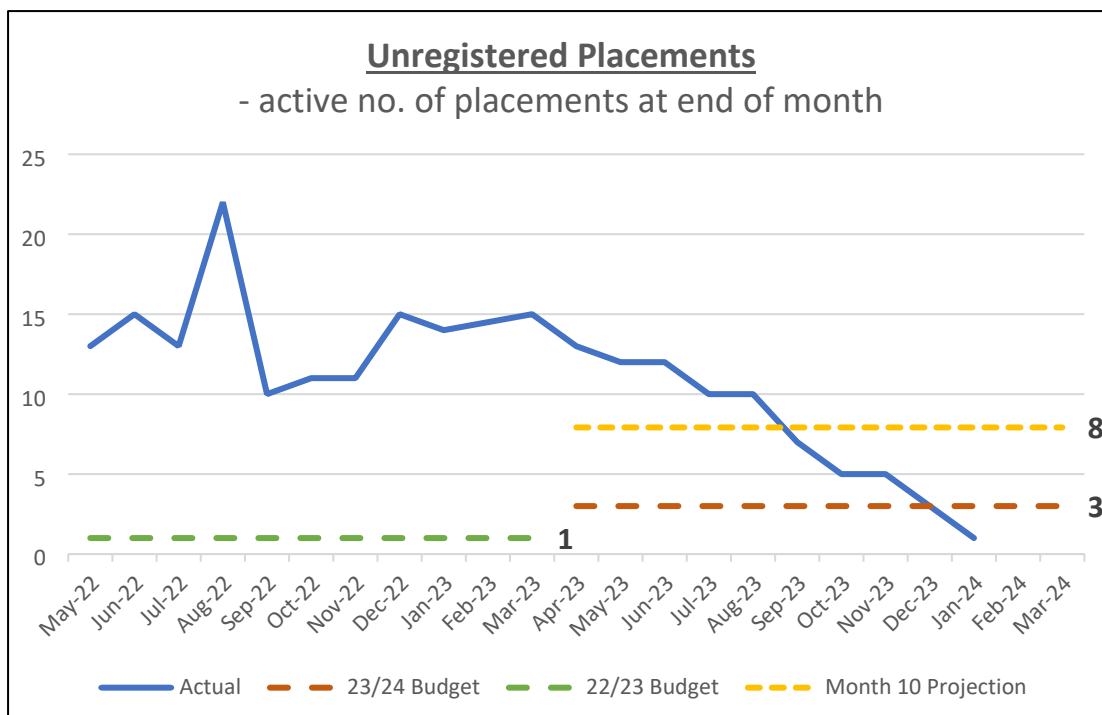
The external placements budget is forecasting a total overspend of £11m an increase from month 9 of £0.1m. Of this overall variance, the unregistered placement overspend is £4m and the residential overspend is £4.3m (net of DSG Grant income).



External Placements	23/24	Full Year	Overall
	Budget	Projection	Variance
	£m	£m	£m
Residential Placements	24.6	29.7	5.1
Independent Fostering Agencies	8.2	7.5	(0.7)
16+ Supported Accommodation	5.7	7.4	1.7
Homes & Horizons	4.1	3.5	(0.5)
Unregistered Placements	3.7	7.7	4.0
UASC Placements	1.9	2.8	0.9
Residential Parent & Child	1.1	1.0	(0.1)
Secure	0.9	1.4	0.5
Other	1.3	2.7	1.4
<b>Total Expenditure</b>	<b>51.4</b>	<b>63.6</b>	<b>12.2</b>
DSG Grant	(5.1)	(6.0)	(0.8)
UASC Grant	(2.4)	(2.8)	(0.4)
NHS Funding	(5.3)	(5.3)	0.0
Other	(0.2)	(0.2)	(0.1)
<b>Total Income</b>	<b>(13.1)</b>	<b>(14.3)</b>	<b>(1.2)</b>
<b>Net Expenditure</b>	<b>38.4</b>	<b>49.4</b>	<b>11.0</b>

The graphs below show the trend in the numbers of residential and unregistered placements over the past 2 years.





The service has been able to move children from out of unregistered placements, however, due to complexity of their need, these children have moved to residential care placements, which although less expensive than unregistered placements have increased the pressure on residential care budgets. As at the end of January, there is one unregistered placement.

### Fieldwork (Support for Children at Home)

In emergencies and when ordered to do so by the court, the service has provided 24/7 supervision of families in their own home. This is an expensive and usually externalised service. We are challenging the validity of this expenditure in the High Court.

The high number of 24/7 support at home packages has resulted in an overspend against the Fieldwork (section 17) budget of £0.8m. This pressure has been mitigated by £0.4m of Household Support Fund in month 10.

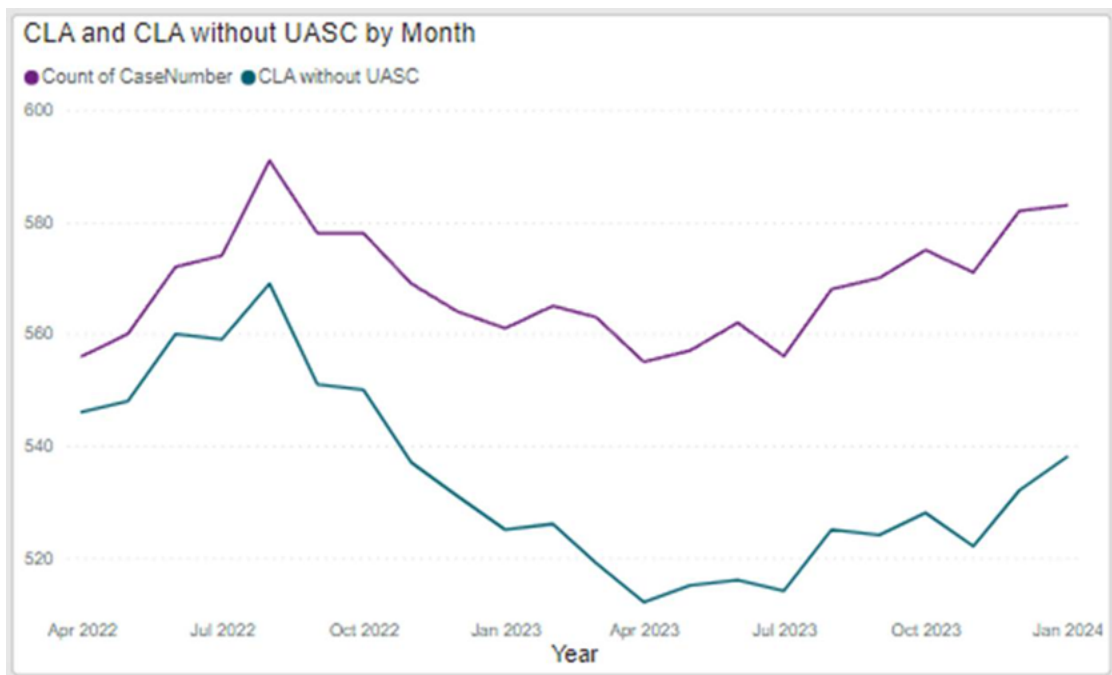
### CSC Management

IMPOWER were engaged and reported in February 2023 to undertake a rapid financial diagnostic of Children's Social Care Services with the aim of identifying and quantifying opportunities for sustainable cost savings over and above those already identified by the Council. These fees are resulting in a pressure in this area of £0.6m.

The Impower report identified potential savings including delivery of approximately six to eight step downs from residential to in house fostering over the next three years, however no portion of these savings will be delivered in 2023/24 resulting in a pressure of £1m. In-house foster placements have increased by two on average for the financial year which would result in a saving of £0.6m if those young people were to have gone into residential care however the overall pressure in residential external placements eliminates any potential savings.

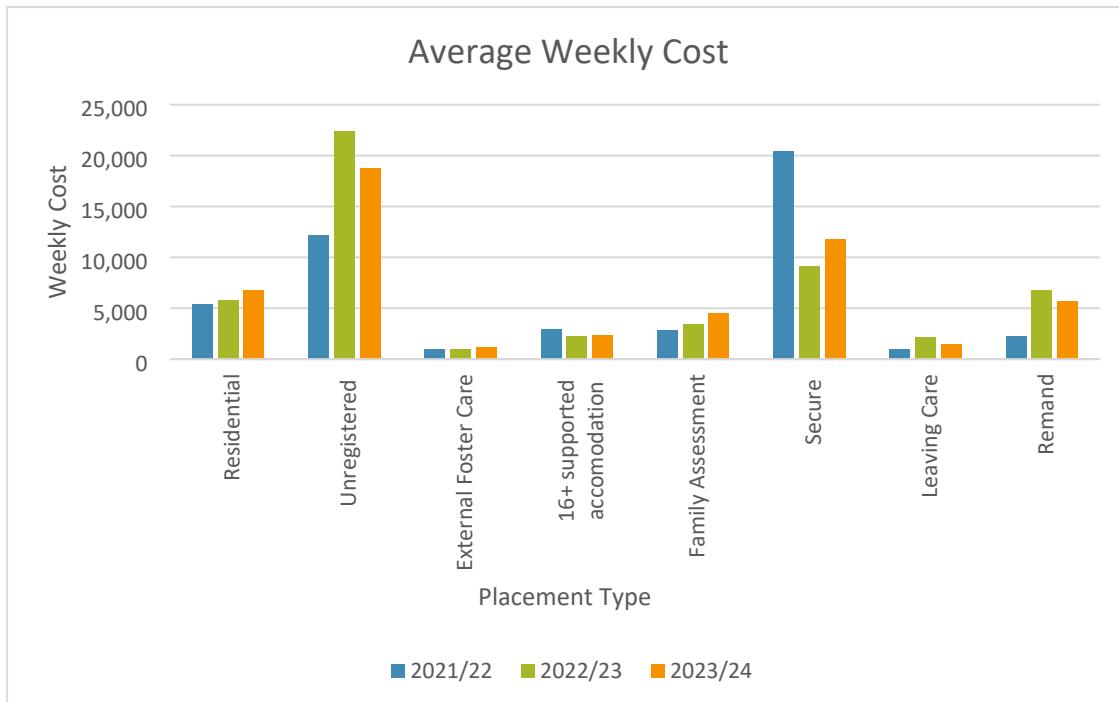
**Children & Family Services – key performance cost drivers**

**Increase in numbers of children in care** - The number of children in care has increased by approximately 30 since July 2023. This largely relates to sibling groups where a non-accidental injury has occurred with the majority of these children being placed in foster care during court proceedings. There is also a steady although small increase in the number of unaccompanied asylum seeking children (UASC) living in the county as part of the mandatory national transfer scheme.



**Increasing costs for children in care**

The average weekly cost of unregistered placements continues to reduce and is now £18.7k, a 11% reduction on last year’s average weekly cost. The average weekly cost of residential placements has increased by 15% from last year.



## Children & Family Services - key risks, future issues, and opportunities

**Children’s Social Care** A County Council Network and Society of County Treasurers report published on the 31 October 23 identified that, despite an increase in children service’s budgets, county and large unitary authorities are predicting significant overspends in 23/24 in this area, due to rising demand and high care placement costs in a broken market.

As outlined above, there is significant increase in demand in Somerset particularly for placements for complex teenagers at high cost. An insufficiency of fostering provision compounds this as it does in many other local authorities nationally.

In parallel, there is a risk that the cost-of-living crisis and reducing budgets in partner organisations will have a significant impact on demand in children’s social care including the number of children requiring support, and therefore the cost of services. Demand is already rising and has been doing so since the beginning of the pandemic. This is not levelling out.

## Education Partnership and Skills (EPS)

Somerset schools are significantly underperforming, and the Council initiated a five-year strategy in April 2023 to improve educational outcomes. The EPS service delivers

a £12m trading account and in past years has delivered a healthy return, which has previously been used to generate a trading reserve. Two years of steep inflation and below inflation increases to school budgets have put unprecedented pressure on the trading account. While many businesses trading with schools have responded with significant charging increases, the council has rightly focused on balancing the viability of its own services with avoiding undue pressures on schools.

As of month nine, the EPS service is forecasting to be overspent by £0.5m by the year end (month 9, £0.2m overspent). Most of the £0.3m movement from month nine relates to additional expenditure on unbudgeted Soulbury Scale pay rises for 2023/24. The budgetary impact of this overspend will be mitigated at year end by the EPS trading reserve (£0.3m). There is also further income anticipated due to an agreement with LA maintained schools to allocate interest from school balances to the LA budget to reduce the cost of the 23/24 Core Offer to schools. The precise impact of this income won't be known until year end but in 22/23 was £0.2m.

### **Home to Schools Transport for Mainstream and SEN**

There is a favourable movement in Transport of £0.3m as we had not previously included a forecast for income from selling seats on our SEND buses. At month 10 the full year SEND transport overspend is projected to be £1.7m.

### **Opportunities**

Our transformation programme includes the following, which taken together change the model of children's services in Somerset to improve the efficiency and effectiveness of how we use our limited resources. The transformation programme is drawing in a wide all-age partnership across health, care, and education, including:

- **Sufficiency strategy including edge of care** – describing emerging needs and response. The strategy will inform a children looked after transformation plan, overseen by the new CLA Outcomes Transformation Board.
- **Homes and Horizons** – a strategic partnership with the charity, the Shaw Trust, to deliver up to ten homes for children, up to 20 foster homes and therapeutic education provision for the most complex children in our care. This aligns with the political ambition to ensure that children from Somerset in our care have a home in the county and allows us to bring children who have been placed elsewhere home to their communities.

- **Education for Life strategy** – with the ambition and confidence to improve outcomes for children in both our maintained and academised sector schools over the next five years. This is a central pillar of the Council’s work.
- **Our SEND strategy** – focussing with our partners on ensuring that our children with SEND are included with their peers in their schools and communities and well supported in all aspects of their lives. Two key elements of this that will help to address financial challenges are a focus on early identification and support to reduce demand for statutory support, and the focus on developing more inclusive mainstream education provision and specialist provision for children with social, emotional, and mental health needs.
- **Connect Somerset** – an early help partnership between the Council, the NHS, schools, the voluntary sector, and our communities, ensuring that professionals and communities work together to help families and residents to improve their lives. This work is integrated with the Neighbourhoods, Local Community Networks and Primary Care networks.

## Children, Families and Education Service– Dedicated Schools Grant (DSG)

### **Dedicated Schools Grant - key explanations, actions, and mitigating controls**

The DSG is a ring-fenced grant which is allocated in four blocks:

- **Schools** funds the Individual Schools’ Budgets of Academies and Local Authority Maintained schools.
- **Early Years** funds the provision of education for children from age three up to age five and for qualifying two-year olds.
- **High Needs** funds the place budgets at special schools, Enhanced Resource schools and Pupil Referral Units within the local authority’s geographical boundary and other expenditure required to support children and young people with additional educational needs.
- **Central Schools Services** funds limited central expenditure on behalf of all schools and academies plus historic commitments that have been agreed by the Schools’ Forum

**Table 2: DSG forecast at the end of October 2023 (Month 10)**

The DSG is monitored monthly, and the table below shows the 2023/24 full year forecast as of month ten, with a comparative position showing the movement to month nine.

Movement from Prior month	Current budget	Full year projection	Month 10 Variance	RAG Status	Movement from prior month
Schools	2.5	2.9	0.4	Red	-
Central Schools	5.0	5.0	-	Green	-
Early Years	31.1	31.1	-	Green	-
High Needs	73.5	88.7	15.2	Red	-
Total	112.1	127.7	15.6	Red	-

**Table 3: DSG Allocations 2023/24**

The final gross DSG funding allocation for 2023/24 amounted to £491.8m. From this final allocation, the amounts shown in the table below have been allocated to Mainstream and Special School Academies and Local Authority Maintained Schools. The amounts allocated to Academies shown below are recouped by the Department for Education prior to payment to the Local Authority. The remaining balance is the funding available for services for 2023/24. The £2.5m on the Schools Block represents the Growth Fund allocation for the year.

In year allocations	Gross DSG funding allocation			2023/24
	2023/24	Allocated to Academies	Allocated to LA Schools	Funding available for services
Schools	372.0	(245.1)	(124.4)	2.5
Central Schools	5.0	-	-	5.0
Early Years	31.1	-	-	31.1
High Needs	83.6	(9.5)	(0.7)	73.5
<b>Total</b>	<b>491.8</b>	<b>(254.6)</b>	<b>(125.1)</b>	<b>112.1</b>

**Table 4: High Needs Block budget 2023/24**

As set out in Table 2, the main risk area for the DSG Block continues to be within the High Needs Block. A detailed summary of the High Needs Block budget and the forecast position at December 2023 (month 10) is set out below:

<b>High Needs</b>	<b>Current Budget</b>	<b>Month 10 Forecast</b>	<b>Variance A/ (F)</b>	<b>Month 9 forecast</b>	<b>A/(F)</b>	<b>Change from Month 9 A/(F)</b>
INMS	20.7	24.8	4.1	24.8	A	-
Special Schools	21.9	22.1	0.2	22.1	A	-
Mainstream Schools & Academies	10.9	12.4	1.5	12.4	A	-
Pupil Referral Units & Learning Partnerships	7.9	8.4	0.5	8.4	A	-
Post 16	6.0	6.8	0.8	6.8	A	-
CLA Pre 16	5.1	6.3	1.2	6.3	A	-
SEND Advisory Services	3.6	3.6	-	3.6	F	-
ASD Bases	2.2	2.2	-	2.2	-	-
Other	2.2	2.1	(0.1)	2.1	-	-
	80.5	88.7	8.2	88.7		-
Budget in Year pressure	(5.5)	-	5.5	-	A	-
Transfer from Schools Block	(1.5)	-	1.5	-	A	-
<b>Total</b>	<b>73.5</b>	<b>88.7</b>	<b>15.2</b>	<b>88.7</b>		-

The main areas (variances over £0.5m) contributing to the adverse forecast variance of £15.6m in the High Needs Block are:



1. Planned in year budget pressure (£5.5m adverse variance, no movement from month 9)

The planned budget allocation for 2023/24 included a forecast in-year pressure on the High Needs Block of £5.5 million. Largely this is due to two related factors: year-on-year growth in the number of children and young people with an EHCP (education, health, and care plan), (93% increase from 2019 to 2022) and a lack of sufficient provision within Somerset's maintained sector for children with social, emotional, and mental health needs.

2. Contribution from Growth Fund (£1.5m adverse variance, no change from month 10)

The budgeted contribution from the Schools Block to the High Needs Block budget of £1.5m was removed in month five. This transfer has been removed because the Schools Block is now forecast to not have sufficient surplus to allow it to take place. This is due to unforeseen pressures on the Growth Fund, including the arrival of the Refugee Accommodation earlier this year.

Because it is a movement of funds between two blocks within the DSG, this transfer does not have any net effect on the overall DSG deficit.

3. Independent & Non-Maintained Schools (INMS) and Independent Post 16 Schools (£4.9m adverse variance, no movement from month 9)

The effect of the significant increase in the number and cost of new INMS placements agreed through the LA's Placement and Travel (PAT) Panel or ordered by the SEND Tribunal continued in the first six months of 2023/24. In part, this has been due to insufficient availability of maintained specialist provision for pupils with social, emotional, and mental health needs. The reduction in forecast costs relates to anticipated placement growth built into previous forecasts that is not needed.

4. Mainstream Schools & Academies (£1.5m adverse variance, no movement from month 9)

Forecast additional increases in the number, complexity, and cost of new and extended EHCPs and related costed packages were not anticipated within the budget. The service is reviewing packages to limit the overspend.

5. Children Looked After (CLA) (£1.2m adverse variance, no movement from Month 9)

The average complexity and therefore, cost of CLA placements resulting in a contribution from education has increased above the budgeted assumptions. The adverse movement as resulted from further children moving into external placements during the month requiring educational contributions.

6. Pupil Referral Units and Learning Partnerships (£0.5m adverse variance, no movement from month 9)

The HNB budget included an amount of £0.9m of income anticipated to be received from Pupil Referral Units for work with Mainstream Schools. However, there is limited capacity to undertake this work due to the high workload on school exclusions. This is expected to reduce the amount of income that can be achieved in 2023/24. The forecast has therefore been reduced to £0.4m, and this work will be monitored by the Inclusion team in the coming months.

**Schools Block monitoring**

The £0.4m adverse movement on the Schools Block represents unplanned expenditure on asylum seeking children of £0.4m. This is unchanged from Month 9.

**DSG forecast deficit on 31 March 2024**

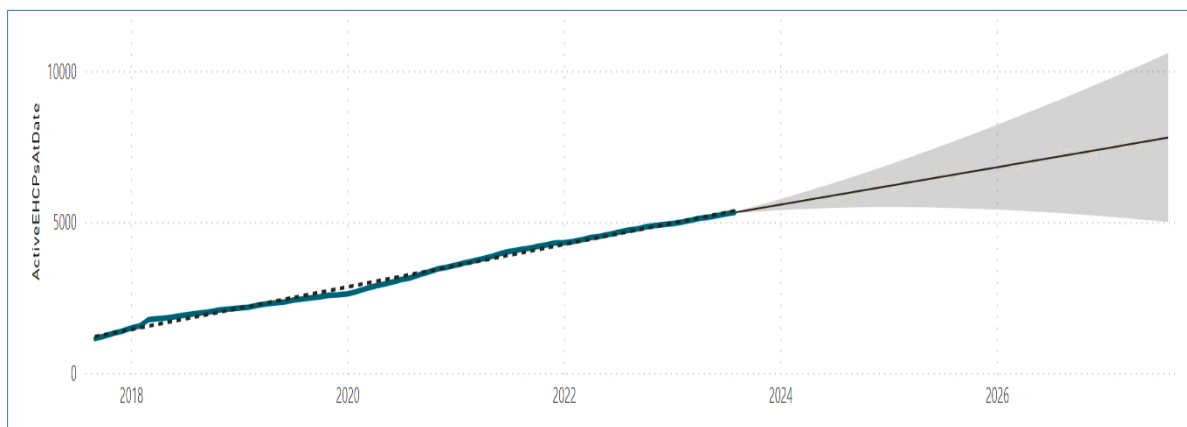
	Balance b/fwd at 1 Apr 2023 surplus/ (deficit)	NFF taken from opening reserve	Forecast in- year variance surplus/ (deficit)	Forecast carry forward 31 Mar 2024
Forecast deficit carry forward				
Schools	2.6	(1.2)	(0.4)	1.0
Central Schools	5.6	-	-	5.6
Early Years	0.9	-	-	0.9
High Needs	(29.8)	-	(15.2)	(45.0)
<b>Total</b>	<b>(20.7)</b>	<b>(1.2)</b>	<b>(15.6)</b>	<b>(37.6)</b>

The DSG is forecast to have an in-year deficit of £15.6m in 2023/24 giving a carried forward cumulative deficit of £37.6m when added to the brought forward balance of £20.7m. In order to fully adopt the National Funding Formula for Schools for 2023/24 it was agreed in January 2023 at Schools Forum that £1.2m would be drawn from the Growth Fund. The main area for concern continues to be the High Needs Block with a forecast in-year deficit of £15.2m. The Local Authority has recently submitted a refreshed deficit management plan.

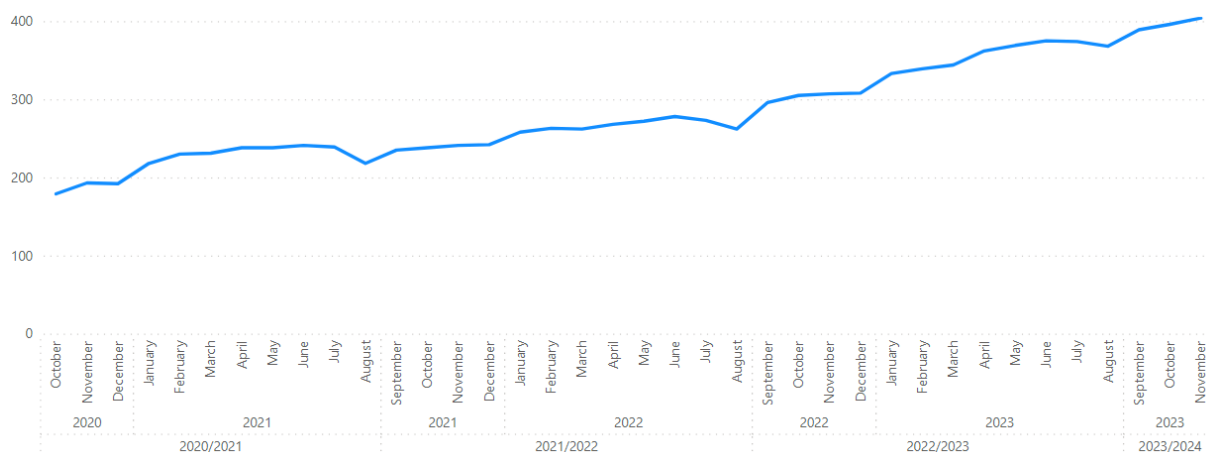
## Dedicated Schools Grant - key performance cost drivers

Since 2018, Somerset has experienced a steady growth in the number of children with Education Health & Care (EHC) plans as shown below. Previously, Somerset was an outlier, nationally, with extremely low numbers of children with EHC plans, as there was a policy of allocating high needs funding to mainstream schools to support children. This policy was changed in 2018 to ensure there was better oversight and accountability for use of high needs funding. From 2018 to 2023 there was an increase nationally in the proportion of school pupils from 2.9% to 4.3%. Somerset is now slightly above the national level at 4.6% of pupils with an EHC plan. Projections show that the numbers are expected to continue to increase in future years.

### Total Number of EHC Plans



The graph below shows the growth in the number of children (y axis) accessing independent non-maintained specialist (INMS) schools. INMS schools are significantly more costly (Approx £55k per pupil per year) than placements in either maintained specialist or mainstream schools. These placements are only made where there is no viable alternative placement available in a maintained setting, so the growth is a result of not having sufficient maintained provision in Somerset to meet the range of needs.



## Dedicated Schools Grant - key risks, future issues, and opportunities

The key issues relating to the DSG Reserves are:

1. The projected future overspends in the High Needs Block will continue to create increasing deficits within that block and hence within the overall DSG Reserves position. This is discussed further in the High Needs Block sections below.
2. The DSG had an overall cumulative deficit of £20.7m at 31 March 2023. The statutory override that allows the separation of DSG deficits from the local authority's wider finances is due to expire in March 2026 whereupon the DSG deficit will need to be recognised within the local authority's overall level of reserves.

The key risks in the High Needs Block are:

1. Increased demand for education, health, and care plans (EHCP)

The key driver for increases in high needs spending is increased demand for EHC plans. Having had one of the lowest rates of EHC plans nationally in 2018, Somerset has seen a continued increase in rates of EHC plans and the current rate of 4.6%, is now just above the national average of 4.3% (2022/23 figures). Although most children with EHC plans are educated in mainstream schools, there has been a gradual movement of children from mainstream settings into specialist settings, with demand for places exceeding the growth in the provision of specialist settings.

£10.1m of DfE capital funding was made available in 2022 allowing the development of a new phase of the capital programme, which focuses on special school satellites, enhanced learning provision across the county and new therapeutic education capacity, to enable more children to access inclusive provision close to where they live. In addition, service transformation activity linked to the national Delivering Better Value (DBV) programme focuses on improving interventions and support at an early stage to prevent the need for so many EHC plans.

## 2. Sufficiency of provision of Social, Emotional and Mental Health (SEMH) support

There is currently insufficient SEMH provision in Somerset with the only provider currently operating significantly below capacity. This has been caused by a poor Ofsted rating for this provider. In addition, the opening of a new special SEMH free school in South Somerset has been delayed from September 2022 to September 2024. These issues result in SEMH needs being met by higher cost INMS providers. In 2022 the Council successfully applied for another SEMH special free school in the Wells area, which will cater for 64 children. However, this is not expected to be delivered until 2027. These will help to address the current lack of SEMH provision.

## **Transformation, Savings, and Income Generation**

There have been two key programmes of work to address the ongoing challenges in the high needs block. 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.

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.

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.

Newton’s analysis has suggested that there are opportunities for reducing high needs expenditure, which could realise a £1m benefit by the end of 2024/25, and a cumulative benefit of around £8m by the end of 2027/28. However, based on Newton’s model, it is still expected that the cumulative deficit will continue to grow each year, unless there were to be significant changes to SEND policy or funding at a national level. Newton have reported that in each of the local authorities they have worked with, they are projecting that deficits will continue to grow, so Somerset is in line with other areas in this respect.

The 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 alongside other mitigations.

## **Children and Family Services - Local Authority (LA) Maintained Schools Revenue Reserves**

### **LA Maintained Schools - key explanations, actions, and mitigating controls**

These reserves are regarded as being under the control of the individual schools and not the local authority and are therefore not included in the calculation of the overall DSG reserves.

The overall revenue reserves of the 133 local authority's maintained schools were £19.8m at 31 March 2023. Projections for 2023/24 indicate a sharp downturn in the forecast for most schools, with overall revenue reserves expected to decrease by around £8m during the year and move into overall deficit during 2024/25.

- At the beginning of the year, seven schools shared a cumulative deficit position of £1.9m and 126 schools shared a cumulative surplus of £21.7m.
- Budget plans submitted by schools for 2023/24 show significant budgetary pressures with 102 of 122 plans submitted indicating projected in year deficits totalling £7.7m.
- Those schools with projected overall deficits and high in year deficits were invited to attend working groups this term to discuss their financial position. These meetings have now concluded, and action plans are being produced for individual schools to capture common themes causing problems for schools.
- One school, Wadham Secondary, had a cumulative deficit of £1.5m at 31 March 2023 and does not have an agreed recovery plan. The underlying problems have now been addressed by an area restructure, but the historic deficit is too large to be recovered solely by this school. A proposal has been developed to manage down this deficit over a 5-to-10-year period. There is a risk that the local authority may be required to fund the deficit if the school is required to convert to an academy due to underperformance.

### **LA Maintained Schools - key risks, future issues, and opportunities**

Alongside the Department for Education and Diocese of Bath and Wells (where appropriate) the local authority is managing a pipeline of academy conversions. This pipeline was put in place following a refresh of the council's policy approach to academisation in August 2023. The pipeline has been successful in giving stability and clarity to the academisation process, as well as allowing for more robust financial planning for both the council and affected trusts.

The process of academisation planning has demonstrated that it remains challenging to track school spending during the conversion process, and in a time of financial pressures this can create uncertainties for both the council and the trust. Further work is planned to consider what mechanisms could be put in place to secure this process further.



Somerset's education system is underperforming overall. However, while primary performance overall declined between 2022 and 2023 at Key Stage 2, LA maintained primary schools have improved their performance by 0.3 percentage points for all pupils achieve expected standard for Reading, Writing and Maths, and more markedly (2.5 percentage points) for children from low-income backgrounds. The introduction of a Core Offer and a stronger strategy for supporting schools to improve as stemmed the growth of inadequate and requires improvement judgements. While the local authority cannot compel LA maintained schools to accept with and engage in support, all schools that have willingly collaborated with the local authority's help have performed at or above expectation on inspection over the past year.

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## Appendix 3 – Community Services

Lead Member for Communities, Housing and Culture: Cllr Federica Smith-Roberts

Executive Director: Chris Hall

Service Directors:

- Housing: Chris Brown
- Culture: Elizabeth Dawson
- Customers: Jan Stafford
- Regulatory and Operational: Sarah Dowden

**Table 1: 2023/24 Community Services as at end of January 2024 (Month 10)**

- 2023/24 net budget £36.3m, projected favourable variance of £0.7m, favourable movement of £0.4m from month 9.

Service Area	Original Budget £m	Current Expenditure Budget £m	Current Income Budget £m	Current Net Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	RAG Status	Movement From Month 9 £m
<b>Housing</b>									
Housing Strategy	1.3	0.5	(0.2)	0.3	0.6	0.3	A	Red	0.3
Housing Options	4.6	7.4	(2.4)	5.0	5.0	0.0	-	Green	0.0
Housing Enabling	0.0	0.7	(0.2)	0.5	0.5	0.0	-	Green	0.0
Private Sector Support/ DFG's (SIP)	0.0	0.9	(0.4)	0.5	0.5	0.0	-	Green	0.0
Displaced Person Service	0.0	0.8	(0.8)	0.0	0.0	0.0	-	Green	0.0
Other Costs & Income	0.0	0.1	(0.1)	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>5.9</b>	<b>10.4</b>	<b>(4.1)</b>	<b>6.3</b>	<b>6.6</b>	<b>0.3</b>	<b>A</b>	<b>Red</b>	<b>0.3</b>
<b>Customer Services</b>									
Customer Services	7.0	6.8	(0.7)	6.1	6.0	(0.1)	(F)	Green	(0.1)
Somerset Lifeline	0.0	2.2	(2.4)	(0.2)	(0.2)	0.0	-	Green	0.0
<b>sub total</b>	<b>7.0</b>	<b>9.0</b>	<b>(3.1)</b>	<b>5.9</b>	<b>5.8</b>	<b>(0.1)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.1)</b>
<b>Cultural Services</b>									
Library Service	3.8	5.1	(0.7)	4.4	4.1	(0.3)	(F)	Green	(0.4)
Heritage Service	1.7	1.7	0.0	1.7	1.7	0.0	-	Green	0.0
Leisure - Sports Centre	2.0	2.6	(0.5)	2.1	2.1	0.0	-	Green	0.0
Museums	0.1	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
Theatres	0.5	3.4	(2.4)	1.0	0.4	(0.6)	(F)	Green	(0.2)
Visitor Centres	0.1	0.3	(0.3)	0.0	0.0	0.0	-	Green	0.0
Tourism	0.1	0.2	0.0	0.2	0.2	0.0	-	Green	0.0
(wellbeing) Community Grants	1.0	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>9.3</b>	<b>13.3</b>	<b>(3.9)</b>	<b>9.4</b>	<b>8.5</b>	<b>(0.9)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.6)</b>
<b>Regulatory &amp; Operational Services</b>									
Registration	(0.2)	2.1	(1.9)	0.2	(0.1)	(0.3)	(F)	Green	(0.2)
Environmental Health	4.2	4.6	(0.3)	4.3	4.3	0.0	-	Green	0.0
Bereavement Services	(1.2)	1.1	(2.3)	(1.2)	(1.1)	0.1	A	Red	0.2
Harbours	0.3	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
Ports	0.0	0.2	(0.1)	0.1	0.1	0.0	-	Green	0.0
Street Cleansing	5.0	6.0	(0.9)	5.1	4.9	(0.2)	(F)	Green	(0.0)
Open Spaces	3.1	6.8	(3.5)	3.3	3.6	0.3	A	Red	0.3
Public Conveniences	0.0	0.6	(0.2)	0.4	0.3	(0.1)	(F)	Green	(0.1)
(wellbeing) Community Safety	0.5	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
CCTV	0.7	0.8	(0.1)	0.7	0.9	0.2	A	Red	0.0
Licensing	0.0	0.8	(1.1)	(0.3)	(0.3)	0.0	-	Green	0.0
Resorts	0.0	0.4	(0.2)	0.2	0.2	0.0	-	Green	(0.1)
Coroners	0.0	1.3	0.0	1.3	1.3	0.0	-	Green	0.0
Operational Support	0.0	0.7	(0.1)	0.6	0.6	0.0	-	Green	0.0
Scientific Services	0.0	0.4	(0.4)	0.0	0.0	0.0	-	Green	(0.1)
<b>sub total</b>	<b>12.4</b>	<b>25.8</b>	<b>(11.1)</b>	<b>14.7</b>	<b>14.7</b>	<b>(0.0)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.0)</b>
<b>Community Services Total</b>	<b>34.6</b>	<b>58.5</b>	<b>(22.2)</b>	<b>36.3</b>	<b>35.6</b>	<b>(0.7)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.4)</b>

## **Community Services - key explanations, actions & mitigating controls**

The four directorates in Community Services have been working to minimise general fund expenditure throughout the year, this has helped cover pressures that have emerged post combination of budgets on vesting day, and helped to provide financial support to the council's overall budget overspends.

The current in-year underspend has increased from the month nine report which is an overall positive message, but this has not happened without consequences. We have held off works that would usually have been completed, and deferred maintenance where it is not a statutory requirement or needed to meet a health and safety need.

### Housing

Currently we are identifying a £0.3m variance in the general fund Housing service. The finance team have undertaken considerable work in Culture and Customer Services which has brought clarity to those budgets. This detailed work has yet to be completed for the Housing service and we therefore we have less clarity in this area.

There continue to be significant challenges within the year relating to demand, which is being offset by additional Government grants to support homelessness and other housing initiatives.

The Housing Options service has seen increased use of Bed & Breakfast accommodation and increased reliance on agency staff. Actions are being progressed by the service to mitigate these additional costs in the future through improved process and structural change. There is also an increase in demand for the service due to flooding and winter pressures. Although the service has a core council budget of £4.9m the service has significant grant income increasing its budget to over £9.5m. The significant spend pressures are:

- Additional spend of **£0.960m** projected in respect of homelessness.
- **£0.270m** additional spend in respect of rough sleeping.

The **£1.230m** additional costs are to be fully funded by government grants which are ringfenced to this service area.

The Housing Enabling and Housing Strategy services are expected to generate a small budget saving by quarter four due to in-year staffing cost savings and income from grant and fees, as mentioned above this has yet to show itself in the figures as more in depth work is needed to ensure all the budgets are correct and allocations to budget are accurate.

The Displaced Persons Service is 100% grant funded and will break even with underspends carrying forward to support the service in 2024/2025.

The Private Sector Support/SIP service is anticipated to break even whilst also being able to reduce its fee income from Adult Social Care for 2023/2024 by £0.3m.

### Cultural Services

There is an anticipated underspend in respect of Theatres which is due to additional income from ticket sales for the performances at the Westlands Entertainment Centre, in addition there are expected underspends on premises budgets. This is generating an overall underspend of £0.6m, an improvement of £0.4m from month nine, due to better anticipated income from the final pantomime performances.

The previously reported pressures in respect of Leisure – Sports Centres have been covered by savings on other budgets within this service.

Library services are showing a projected underspend of £0.3m, this is a slight reduction on the reported position at month nine.

### Regulatory & Operational Services

Open spaces functions were previously carried out by the district councils, these include services such as grounds maintenance. The service is reporting a total adverse variance of £0.3m. This in part relates to a significant reduction of budgeted income associated with the loss of income from a grounds maintenance contract provided by the council to an external client. The contract ended in 2021/22. The service expenditure budget was reduced as part of the budget setting process, but the income budget was not reduced to reflect the change. Therefore, this income target remains and cannot be achieved. A pressure has been approved for 2024/25 to amend this income budget estimate from April. Additional work is underway in year to reduce the impact of this. In year open spaces has postponed spend and made use of a one-off reserve to help mitigate the pressure.

Bereavement services is presenting an under recovery of income against the budget of £0.1m this is due to lower than budgeted from year to year and throughout a given year.

The authority provides a CCTV service across the county. The service has additional costs in 2023/24 at over £0.2m. This is in part due to expenditure from 2022/23 that was not accounted for in the correct year creating a one-off pressure in 2023/24, alongside other variations which are being reviewed. Work is underway to mitigate this, and we aim to reduce it from the current reported £0.2m overspend by year end. It is unlikely at this stage that the full overspend can be mitigated.

These pressures are, in the main offset by a favourable variance at £0.2m for the Registration service which has had more income, a demand lead service so income can vary. Alongside this the Street Cleaning service currently has an overall net favourable variation of £0.2m being a combination of some extra external income which sadly ends in 2023/24 and other variances which are being worked through.

### **Customer Services**

Customer Services are currently showing a projected underspend of £0.1m from a position of a balanced outturn last month. Work continues to confirm the outturn position for the Lifeline Service.

## **Appendix 4 – Climate & Place, (including Accountable Bodies)**

### **Climate & Place**

Lead Members:

- Environment & Climate Change: Cllr Dixie Darch
- Transport & Digital: Cllr Richard Wilkins
- Economic Development, Planning & Assets: Cllr Ros Wyke

Executive Director: Mickey Green

Service Directors:

- Climate, Environment & Sustainability: Kirsty Larkins
- Infrastructure & Transport: Mike O’Dowd-Jones
- Economy, Employment & Planning: Paul Hickson

### **Accountable Bodies**

Lead Members:

- Transport & Digital: Cllr Richard Wilkins
- Economic Development, Planning & Assets: Cllr Ros Wyke
- Environment & Climate Change: Cllr Dixie Darch

Executive Director: Mickey Green

Service Directors:

- Somerset Rivers Authority: Kirsty Larkins
- Local Enterprise Partnership and Connecting Devon & Somerset: Paul Hickson

**Table 1: 2023/24 Climate & Place (including Accountable Bodies) as at the end of January 2024 (Month 10)**

- Climate and Place (including Accountable Bodies) 2023/24 net budget £90.9m, projected favourable variance £7.3m, favourable movement £0.3m from month nine.

Service Area	Current Expenditure Budget £m	Current Income Budget £m	Current Net Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	RAG Status	Movement From Month 9 £m
<b>Climate, Environment &amp; Sustainability</b>								
Climate & Place Management	0.8	(0.1)	0.7	0.7	0.0	-	Green	0.0
Business Support	0.8	0.0	0.8	0.8	0.0	-	Green	0.1
Somerset Waste	55.5	(6.6)	48.9	48.9	0.0	-	Green	(0.2)
Drainage Board Levy	2.3	0.0	2.3	2.3	0.0	-	Green	0.0
Climate Change Costs	0.7	0.0	0.7	0.6	(0.1)	(F)	Green	(0.1)
Emergency Planning	0.4	0.0	0.4	0.4	0.0	-	Green	0.0
Flood & Water	0.8	0.0	0.8	0.9	0.1	A	Red	0.1
Countryside	1.1	(0.7)	0.4	0.4	0.0	-	Green	0.0
Mendips AONB	0.2	(0.2)	0.0	0.0	0.0	-	Green	0.0
Quantock AONB	1.1	(1.0)	0.1	0.1	0.0	-	Green	0.0
Ecology	0.2	0.0	0.2	0.2	0.0	-	Green	0.0
<b>sub total</b>	<b>63.9</b>	<b>(8.6)</b>	<b>55.3</b>	<b>55.3</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>(0.1)</b>
<b>Infrastructure &amp; Transport</b>								
Highways & Transport Commissioning	2.2	(0.6)	1.6	1.6	0.0	-	Green	0.0
Infrastructure Programmes Group	1.2	(0.8)	0.4	0.4	0.0	-	Green	0.0
Highways	17.0	(0.6)	16.4	17.2	0.8	A	Red	0.0
Traffic Management	4.9	(4.6)	0.3	(0.1)	(0.4)	(F)	Green	(0.3)
Transporting Somerset	15.4	(6.0)	9.4	9.3	(0.1)	(F)	Green	0.0
Car Parks	5.8	(12.3)	(6.5)	(6.5)	0.0	-	Green	0.0
Fleet Management	1.0	(0.3)	0.7	0.7	0.0	-	Green	0.0
Community Infrastructure	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>47.5</b>	<b>(25.2)</b>	<b>22.3</b>	<b>22.6</b>	<b>0.3</b>	<b>A</b>	<b>Red</b>	<b>(0.3)</b>
<b>Economy, Employment &amp; Planning</b>								
Economy & Planning	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
Commissioning Development	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
Development Control	6.4	(5.0)	1.4	2.2	0.8	A	Red	0.1
Planning Policy	3.6	0.0	3.6	2.8	(0.8)	(F)	Green	0.0
Economic Development	6.2	(1.8)	4.4	3.8	(0.6)	(F)	Green	0.0
Building Control	2.0	(1.5)	0.5	0.5	0.0	-	Green	0.0
<b>sub total</b>	<b>18.2</b>	<b>(8.3)</b>	<b>9.9</b>	<b>9.3</b>	<b>(0.6)</b>	<b>(F)</b>	<b>Green</b>	<b>0.1</b>
<b>Accountable Bodies</b>								
Somerset Rivers Authority	3.0	0.0	3.0	3.0	0.0	-	Green	0.0
Local Enterprise Partnership	2.0	(2.3)	(0.3)	(0.3)	0.0	-	Green	0.0
Connecting Devon & Somerset (CDS)	1.2	(0.5)	0.7	(6.3)	(7.0)	(F)	Green	0.0
<b>sub total</b>	<b>6.2</b>	<b>(2.8)</b>	<b>3.4</b>	<b>(3.6)</b>	<b>(7.0)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>
<b>Climate &amp; Place Total</b>	<b>135.8</b>	<b>(44.9)</b>	<b>90.9</b>	<b>83.6</b>	<b>(7.3)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.3)</b>

## Climate & Place - key explanations, actions, & mitigating controls

Climate and Place is currently forecasting a favourable variance of £7.3m at outturn, a favourable movement of £0.3m since month nine. The variances across Climate and Place are due to the following:

### Climate, Environment and Sustainability

**Waste Services** is forecasting to be within budget at outturn, a favourable variance of £0.2m reported between month nine and month ten. The favourable movement can be explained by the following:



- Total waste volumes to the end of month nine showed an increase of 2.7% compared to last year. However, the variance in waste tonnages is an improving position, moving from 4.1% at the end of month seven to 2.7% at the end of Month 9. The rise in tonnages is ascribed to unusually high tonnages of garden waste (+17%) and residual waste above expected levels at +2% to the end of month nine. This trend has been forecast to continue for the remainder of the year for budget monitoring. The impact of increased waste volumes has been partially offset by a lower than budgeted inflationary increase to contractor rates.
- Income from Garden Waste subscriptions continues to be higher than anticipated.
- The performance of Recycling centres has been reviewed and forecasts have been updated.

**Flood and Water** is forecasting to an overspend of £0.1m at outturn, an adverse movement of £0.1m between month nine and month ten. The overspend relates to updated salary forecasts and increased costs for Perfect Circle. Although Flood and Water is forecasting this overspend it is important to note that underspends in Climate Change salary costs have been identified to mitigate this pressure for Climate, Environment and Sustainability.

#### Infrastructure and Transport

**Highways** is forecasting an adverse variance of £0.8m at outturn due primarily to an increase in Safety defects across the road network causing significant pressures on the service due to more extreme weather events. The service continues to work hard to successfully complete the investigation and repair works whilst trying to manage and control the overspend.

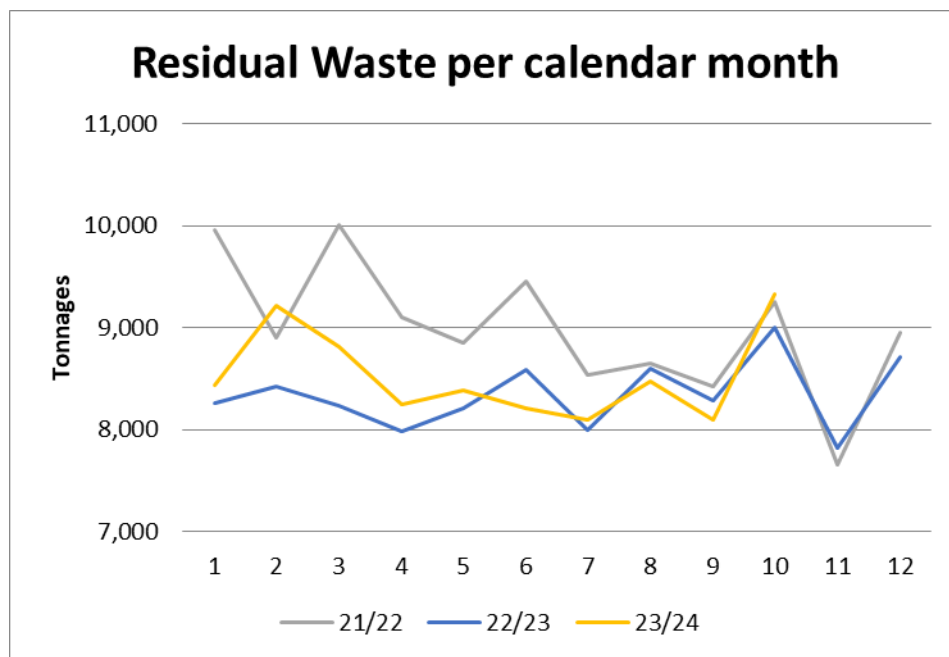
**Traffic Management** is forecasting a favourable variance of £0.4m at outturn, this is a favourable movement of £0.3m since month nine. This is due to receiving higher than anticipated income within the service relating to Temporary Traffic Regulation Orders (TTRO).

#### Economy, Employment and Planning

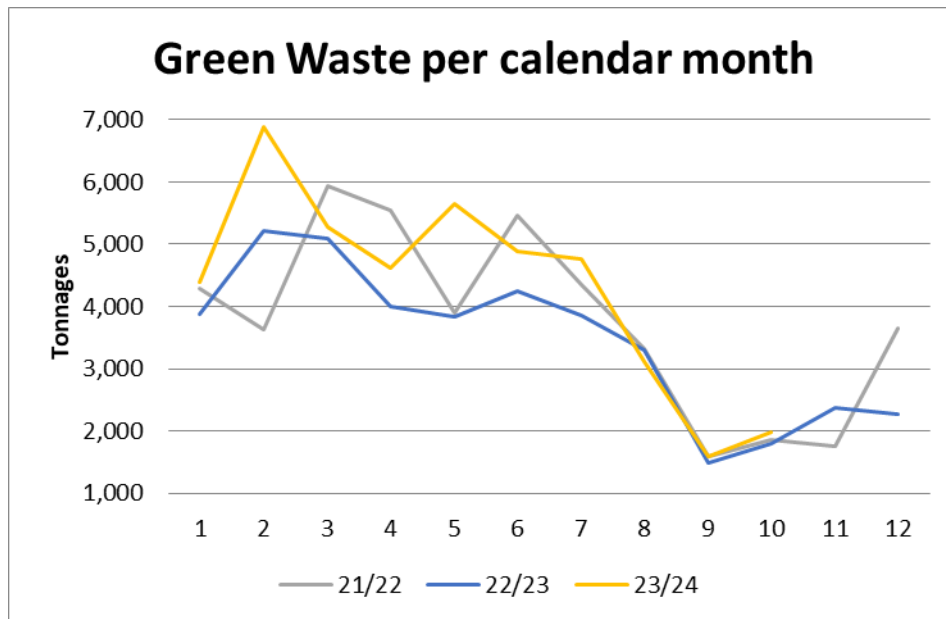
**Development Control** is forecasting an adverse variance of £0.8m at outturn, an adverse movement of £0.1m since month nine. There are several considerations here including ongoing reconciliation of income, income estimates for 2023/24 from legacy councils overestimating realistic annual income likely to be achieved and the current

economic climate. It is likely that economic factors in recent quarters in line with the national picture has resulted in lower levels of planning applications and that, in the short term, the national increase in planning fees on the 06 December 2023 may be having an impact on the anticipated budgeted income for the last quarter. This will be monitored, and the service will look at mitigating factors to offset the pressure in this area.

**Climate & Place - key performance cost drivers**



The above graph shows the residual waste (per tonnage) per month. The residual waste includes Kerbside collected waste and waste deposited at the recycling centre. The graph currently shows the reduction of waste in 2022/23 compared to 2021/22, however this highlights the unexpected increase in tonnages in the early months for 2023/24. Residual Waste from July to December have reduced and are more aligned to 2022 levels.



The above graph shows the green waste (per tonnage) per month. It is expected to see a downwards trend between month 6-12 (September to April) due to the seasonality of garden waste. The graph currently highlights a higher tonnage of green waste compared to 2021/22 and 2022/23 for the early months of 2023/24, this has been driven by the unusually mild, damp, weather this year propagating plant growth and increasing the moisture content of the material.

### Climate & Place - key risks, future issues & opportunities

Due to the current economic climate, there are several key risks and future issues that need to be taken into consideration:

- **Contract inflation** is applied at various times throughout the year, as the increase in contract could be led by RPI or CPI it is currently difficult to predict accurately what the impact for each contract might be. In addition, there are a number of contractual disputes which are being worked through. It is anticipated that these can be resolved in a timely matter, but in resolution may see increased costs agreed.
- **Impact of cost-of-living crisis.** As costs continue to rise, spending habits may change therefore it is possible that services across Economic and Community Infrastructure will see a decrease in income budgets.
- **Staff vacancy levels.** Difficulties in recruiting permanent staff across Climate and Place continue to impact on the ability to deliver services, where possible

agencies have been used to feel critical roles. However, this has a financial impact as generally the cost of these staff is higher than budgeted for. This reflects the national picture and is the same across a number of sectors.

- **Systems and Reporting.** Finance is continuing to work with service to bring together and understand five legacy authority budgets. There is a great deal of work to do to understand, relocate and align the legacy information to make one budget for Climate and Place. This work runs alongside the implementation of the new MS Dynamics finance system and Solver budget monitoring interface. It is there important to note that this may result in unknown under or overspends for the service.

Risks can be identified due to the change in climate. It is exceedingly difficult to be able to identify financially what the impact of climate change will be year on year, but risks with a potential financial impact include:

- Icy conditions will see a high demand on the Highways service to grit primary and secondary routes.
- Increased rainfall which has raised the risk of flooding across the County. This will require input from the Emergency Planning department, Highways and Traffic Management to help ensure residents can safely navigate around the affected areas.
- The extreme changes in weather will impact the road surfaces which continues to increase the safety defects reported and increases the costs of investigation and corrective action for potholes.

## **Accountable Bodies**

### Somerset Rivers Authority (SRA)

Somerset Rivers Authority is currently reporting to be within budget and are not anticipating any draws from or to reserves.

### Local Enterprise Partnership (LEP)

LEP is currently reporting to be within budget in this financial year, this includes contributing a further £0.4m to the reserve.

### Connecting Devon & Somerset (CDS)

The Connecting Devon and Somerset (CDS) programme included a phase one contract with British Telecommunications plc. To meet state aid requirements that contract included provisions which allowed for "clawback" of public subsidy where take up of

services exceeded the levels which the supplier had modelled. Delivery has completed and the contractual monitoring period to calculate amounts of clawback is now operational. The supplier is contracted to provide its calculation of the final clawback amount as of 31 March 2024, after which date relevant clawback funds are to be returned to CDS. The CDS collaboration will process any clawback so that collaborating public sector funders receive a proportionate return based on their original investment. At this initial stage it is estimated that the sum accruing to Somerset council is likely to be in the region of £7 million although this is subject to potential change.

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

Somerset Council acts as the accountable body for the Heart of the Southwest LEP, providing a service across the core functions of the LEP and its programmes. This is in the context of an assurance framework for this programme funding meeting Government principles and expectations. In performing these functions, Somerset Council works closely with the LEP core team, and the services Somerset Council provides are specified and resourced via a service level agreement between the LEP and Somerset Council.

LEP performance is subject to periodic assessment and an annual formal review by Government – the most recent of these for 2022/23 looked positively on Somerset Council's accountable body services to the LEP.

Somerset Council, working with Plymouth Torbay and Devon County Councils, has submitted an integration plan to Government outlining proposals for how LEP functions are transferred and conducted by the authorities post the Government ceasing to fund LEPs post March 2024 and how revenue funding balances and legacy capital funds held by the LEP are managed post this date. Government sign-off of the proposals in the plan are awaited and dialogue with the LEP Board advised by the Council's Section 151 Officer are ongoing and will determine the position regarding the division of these funds in due course.

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## Appendix 5 – Strategy, Workforce and Localities

Lead Members:

- Governance and Communications: Cllr Bill Revans
- Resources and Performance: Cllr Liz Leyshon
- Transformation and Human Resources: Cllr Theo Butt Philip

Executive Director: Alyn Jones

Service Directors:

- Partnership and Localities: Sara Skirton
- Strategy and Performance: Sara Cretney
- Governance, Democratic and Legal Services: David Clark
- Workforce (interim): Dawn Bettridge

**Table 1: 2023/24 Strategy, Workforce & Localities as at the end of January 2024 (Month 10)**

- 2023/24 net budget £25.8m, projected favourable variance £0.1m, £0.2m favourable movement from month nine.

Service Area	Current Expenditure Budget £m	Current Income Budget £m	Current Net Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	RAG Status	Movement From Month 9 £m
<b>Partnership &amp; Localities</b>								
Localities	1.8	(0.2)	1.6	1.4	(0.2)	(F)	Green	0.0
Partnerships	1.7	0.0	1.7	1.9	0.2	A	Red	0.0
<b>sub total</b>	<b>3.5</b>	<b>(0.2)</b>	<b>3.3</b>	<b>3.3</b>	<b>(0.0)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>
<b>Strategy &amp; Performance</b>								
Communications	1.8	(0.3)	1.5	1.5	0.0	-	Green	0.0
Transformation & Change	5.1	(1.1)	4.0	3.4	(0.6)	(F)	Green	0.0
Digital Team	(0.1)	0.3	0.2	0.3	0.1	A	Red	0.0
Land Charges	0.5	(1.1)	(0.6)	(0.6)	0.0	-	Green	0.0
Performance	0.8	0.0	0.8	0.7	(0.1)	(F)	Green	0.0
<b>sub total</b>	<b>8.1</b>	<b>(2.2)</b>	<b>5.9</b>	<b>5.3</b>	<b>(0.6)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>
<b>Workforce</b>								
Human Resources & Organisational Development	7.6	(2.2)	5.4	5.0	(0.4)	(F)	Green	0.0
Learning & Development	3.2	(1.9)	1.3	1.0	(0.3)	(F)	Green	0.0
<b>sub total</b>	<b>10.8</b>	<b>(4.1)</b>	<b>6.7</b>	<b>6.0</b>	<b>(0.7)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>
<b>Governance, Democratic &amp; Legal Services</b>								
Democratic Services	4.5	(0.5)	4.0	3.8	(0.2)	(F)	Green	0.0
Legal Services	5.1	(0.8)	4.3	6.0	1.7	A	Red	0.0
Info Governance	0.8	(0.2)	0.6	0.4	(0.2)	(F)	Green	(0.2)
Elections	1.0	0.0	1.0	0.9	(0.1)	(F)	Green	0.0
<b>sub total</b>	<b>11.4</b>	<b>(1.5)</b>	<b>9.9</b>	<b>11.1</b>	<b>1.2</b>	<b>A</b>	<b>Red</b>	<b>(0.2)</b>
<b>Strategy, Workforce &amp; Localities Total</b>	<b>33.8</b>	<b>(8.0)</b>	<b>25.8</b>	<b>25.7</b>	<b>(0.1)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.2)</b>

**Strategy, Workforce & Localities – key explanations, actions, & mitigating controls**

### Partnership and Localities

A favourable variance of £0.2m is forecast within Localities. The service is carrying several vacant positions which is resulting in a forecast reduction in employment costs. Despite this favourable variance, overall, the service budget is balanced due to the service bearing a one-off cost to honour a grant payment of a legacy Council.

### Strategy and Performance

An underspend of £0.6m is forecast across the service. There is a reduction in employment costs due to holding positions vacant, along with the non-requirement of a software budget.

### Workforce

An underspend of £0.4m is forecast within the Human Resources & Organisational Development budget mainly in respect of employment costs. This is mainly due to vacancies within the service.

An underspend of £0.3m is also anticipated on the Learning and Development budget, this is due to a focus on e-learning, statutory and mandatory training. The leadership and management programme across a wider learning and development framework will not be in place until 2024/25 resulting in an anticipated underspend on budgets associated with this programme.

### Governance, Democratic & Legal Services

An underspend of £0.2m forecast in Democratic Services mainly due to in year savings within staffing through vacancies, reduced expenditure in other areas and increased income.

The forecast £1.7m adverse variance within Legal Services is an estimate of anticipated increases in external legal costs. This is due to the continued need to place legal cases, principally in respect of childcare, with external legal experts.

An underspend of £0.2m forecast in Information Governance (IG) is mainly due to in year savings within staffing through vacancies.

An underspend of £0.1m forecast in Elections is due to reduced expenditure, and from releasing some budgets that are not required this financial year.



## **Appendix 6 - Resources & Corporate Services**

Lead Members:

- Economic Development, Planning & Assets: Cllr Ros Wyke
- Resources & Performance: Cllr Liz Leyshon
- Transport & Digital: Cllr Richard Wilkins

Executive Director: Jason Vaughan

Service Directors:

- Finance & Procurement: Nicola Hix
- Strategic Asset Management: Ollie Woodhams
- Information, Communication, Technology: Andy Kennell

**Table 1: 2023/24 Resources & Corporate Services as at the end of January 2024 (Month 10)**

2023/24 net budget £23.6m, projected favourable variance of £2.4m, no movement from month nine.

Service Area	Current Expenditure Budget £m	Current Income Budget £m	Current Net Budget £m	Full Year Projection £m	Month 10 Variance £m	A/(F)	RAG Status	Movement From Month 9 £m
<b>Finance &amp; Procurement</b>								
Finance	11.3	(2.4)	8.9	8.8	(0.1)	(F)	Green	0.3
Procurement	9.9	(8.0)	1.9	1.8	(0.1)	(F)	Green	0.1
Revenues	9.0	(6.1)	2.9	2.5	(0.4)	(F)	Green	(0.1)
Housing Benefits	88.6	(87.6)	1.0	0.8	(0.2)	(F)	Green	0.0
<b>sub total</b>	<b>118.8</b>	<b>(104.1)</b>	<b>14.7</b>	<b>13.9</b>	<b>(0.8)</b>	<b>(F)</b>	<b>Green</b>	<b>0.3</b>
<b>Strategic Asset Management</b>								
Property Services	18.6	(7.4)	11.2	11.2	0.0	-	Green	(0.1)
Commercial Investment Properties	1.0	(21.4)	(20.4)	(20.4)	0.0	-	Green	0.0
<b>sub total</b>	<b>19.6</b>	<b>(28.8)</b>	<b>(9.2)</b>	<b>(9.2)</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>(0.1)</b>
<b>Information Communication Technology</b>								
Information Communication Technology	0.0	0.0	0.0	0.0	0.0	-	Green	0.0
Hardware & Software	10.1	0.0	10.1	9.1	(1.0)	(F)	Green	(0.3)
ICT General	9.5	(2.5)	7.0	6.4	(0.6)	(F)	Green	0.4
ICT Traded	0.5	(0.4)	0.1	0.1	0.0	-	Green	(0.1)
Telecommunications	0.9	0.0	0.9	0.9	0.0	-	Green	(0.2)
<b>sub total</b>	<b>21.0</b>	<b>(2.9)</b>	<b>18.1</b>	<b>16.5</b>	<b>(1.6)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.2)</b>
<b>Resources &amp; Corporate Services Total</b>	<b>159.4</b>	<b>(135.8)</b>	<b>23.6</b>	<b>21.2</b>	<b>(2.4)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>

### **Resources & Corporate Services – key explanations, actions & mitigating controls**

#### Finance

Several vacant posts across Finance and Procurement services have resulted in an underspend on employee budgets. This saving has been part offset by agency costs

and an increase in audit fees, accounting for the adverse movement from month nine.

Within Revenues and Housing Benefits there has been additional spend on temporary staff due to service pressures. This additional cost has been offset by income from Government grants and additional court fee income, resulting in an overall underspend for these two services of £0.6m.

### Strategic Asset Management

The service is holding many vacancies which has resulted in a forecast underspend on employee budgets.

There is a forecast reduction in energy costs across the estate due to improved pricing, energy efficiency measures and investment in decarbonisation projects.

Vacant property running costs are forecast to be higher than budgeted as the service is taking on larger complex sites and properties are vacant for longer periods due to ongoing phosphates issues delaying planning. The service will capitalise costs at constructions sites where possible and focus on progressing disposals as soon as phosphate mitigation solutions allow.

Tenancy changes at various properties has resulted in an anticipated shortfall of income in respect of rent receivable. The service continues to actively seek new tenants for void units.

Various other overspends anticipated on several budgets lines, including rates payable on void properties and an aborted capital scheme meaning income target not met.

Additional costs of surveying for Reinforced Autoclave Aerated Concrete (RAAC) are estimated to be around £0.3m and these unexpected costs have been funded from the Corporate Contingency budget.

Within Commercial Investment Properties it is anticipated that the income target in respect of the dividend payable from one of the Council's partly owned trading companies will not be achieved (£1.7m). Work is being undertaken to understand the factors and risks that are contributing to the non-payment of the dividend. There are adverse variances expected in respect of the rental income budgets (£1.2m), this is due to unexpected voids. The variance against the budget will be funded from the Commercial Investment risk reserve.

### Information Communication Technology

Additional costs have been incurred in respect of the Office365 backup costs. The cost in respect of consolidating into a single electronic payments system will be more than anticipated and the work on data centre consolidation is not achievable in this financial year meaning the budget will be exceeded. The additional costs have been offset by an underspend on employee budgets due to number of vacant posts and expenditure on several software licences and contracts being less than anticipated resulting in an underspend on the associated budget.

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## **Appendix 7 - Public Health**

Lead Member for Public Health, Equalities and Diversity: Cllr Adam Dance

Executive Director: Professor Trudi Grant

Deputy Director Public Health: Lou Woolway

**Table 1: 2023/24 Public Health as at the end of January 2024 (month 10)**

- 2023/24 Net Budget £1m, no projected variance, no movement from month nine
- 2022/23 Net Budget £1.3m, no variance at outturn

Service Area	Current Expenditure Budget	Current Income Budget	Current Net Budget	Full Year Projection	Month 10 Variance	A/(F)	RAG Status	Movement From Month 9
	£m	£m	£m	£m	£m			£m
Public Health Grant	22.6	(22.6)	0.0	0.0	0.0	-	Green	0.0
Somerset Council Budget	1.0	0.0	1.0	1.0	0.0	-	Green	0.0
<b>Public Health Total</b>	<b>23.6</b>	<b>(22.6)</b>	<b>1.0</b>	<b>1.0</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>

### **Public Health - key explanations, actions & mitigating controls**

A number of vacant posts within the service has resulted in savings on employee budgets funded from the Public Health Grant. Contractual spend has diminished as we strive towards a new targeted operating model to improve the health of our residents across the county. The Somerset Council funding managed by Public Health is anticipated to remain on budget.

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

Both the Public Health Grant and the Somerset Council funding managed by Public Health are facing significant future pressure caused by contract and pay inflationary increases. This pressure will intensify following an early indication of a 1% increase to the Public Health Grant for the 2024/25 financial year which is again significantly below inflation.

There is a systemic underfunding of public health in Somerset. The Public Health Grant is significantly below the national average being 141<sup>st</sup> out of 153 local authorities nationally. Improvements in whole population health are not achievable within the constraints of the public health budget. A new operating model for public health is underway in order to focus the activity of the Public Health Team towards influencing policy, commissioning and spend right across the Somerset system towards improving health and tackling inequalities.

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## **Appendix 8 – Other Service Areas (including Collection Fund)**

### **Corporate Management**

Lead Member for Non-Service: Cllr Liz Leyshon

Executive Director: Jason Vaughan

**Table 1: 2023/24 Corporate Management as at the end of January 2024  
(Month 10)**

- 2023/24 net budget £1.3m, no projected variance, no movement from month nine.

Service Area	Current Expenditure Budget	Current Income Budget	Current Net Budget	Full Year Projection	Month 10 Variance	A/(F)	RAG Status	Movement From Month 9
	£m	£m	£m	£m	£m			£m
Executive Directors	0.8	0.0	0.8	0.8	0.0	-	Green	0.0
Corporate Subscriptions	0.1	0.0	0.1	0.1	0.0	-	Green	0.0
Apprenticeship Levy/Reclaim	0.4	0.0	0.4	0.4	0.0	-	Green	0.0
<b>Corporate Management Total</b>	<b>1.3</b>	<b>0.0</b>	<b>1.3</b>	<b>1.3</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>

### **Corporate Management - key explanations, actions, & mitigating controls**

There is currently no variance projected for outturn.

### **Non-Service**

Lead Member for Non-Service: Cllr Liz Leyshon

Executive Director: Jason Vaughan

**Table 2: 2023/24 Non-Service as at the end of January 2024 (Month 10)**

- 2023/24 net budget £54.1m, projected favourable variance £3.0m, no movement from month nine.

Service Area	Current	Current	Current Net	Full Year	Month	A/(F)	RAG	Movement	
	Expenditure	Income			10				From
	Budget	Budget			Variance				Month 9
	£m	£m	£m	£m				£m	
Local Government Reorganisation	4.1	(1.3)	2.8	2.8	0.0	-	Green	0.0	
Contributions	0.7	0.0	0.7	0.7	0.0	-	Green	0.0	
Corporate Costs	8.7	(2.0)	6.7	6.7	0.0	-	Green	0.0	
Financing Transactions	53.7	(13.1)	40.6	37.6	(3.0)	(F)	Green	0.0	
Special Grants	0.0	0.0	0.0	0.0	0.0	-	Green	0.0	
Pay Award	3.3	0.0	3.3	3.3	0.0	-	Green	0.0	
<b>Non-Service Total</b>	<b>70.5</b>	<b>(16.4)</b>	<b>54.1</b>	<b>51.1</b>	<b>(3.0)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>	

## Non-Service - key explanations, actions, & mitigating controls

### Financing Transactions

The £3m favourable variance relates to the Council utilising internal borrowing in light of a higher than forecast cashflow level. This has decreased the cost of borrowing.

### Traded Services

Lead Member for Traded Services: Cllr Heather Shearer

Executive Director: Claire Winter

**Table 3: 2023/24 Traded Services as at the end of January 2024  
(Month 10)**

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

Service Area	Current	Current	Current Net	Full Year	Month	A/(F)	RAG	Movement	
	Expenditure	Income			10				From
	Budget	Budget			Variance				Month 9
	£m	£m	£m	£m				£m	
Dillington	1.8	(1.8)	0.0	0.5	0.5	A	Red	0.1	
<b>Traded Services Total</b>	<b>1.8</b>	<b>(1.8)</b>	<b>0.0</b>	<b>0.5</b>	<b>0.5</b>	<b>A</b>	<b>Red</b>	<b>0.1</b>	

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

Dillington's deficit for the year is forecasted to be £0.5m, an increase of £0.1m from month nine due to higher costs than previously forecasted and final bills. This overspend relates solely to the operating costs, and not the related closure costs which are being funded by an earmarked reserve.



## **Contingencies**

Lead Member for Contingencies: Cllr Liz Leyshon

Executive Director: Jason Vaughan

**Table 4: 2023/24 Contingencies as at the end of January 2024 (Month 10)**

- 2023/24 allocation of £6m, £0.3m has been allocated, remaining £5.7m is committed.

Service Area	Current Expenditure Budget	Current Income Budget	Current Net Budget	Full Year Projection	Month 10 Variance	A/(F)	RAG Status	Movement From Month 9
	£m	£m	£m	£m	£m			£m
Corporate Contingency	5.7	0.0	5.7	5.7	0.0	-	Green	0.0
<b>Contingencies Total</b>	<b>5.7</b>	<b>0.0</b>	<b>5.7</b>	<b>5.7</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>

## **Contingencies – key risks, mitigations, future issues, and opportunities**

£0.3m has been allocated to the Strategic Asset Management budget to cover the costs associated with work on Reinforced Autoclaved Aerated Concrete (RAAC) surveys.

The balance of the Contingency budget (£5.7m) is forecast to be fully committed to cover the additional costs of the National Pay Award over and above the 5% that was budgeted for, temporary staffing, and costs of the Financial Resilience Review. The 2023/24 pay award has now been settled and the final agreed offer of £1,925 on most scale points.

## **Core Revenue Funding**

Lead Member for Core Revenue Funding: Cllr Liz Leyshon

Executive Director: Jason Vaughan

**Table 5: 2023/24 Core Revenue Funding as at the end of January 2024 (Month 10)**

- 2022/23 net budget (£522.8m), projected favourable variance £0.5m, no movement from month nine.

Service Area	Current	Current	Current Net	Full Year	Month	A/(F)	RAG Status	Movement From Month 9
	Expenditure Budget	Income Budget	Budget	Projection	10 Variance			
	£m	£m	£m	£m	£m			
Council Tax	0.0	(338.7)	(338.7)	(338.7)	0.0	-	Green	0.0
Business Rates	0.0	(122.2)	(122.2)	(122.2)	0.0	-	Green	0.0
Grants	0.0	(57.3)	(57.3)	(57.8)	(0.5)	(F)	Green	0.0
Flexible Use of Capital Receipts	0.0	(4.0)	(4.0)	(4.0)	0.0	-	Green	0.0
Collection Fund Surplus/Deficit	6.1	(6.7)	(0.6)	(0.6)	0.0	-	Green	0.0
<b>Core Revenue Funding Total</b>	<b>6.1</b>	<b>(528.9)</b>	<b>(522.8)</b>	<b>(523.3)</b>	<b>(0.5)</b>	<b>(F)</b>	<b>Green</b>	<b>0.0</b>

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

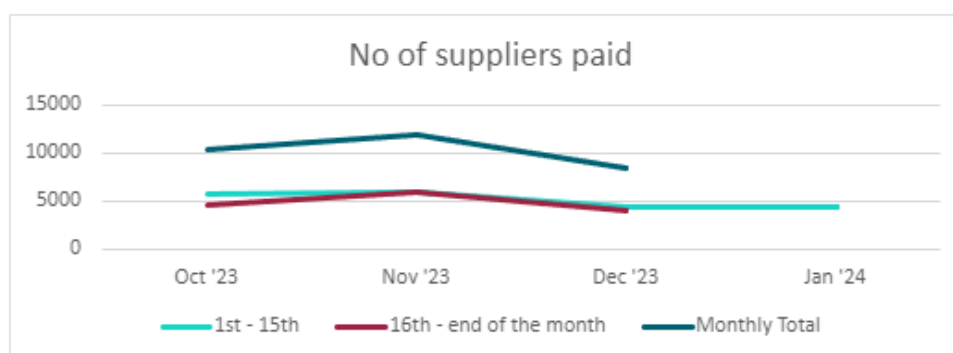
### Grants

The favourable variance of £0.5m for Grants is due to receiving confirmation that the Rural Services Delivery grant and the 2023/24 Services grant will be higher than budgeted. The grant confirmation was received after the budget setting process.

**Month 9 Revenue Budget Monitoring Report 30 December 2023**  
**Spend Board Information Extracted from the report**

1. The Finance team are still working on reviewing its payment values to see the true effect the spend board is having. Although early indications were the spend was going down, this can be distorted when a large payment is made in relation to a capital project, and depending on suppliers invoicing on time, this can distort the figures too. This method of reviewing the impact does not also pick up the activity that never reached spend board in the first place as it was stopped at the service level.
2. In relation to the payment of suppliers, we have seen the number of suppliers paid reduced as shown in Chart 1 below. 10,450 suppliers were paid in October, rising in November to 12,057 before reducing again to 8,443 in December.

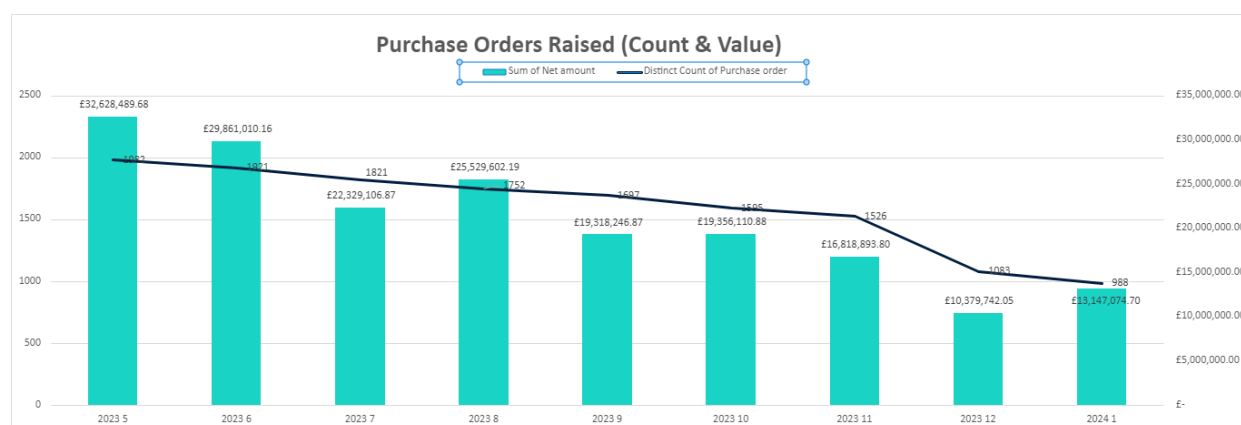
*Chart 1 – Number of suppliers paid October to December 2023*



3. The Council has now enforced its' 'No purchase order no pay Policy'. The exchequer team have so far rejected approximately 300 supplier invoices as the invoice received for the goods or services in question were not on our exemption list and they failed to quote a live purchase order number. Communication was made to all suppliers on our system (approx. 22,000) ahead of the Council enforcing this policy, so it should not be unexpected if their invoice gets returned for not quoting a purchase order number.
4. Finance continues to work with the services to ensure they are following the policy and ensuring they issue an order number ahead of an invoice being received as not to cause any delay to the supplier payment. The Council will always pay for goods and services it has received. Enforcing this policy is not about withholding payment to suppliers, it's about ensuring services following the correct procedure for procuring goods and services, and the Council knows its commitments for budgeting and forecasting purposes.

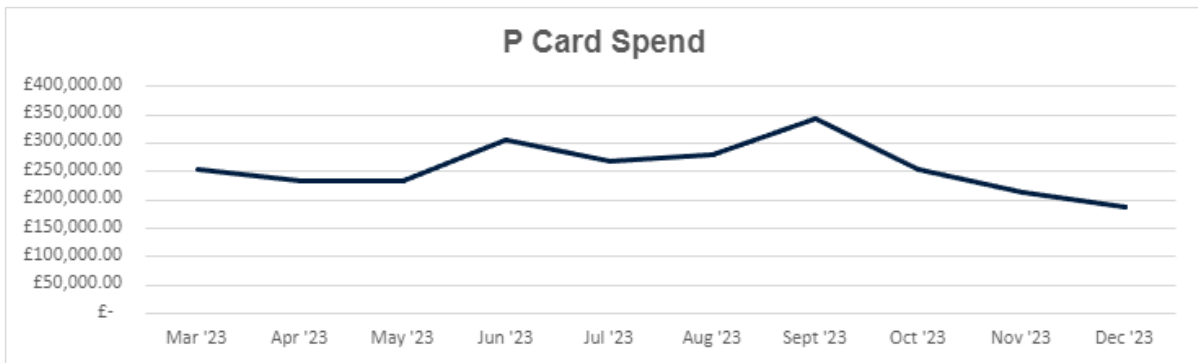
5. Since the control boards have been in place, we have seen a high number of retrospective orders being processed through our finance system. This meant that the control boards were unable to stop expenditure which they may have challenged on whether it was essential or statutory in this financial emergency. The board had to automatically let it through to ensure we paid for the goods or services we had received. With the order policy being enforced we should see these reduce now as the invoice won't get through our systems to be processed. Services know they to provide order numbers for everything purchased outside our goods and services purchase number exemption list.
  
6. Chart 2 shows the change in number of purchase orders raised and values attributable to these from May 23 to January 24. With the enforcement of the 'No purchase order no pay Policy' we would expect to see the number of purchase orders raised increase. However, with the control boards in place, and declared financial emergency the chart shows a decline, especially last month. As the implementation of the policy was only from December 2023 we will continue to monitor as we work with services.

*Chart 2 – Number of purchase orders raised and financial values May 23 to January 24*



7. At the time the control boards were implemented, a review of the number and use of procurement cards was also undertaken. In October 2023 there were 393 active cards which have been reduced to 227 for those services where justification could be made for them being retained. Chart 3 shows the change in spend now we have fewer active cards in use. We should see this lower spend remain or reduce further into 2024.

*Chart 3 – Procurement card spend pattern March 2023 to December 2023.*



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Somerset Council  
Corporate and Resources Scrutiny Committee  
– 7<sup>th</sup> March 2024



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## Property Rationalisation Programme Update

Lead Officer: Oliver Woodhams, Service Director Strategic Asset Management

Author: Sara Kelly, Property Rationalisation Programme Manager

Contact Details: [sara.kelly@somerset.gov.uk](mailto:sara.kelly@somerset.gov.uk) 01935 462249

Executive Lead Member: Cllr Ros Wyke

### 1. Summary

- 1.1.** Post covid working has seen a dramatic change in the way that offices are used and has resulted in significant under-utilisation of office buildings. Additionally, now that the 5 former Councils have merged to form one Somerset Council there is an over-supply of office accommodation. A property rationalisation programme is underway, with an initial focus on office / customer service sites. This is a large and complex programme that is being broken down into manageable phases.
- 1.2.** The programme, led by the Strategic Asset Management service, will focus on scoping opportunities to reduce the Council's property portfolio on a phased approach over the next 2-3 years and in doing so, reduce our running costs, carbon footprint and generate capital receipts.
- 1.3.** Phase one projects identified include properties in Yeovil and West Somerset, with an aim of rationalising the number of properties in those areas and delivering integrated customer service provision. It also includes C Block at County Hall in Taunton.
- 1.4.** In relation to the Somerset Council Plan 2023-2027 this project will deliver against the following Priorities:
  - A Greener, More Sustainable Somerset by utilising existing Council assets that are accessible and have already had energy efficiency measures implemented.
  - The Council's estate is financially sustainable, efficient, and effective, selecting Council assets to be retained that can be better utilised with moderate investment into layout changes which will meet the needs of incoming customer facing services.

- 1.5.** The projects are included within the Council's MTFP savings under reference NS-2324-TSIGP-282. This sets a target for revenue savings of £425,000 from property rationalisation over two years.

A confidential appendix is attached to this report detailing the financial modelling for the Yeovil Library and West Somerset projects.

## **2. Issues for consideration / Recommendations**

- 2.1.** Scrutiny is asked to consider and comment on the following recommendations, the first three of which are contained within a Key Decision report currently under consultation;

1. Relocate services from Petters House Yeovil to Yeovil Library
2. Relocate services from Williton Childrens Centre, Williton Library and Beckett House to West Somerset House
3. Fund capital works to make layout changes to Yeovil library and West Somerset House to facilitate the co-location of services and delivery of running cost savings. (Capital costs are within existing capital budget approval).
4. Proceed with marketing and sale of C Block, County Hall, Taunton.

## **3. Background**

- 3.1.** There are c. 150 properties across the operational estate in Somerset Council. The Council has identified a programme of asset rationalisation to take place over the next 2-3 years to look at opportunities to review, rationalise and reduce operational sites to contribute to the financial sustainability of the Council in the longer term.

- 3.2.** The property rationalisation programme is large and complex and is being broken down into manageable phases. Phase one of the programme includes properties in Yeovil and West Somerset and also C Block at County Hall in Taunton.

### **3.3. Yeovil**

There are 2 customer facing operational sites in the centre of Yeovil; Yeovil Library and Petters House, Petters Way. In addition, Brympton Way which is a non-customer facing building sits just over a mile from the town centre and was historically the HQ for South Somerset District Council. It is still an operational office building, accessible to all staff.

- 3.4.** The close proximity of these buildings provides an opportunity to co-locate customer service delivery into one building in the town centre and generate



revenue savings as well as a capital receipt. Condition surveys have been conducted to assist with understanding the overall financial business case.

- 3.5.** Yeovil library is in a prominent location in Yeovil Town Centre, within easy reach of public transport and has recently undergone a nationally recognised decarbonisation project at the site in 2021. The library building has an EPC B rating, whereas Petters House is rated C and has not undergone any decarbonisation work.
- 3.6.** Petters House has been operating as a customer services hub for the ex South Somerset District Council. Customer advisors and Housing officers work in this building and Citizens Advice (CAB) are tenants under a 10 year lease which is due to expire in September 2024. The CAB have been consulted regarding the proposals.
- 3.7.** A feasibility study has been completed to consider whether the services could be co-located into Yeovil Library, supported by The Design Concept. The Design Concept are a dynamic provider of total design solutions for libraries and public spaces and have a wealth of experience supporting co-location projects in libraries to achieve optimum solutions.
- 3.8.** Detailed requirements of each service were provided, which the Design Concept used, alongside knowledge gained from site visits to produce initial draft plans. These were reviewed by the project team and several amendments made until the team felt it met the requirements provided within the design brief. The final draft designs were then shared at a face-to-face meeting with teams impacted by the proposals, where there was also the opportunity for staff to ask questions and make suggestions. A mailbox was created on outlook for staff to provide feedback individually or collectively following the face-to-face session and these were reviewed by the project team and a detailed response provided. A copy of the response is available if required.
- 3.9.** Key themes that came out of staff feedback were the challenges that will be faced when co-locating services that have differing customer types, the possible impact on other customers of any anti-social behaviour, the importance of a suitable security provision, provision of adequate desk space for staff who will be required to work in the building and GDPR concerns. The project team are confident that the final designs address feedback received and provide a space that is workable for all services and their customers. A security review has been undertaken and recommendations received.
- 3.10** Further consultation took place with the customer panel and the draft designs were shared on Library social media pages. In addition, the survey was shared into social media groups which had the greatest reach within the geographic area most likely to be impacted by the decision and physical surveys were available at Yeovil

Library. Links were also sent by email to the Yeovil Chamber, Yeovil Town Council and Brympton Parish Council for distribution through their channels while Yeovil Members, and Members in the villages/wards around Yeovil, were also supplied with survey information and encouraged to share.

**3.11** Over 200 responses were received by customers. Key themes were the challenge faced when co-locating services with differing customer types, the concern over loss of library stock, the desire to maintain current services offered in the library and the ability to manage noise and retain quiet spaces. The design of the space addresses many of the points raised and due to the majority of additional service delivery being created on the ground floor in an area previously not populated by book shelves, there will be no reduction to library book stocks. All services currently provided (including wellbeing area, employment hub, children's and music groups etc will continue to run).

**3.12** The co-location will enhance the customer offer in Yeovil Library and provide a single customer service site in the town centre, in a building that has benefited from a nationally recognised decarbonisation scheme and is fully accessible.

### **3.13 West Somerset**

There are 9 operational sites in West Somerset, spread across Minehead and Williton. A number of these were considered out of scope for the West Somerset review as follows;

- Minehead Library - recently renovated and decarbonised, and is fully utilised
- Depot sites – these will be included in a separate review incorporating all depots in the County
- The Alcombe Centre – a fully utilised building housing valued local services; decarbonisation project is underway and will conclude shortly.
- The Seahorse Centre - in the process of being sold to Avon and Somerset Police.

**3.14** Therefore, the focus of the West Somerset review has been on 4 sites in Williton: West Somerset House, Williton Children's Centre, Williton library and Beckett House, Bridge Street, Williton. The first three sites are all located on the same street, Killick Way.

**3.15** West Somerset House (WSH) provided the administrative centre for the former West Somerset District Council until ownership transferred to Somerset West and Taunton Council and in 2023 to Somerset Council (SC) following the formation of the new unitary authority. Aside from the Police who part occupy (lease) some of the ground floor, the building is significantly under-utilised but is accessible having been constructed in 2008. The building is not decarbonised but does have a reasonable energy performance rating DEC (C) and a heating system which is not likely to require replacement for a number of years.

- 3.16** The Children’s Centre and Library & Registration services are currently delivered from 2 separate buildings located adjacent to WSH. These buildings are not decarbonised and the library / registration site has an end-of-life heating system.
- 3.17** Beckett House is only a short distance away by foot or car and operates as an enterprise centre. There are 3 tenants in the building and several vacant rooms. The building currently operates at a loss. We have consulted with Economic Development who understand the reasons for the proposed approach, and we have discussed options for relocation of the service offered at Beckett House. There are lettable spaces at West Somerset House that could be explored if there is interest in doing so.
- 3.18** A feasibility study was commissioned to determine if / how WSH might be reconfigured to co-locate these services into a single site and still retain flexibility to meet any future operational business requirement in the area. AHR architects were appointed to assist with the feasibility study. AHR are architects and building consultants who deliver projects for clients in a variety of sectors using a multi service approach.
- 3.19** The project team have engaged and consulted with managers of library and children’s centre services throughout the scoping and feasibility stages. Detailed requirements were sought from each service, and these informed the design brief. The brief required that there be no loss of service delivery space for the library and children’s centre from existing space provision.
- 3.20** The library, registration office and children’s centre will be relocated on the ground floor of the site, which is currently largely open plan and will require some segregation to meet the service needs. In addition, there is a double height atrium space in a section of the ground floor which needs segregating and sound proofing, so noise is restricted from travelling between customer areas on the ground floor and first floor back-office areas.
- 3.21** Local Members have received updates at key stages during the project lifecycle and Town and Parish Councils have also been engaged.
- 3.22** As the ground floor space will provide dedicated space for each service on the same size footprint as the current provision and is on the same street as existing buildings, it is deemed that there is little impact on customers and therefore no formal customer consultation has taken place.
- 3.23 C Block, County Hall**  
Detailed analysis of staff data has confirmed that there is no requirement to retain C Block. Occupancy data shows that staffing requirements can be met within the rest of the campus. Asset Management Group declared C Block surplus and agreed to proceed with sales and marketing at its meeting on 16<sup>th</sup> February 2024.

- 3.24 Work has been undertaken to understand how C Block can be separated from the remaining campus.
- 3.25 There is considerable interest in C Block. Discussions are well developed regarding the potential to deliver Key Worker accommodation on the site.
- 3.26 Pre-sales condition survey & architectural advice has been obtained and the property is ready for market. We are informed that sale of the whole site is not likely to deliver significantly more value than sale of parts.
- 3.27 The proposal is to include the land to the front of C Block to form a wider parcel of land for potential development.

#### **4. Consultations undertaken**

- 4.1. See sections 3.10, 3.11, 3.19 and 3.21

#### **5. Implications**

- 5.1. The recommendations would result in the need to relocate 31 staff whose current contractual base is listed as Petters House and 13 staff whose base is either Williton Library or Williton Children's Centre. Staff and trade union representatives have been engaged throughout.

#### **6. Background papers**

- 6.1. Slides presented at 7<sup>th</sup> September 2023 Scrutiny Committee  
Response to staff feedback document

**Note** For sight of individual background papers please contact the report author

# Property Rationalisation Programme

Date: 7<sup>th</sup> March 2024

Page 185

Corporate and Resources Scrutiny committee



**Somerset**  
Council

# Background

- An update on progress with projects included in Phase One of the Property Rationalisation Programme was provided to Scrutiny Committee in September 2023.

Page 186 Feasibility studies have now concluded, viability confirmed and recommendations made.

Executive Key Decision currently being consulted on.

Detailed staff data produced and analysed to provide reassurance that the proposals will still provide adequate accommodation for our staff.

- When considering the viability of projects in Yeovil and West Somerset, a variety of financial information including indicative capital receipts, current running costs, condition and future maintenance liabilities, as well as likely commercial interest in each of the properties was considered.
- Project costs have been indexed to Q3 2024 prices to provide a degree of reassurance to mitigate risk of rising market costs.

# Matters to discuss

Members are asked to note and comment on the following recommendations, the first three of which are contained within a Key Decision report currently under consultation;

1. Relocate services from Petters House, Yeovil to Yeovil Library
2. Relocate services from Williton Childrens Centre, Williton Library and Beckett House to West Somerset House
3. Fund capital works to make layout changes to Yeovil library and West Somerset House to facilitate the co-location of services and delivery of running cost savings. (Capital costs are within existing capital budget approval).
4. Proceed with marketing and sale of C Block, County Hall

# Petters House/Yeovil Library

Page 188



Detailed design and costing undertaken which has shown that the library is a viable location to create an integrated customer service delivery solution. This will allow customers to access all council services from a single site in Yeovil Town Centre.

Additional services operating from the library will not be affected and there will be no reduction in library book stock.

New interview rooms will be constructed on the ground floor of the library to assist with confidentiality.

Yeovil Library has recently undergone a nationally recognised decarbonisation scheme meaning the building is energy efficient and supports our climate change commitments. It has a DEC B rating. Petters House is currently a C rating and requires significant backlog maintenance.

Staff and public consultation undertaken.



# West Somerset Review

Detailed design and costing undertaken which has shown West Somerset House to be a viable location for co-located services in a single site in Williton.

West Somerset House is significantly under-utilised which allows opportunity to reconfigure the layout of the building to accommodate the library, registration service and children's centre on the ground floor with no loss of delivery space from existing space provision.

Opportunity to provide leased space to tenants currently operating from Beckett House. Beckett House operates as an enterprise centre, but currently runs at a loss.

Recommendation would enable Asset Management Group to delcare 3 sites in Williton surplus which will deliver capital receipts and revenue savings.

West Somerset House and Beckett House both have DEC C ratings, the Children's Centre has a D rating. We do not have DEC for Williton Library but do have condition survey information.

Potential to dispose of library, children's centre and land between as a single plot for disposal and/or development. Feasibility study will be commissioned to inform best marketing approach.

Seahorse Centre, Minehead is in the process of being sold to Avon and Somerset Police with completion expected mid March 2024. The site will house a police enquiry office, neighbourhood team and provide touchdown desks for response officers. The sale includes a leaseback at peppercorn rent to Somerset Council to provide a satellite health and social care training facility as part of the wider LUF funded Somerset Academy for health and social care training.



# C Block County Hall

Detailed analysis of staff data has confirmed that there is no requirement to retain C Block. Occupancy data shows that staffing requirements can be met within the rest of the campus. Occupancy data contained in slide 8.

Work has been undertaken to understand how C Block can be separated from the remaining campus.

Sale of the whole site is not likely to deliver significantly more value than sale of parts.

Considerable interest in C Block . Discussion well developed regarding potential to deliver Key Worker accommodation on the site.

Pre-sales condition survey & architectural advice has been obtained and the property is ready for market.

Proposal is to include the land to the front of C Block to form a wider parcel of land for potential development.



# Alternative Options considered

## Yeovil

No other viable options were identified within Yeovil Town Centre. Brympton Way is not considered a suitable customer service delivery site due to its out of town location which is not served by public transport.

## West Somerset

Page 191

The alternative option considered in West Somerset was to vacate West Somerset House, retain the Library, Children's Centre and Beckett House, relocating services to those buildings. This option was discounted for a number of reasons;

- It would require the council to manage 3 buildings in Williton rather than one
- Independent market advice suggests there is limited market interest in the area for a property the size of West Somerset House
- West Somerset House is large enough to co-locate services on one site, in a building that benefits from income from tenants, is in better condition and has flexibility to meet future operational business requirements in the area.

## C Block, County Hall

Sale of the whole campus has been considered and independent advice sought which confirms sale of the whole site is not likely to deliver significantly more value than sale of parts.

We are still in the process of analysing staff data and working with Ways of Working and Organisational Development teams to form a strategic view of accommodation requirements/needs for the future Council. Until this work is complete, we cannot be sure of the need for some of the campus, however, current data provides confidence that C Block will not be required.



# Space & occupancy

Page 192

	Capacity (desks)	Occupancy (Sept. 23)		Occupancy (Dec. - Jan. 23)		Meeting Rooms	
		Average	Maximum	Average	Maximum	Small / Medium (1-10)	Large (11+)
Taunton County Hall - A	458	98	147	n/a	n/a	12	6
Taunton County Hall - B	722**	116	174	163	232	28	9
Taunton County Hall - C	n/a	n/a	n/a	n/a	n/a	0	1
Taunton Deane House	289*	35	64	56	110	12	3
Yeovil Brympton Way	288*	66	103	71	108	15	6
Bridgwater House	235**	107	143	95	131	18	4
Shepton Shape Mendip	366	67	94	49	74	14	3
<i>Note – total Taunton</i>	1,469	253	394	219	342	52	20

\* Deane House and Brympton Way capacity excludes areas let to tenants but includes capacity of areas currently unused.

\*\* County Hall B Block and Bridgwater House capacity excludes areas let to NHS, Homes in Sedgemoor and other tenants; B Block includes space available in B3 (currently mothballed).

# One public estate update

Detailed discussions ongoing with One Public Estate partners to identify co-location opportunities.

- Heads of terms agreed for occupation of 70 desks and 30 parking spaces by Somerset Foundation Trust at Bridgwater House
- Ongoing conversations regarding opportunities/requirements in Taunton, Yeovil and Shepton Mallet
- Further update to be provided to scrutiny in due course

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

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