



Notice of Meeting of

## **AUDIT COMMITTEE**

**Thursday, 14 December 2023 at 1.00 pm**

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

To: The members of the Audit Committee

Chair: Councillor Mike Hewitson

Vice-chair: Councillor Andy Sully

Councillor Steve Ashton

Councillor Simon Carswell

Councillor Norman Cavill

Councillor Simon Coles

Councillor Habib Farbahi

Lindy Jansen van Vuuren

Councillor Lee Baker

Councillor Mike Caswell

Councillor Mandy Chilcott

Councillor Shane Collins

Councillor Tim Kerley

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For further information about the meeting, including how to join the meeting virtually, please contact [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, 8 December 2023**.

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, 6 December 2023

# **AGENDA**

**Audit Committee - 1.00 pm Thursday, 14 December 2023**

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

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

## **1 Apologies for Absence**

To receive any apologies for absence.

## **2 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 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'.

**4 Preventing Failure in Local Government – lessons learned from Grant Thornton’s recent national report (Pages 9 - 10)**

To receive a presentation

**5 Financial Emergency Assurance Update (Pages 11 - 20)**

To receive a presentation

**6 2023/24 General Fund Revenue Budget Monitoring Report - Month 6 Q2 (Pages 21 - 84)**

To consider the report

**7 SWAP Internal Audit – Financial Assurance work 2023/24 (Pages 85 - 96)**

To consider the report

**8 2024/25 General Fund Revenue Budget & Capital Programme update (Pages 97 - 130)**

To consider the report

**9 Review of the Audit Committee Workplan (Pages 131 - 136)**

To consider the Audit Committee Workplan

## 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.

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Audit Committee  
Meeting Date – 14 December 2023



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## Summary findings from Grant Thornton’s “Preventing Failure in Local Government” report

Lead Officer: Jason Vaughan  
Author: Guy Clifton - Grant Thornton  
Contact Details: [jason.vaughan@somerset.gov.uk](mailto:jason.vaughan@somerset.gov.uk)

### Summary

1. Grant Thornton will present the summary findings from its recently published national report “Preventing Failure in Local Government”. This report draws on research on government, external audit, and other interventions where there has been a finance and or governance failure at a local authority.
2. The report examines the causes of failure and sets out good practice and opportunities for the prevention of failure. The purpose of this presentation is to share the lessons learned with the Committee.

### Recommendations

3. The Audit Committee to note the presentation and have the ability to ask questions of the author.

### Financial Implications

4. Not applicable – this is a presentation of a report that is based on national research of financial failings across local authorities.

### Legal Implications

5. Not applicable.

### Background Papers

6. None – an electronic version of the report will be shared after the meeting.

**Appendices**

None

Audit Committee  
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## Somerset Council's Governance and Assurance Framework

Lead Member(s): Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan, Executive Director Resources and Corporate Services

Author: Scott Wooldridge, Interim Head of Governance & Democratic Services

Contact Details: [scott.wooldridge@somerset.gov.uk](mailto:scott.wooldridge@somerset.gov.uk)

### Summary / Link to Council Plan

1. Local authorities are accountable to their communities for the money they spend. They are required under law to ensure they provide value for money, and to achieve this they have a governance framework that supports a culture of transparent decision making.
2. The CIPFA/Solace Delivering Good Governance in Local Government Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance, which it defines as "the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."
3. While governance does not look identical across all organisations, it is critical that proper arrangements are in place to ensure that an organisation can achieve its strategically agreed objectives and remain financially sustainable. These two elements are interdependent, and an organisation facing financial stress is at far greater risk when its governance is poor.
4. The reasons why governance can be weak are complex and include cultural failings, poor leadership and ineffective policies and procedures. The financial pressures faced by local authorities have also been a factor.

5. The last eighteen months have seen the publication of several public interest reports (PIRs) , including Nottingham City Council, two at the London Borough of Croydon, Northampton Borough Council and Pembrokeshire County Council.
6. Reports in the public interest are issued under the Local Audit and Accountability Act 2014. Schedule 7 places a duty on a local auditor to consider whether, in the public interest, they should make a report on any matter coming to their attention during the audit and relating to the Council, so that the recommendation can be considered by the relevant Council and brought to the attention of the public.
7. The content of those PIR reports has been varied, but the common theme running through each one of significant weaknesses in governance.
8. Good governance, as evidenced in the Annual Governance Statement (AGS), is an essential pre-requisite to any organisation pursuing its vision effectively and underpins that vision with effective control mechanisms and risk management.
9. The Annual Governance Statement is a key document for any organisation, and when completed correctly and with rigour, it can be used to identify failings of governance and provide an opportunity internally to improve and thereby reduce risk. It should normally be approved at the same time or no later than the statement of accounts and should be regarded as a vital tool by those charged with governance and the leadership team. The Audit Committee receive the AGS as part of its consideration of the Council's Statement of Accounts.
10. The very stark and challenging financial position that the Council faces is well documented, with the cost of delivering services increasing significantly faster than the income it receives. The Council cannot continue to provide and operate services in their current format and rapid, radical, change is required if it is to become financially sustainable. In November, the Executive received an update on the development of the 2024/25 revenue budget which set out that there was a forecast budget gap of £100m. The latest forecast is that the budget gap has reduced to £87m as a result of reviewing budget pressures, identification of further potential savings and reducing the size of the capital programme. Nevertheless, given the significant gap and the relatively low level of reserves, there is the very real prospect of the Section 151 Officer having to issue a statutory section 114 notice if things do not significantly improve. As a result of this, the Council declared

a financial emergency. The Executive and Scrutiny Committee – Corporate & Resources have received reports with an update on the progress in reducing the budget gap and the extensive work is being undertaken by members and officers to address this.

11. For good governance to function well, an organisation must encourage and facilitate a high level of robust internal challenge. This will contribute to the financial sustainability of the organisation and evidence the right cultural approach. Recent reviews and PIRs have identified the two main areas of weakness:
  - Audit committee, which needs to be strengthened.
  - Internal challenge, in which scrutiny, internal audit and officer views need to be more effective.
  
12. The three statutory roles of the section 151 officer, monitoring officer and head of paid service are critical in ensuring that the organisation delivers good governance and lawful decision making. Where the organisation falls short of this expectation, these officers have a statutory duty to raise their concerns in circumstances defined by legislation: Section 114 of the Local Government Finance Act 1988, and Sections 4 and 5 of the Local Government and Housing Act 1989.
  
13. The lessons from recent governance failures show that authorities cannot take the adequacy of their governance arrangements for granted. Austerity, the COVID-19 pandemic and innovations in operating models all mean that governance arrangements are under pressure. In addition to these, unlike the majority of councils, Somerset Council has experienced Local Government Reorganisation and is delivering significant transition and transformation programmes. The AGS for 2023/25 will provide an opportunity for an honest reflection on the Council's arrangements and what actions or improvements are needed to ensure they are fit for purpose.
  
14. CIPFA recommends that all those charged with governance, and all those leading and supporting governance within an authority, should consider their AGS, their audit committee arrangements and arrangements for internal challenge to ensure they are fit for purpose for managing current and future challenges.

15. The Council's Governance Framework includes:

- The Council Plan, its policies, plans and strategies;
- The Council's Constitution, including its democratic arrangements, Executive and Scrutiny arrangements, decision making and the Scheme of Delegation, the Financial Regulations and Contract Procedure Rules;
- Standards of conduct i.e. the Members and Officers Codes of Conduct;
- Annual Governance Statement;
- Organisational structures and operating model;
- Internal governance arrangements e.g. Corporate Leadership Team, Transition and Transformation Board;
- Risk Management policy and strategy;
- Performance Management policies and reporting;
- Budget management and reporting, including financial procedures;
- Internal and External Audit Plans.

16. Appendix 1 sets out a visual summary of local government's assurance framework and the various roles and responsibilities.

17. Good governance means managing risks and performance through robust internal control and strong public financial management. As part of its assurance role, the Audit Committee could ask questions of its committee members, the Executive, the Scrutiny Committees, the Executive Lead Members, the Council's Statutory Officers and the Council's Directors such as the following:

Q. Does the Audit Committee have the assurances it needs to meet its responsibilities and ensure the organisation meets its statutory responsibility?

Q. Does effective assurance exist across all areas?

Q. Are any changes needed to the assurance framework and reporting arrangements to the Executive, Scrutiny and other committees and the Corporate Leadership Team?

Q. How effectively is risk management used in the planning and decision-making process?

Q. Are audit and assurance budgets and staffing resources adequate?

Q. Are there any concerns with management controls or areas for further improvement?

18. Accompanying this report is a presentation from officers and internal audit which sets out an overview of Somerset Council's governance and assurance framework and systems. The Audit Committee is asked to review this and identify any key lines of enquiry or where further assurance is required.

#### Issue for Consideration / Recommendations

19. That the Audit Committee:

- 1) Reviews the Council's governance and assurance framework summarised in this report ; and
- 2) Identifies any key lines of enquiry or where further assurance is required.

#### Financial and Risk Implications

3) It is clear that the scale of financial challenges facing the Council are significant. There is also more risk and uncertainty for the new Council until all the external audits of the 2022/23 accounts from the predecessor councils are finalised. Given the size of the updated budget gap, Strategic Risk ORG0057 Sustainable MTFP has the highest score possible.

Likelihood	5	Impact	5	Risk Score	25
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4) There have been regular all member monthly briefings on the budget, and these will continue until the February 2024 Council meeting.

#### Legal Implications

5) Section 31 of the Local Government Finance Act 1992 requires the Council to set a balanced budget at the start of each financial year. Section 28 of the Local Government Act 2003 requires all local authorities to review actual expenditure against this budget on a regular basis during the year. Where it appears that there has been a deterioration in the financial position, the local authority must take such action as is necessary to deal with the situation.

- 6) The Council's best value duty requires it to keep under review its services to ensure continuous improvement. This includes having a financial strategy and budgets which are clearly aligned with strategic priorities and a robust process for reviewing and setting the budget. There should be a robust system of financial controls and reporting to ensure clear accountability and a clear strategy to maintain adequate reserves. There should be collective accountability for the budget and MTFP both at officer and political level. Regular financial reporting to Executive and Scrutiny ensures members are aware of the issues during the year and the mitigating measures in place, as well as providing for public accountability.
  
- 7) The Accounts and Audit (Amendment) (England) Regulations 2015 require the Council as proper practice to produce an Annual Governance Statement to sit alongside the Council's Statement of Accounts.

## **Background Papers**

Council's Constitution

Audit Committee terms of reference

Financial Strategy 2024/25 – reports to Executive November and December 2023

Strategic Risk Register

Annual Governance Statement's of legacy councils

Internal Audit Plan

CIPFA/Solace – Delivering Good Governance in Local Government Framework

LGA Draft improvement and assurance framework for local government

## **Appendices**

Appendix 1 – LGA draft improvement and assurance framework for local government

Appendix 2 (to be presented at the Audit Committee meeting 14 December 2023) – presentation to the Committee on the Council's governance and assurance framework



# Appendix 1 - LGA draft improvement and assurance framework for Local Government

# What do councils do to assure themselves? – internal actions

## Corporate directors – operational delivery, benchmarking, clienting

- directorate assurance statements
- project / programme management
- data quality assurance
- performance appraisals
- ensure appropriate governance and reviews of joint ventures / local authority trading companies / partnerships
- performance / finance / risk reporting, including:
  - corporate plan objectives delivery
  - statutory performance compliance (for example planning applications, Freedom of information requests)
  - national reporting (for example Adult Social Care Outcomes Framework (ASCOF))
  - savings delivery
  - complaints
- internal audit advice
- children's / adults safeguarding boards
- consultation / engagement
- training / compliance with policies / processes (for example, procurement)

## Head of paid service

- review corporate performance reporting to inform actions to ensure appropriate number, grades, organisation, management of staff for discharge of functions
- ensure appropriately senior / skilled staff employed, including for:
  - risk management
  - health and safety
  - emergency planning
- ensure appropriate person leads review of controls, consistent with CIPFA / Solace guidance
- adopt / review whistleblowing policy

## Corporate management team – operational and strategic delivery (including benchmarking)

- performance, finance and risk reporting – including:
  - corporate plan objectives delivery
  - statutory performance compliance (for example, planning applications, freedom of information requests)
  - national reporting, for example, Adult Social Care Outcomes Framework (ASCOF)
  - savings / medium-term financial strategy (MTFS) delivery
  - complaints
  - corporate health indicators (for example, staff turnover, grievances)
  - staff / resident surveys
- contribute to review of internal controls/ annual governance statement
- consider / respond to internal / external audit annual opinions / reports

## Corporate programme / project management

### 'Golden triangle' meetings

### Monitoring officer with Section 151 officer

- scheme of delegation

### Senior information risk owner / Caldicott guardian

- designated responsibility for information governance / protection of confidentiality of health and care information / ensuring proper use

## Monitoring officer

- responsible for / regularly review constitution – consistency with legislation / best practice
- oversight of arrangements for member decision-making – compliance with constitution / legislation and scrutiny (working with democratic services)
- principal adviser to standards committee

## Section 151 officer

- oversight of financial affairs to ensure proper administration (including budget-setting / budgetary controls, counter fraud policy, procurement processes)

## Head of internal audit

- prepare/ implement annual internal audit plan
- audit governance / risk / controls / policies / processes / reporting
- internal audit quality assurance and improvement programme

# Where and how are councils accountable publicly?

English Devolution Accountability Framework (combined authorities)

## Committee with delegated responsibility for governance

- reviews / challenges / approves annual governance statement (chief executive / lead member are accountable as signatories to statement)

## Audit committee (statutory for combined authorities only)

- annual report to full council, including results of annual assessment
- internal auditor's annual report
- external auditor's annual report and opinion (accounts and value for money judgement)

**Overview and scrutiny** – holds executive to account for decisions and actions that affect communities

## Full council / those charged with governance

- ultimate accountability for governance and non-executive functions
- considers public interest reports, statutory recommendations, advisory notices from external audit
- agrees annual budget and medium term financial strategy, treasury management strategy

## Media / residents / businesses – can hold council to account through:

- attending public decision-making / scrutiny meetings
- complaints / redress schemes
- rights to ask auditor questions / raise objections
- informed by access to member decision-making reports, forward plan, documents published in accordance with Local Government Transparency Code (2015), Public Sector Equality Duty, freedom of information requests, Environmental Information Regulations (2004), subject access requests

## Local elections

Informed by manifestos

## Performance reports to committee / executive

- delivery against targets
- delivery against standards/ benchmarks

## Reports of ombudsmen / inspectors / regulators

- Local Government and Social Care Ombudsman / Housing Ombudsman decisions, letters, reports
- Ofsted
- Care Quality Commission (CQC)
- HM Inspectorate of Probation
- Building Safety Regulator
- Equality and Human Rights Commission (EHRC)
- Social Housing Regulator
- Information Commissioner

## Government intervention

- Oflog
- planning designation
- best value non-statutory / statutory
- adult social care
- children's social care – improvement notice / statutory direction

## Parliamentary select committees

## Judicial system

- civil / criminal litigation
- judicial review

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Audit Committee  
Meeting Date –14<sup>th</sup> December 2023



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## 2023/24 General Fund Revenue Budget Monitoring Report – Month 6

Executive Member(s): Cllr Liz Leyshon Deputy Leader of the Council and Lead Member on Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan, Executive Director – Resources & Corporate Services (Section 151 Officer)

Author: Nicola Hix, Service Director Finance and Procurement

Contact Details: [nicola.hix@somerset.gov.uk](mailto:nicola.hix@somerset.gov.uk)

### Summary

1. The report is brought here to assist with providing Audit Committee with some assurance that the revenue budget is being closely monitored on a monthly basis and work is being undertaken to try and reduce the forecast overspend for 2023/24.
2. The Executive considered this Month 6 Budget Monitoring report at its meeting on 6th December 2023. The report shows, after taking into account all service expenditure and contingencies the projected outturn for 2023/24 is £511.6m against a net budget of £492.9m. This gives a £18.7m adverse variance which represents a variance of 3.8%. A breakdown of this is shown in the report.

### Recommendations

3. That Audit Committee note the contents of the report considered by the Executive in December 2023 and makes any general comment or observations they wish to make.

### Financial and Risk Implications

4. There are no direct financial or risk implications as a result of bringing this paper to Audit Committee aside from those outlined in the original paper.

## **Legal Implications**

5. All legal implications in relation to this paper are considered in the main report.

## **Background Papers**

6. All background papers are listed under this section of the report.

Decision Report - Executive Decision  
Forward Plan Reference: FP/23/05/04  
Decision Date – 06 December 2023  
Key Decision – No



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## 2023/24 Budget Monitoring Report Q2 – Month 6 – End of September 2023

Executive Member(s): Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member on Resources and Performance

Local Member(s) and Division: All

Lead Officer: Nicola Hix, Director of Finance & Procurement

Author: Nicola Hix, Director of Finance & Procurement

Contact Details: [nicola.hix@somerset.gov.uk](mailto:nicola.hix@somerset.gov.uk)

### Summary

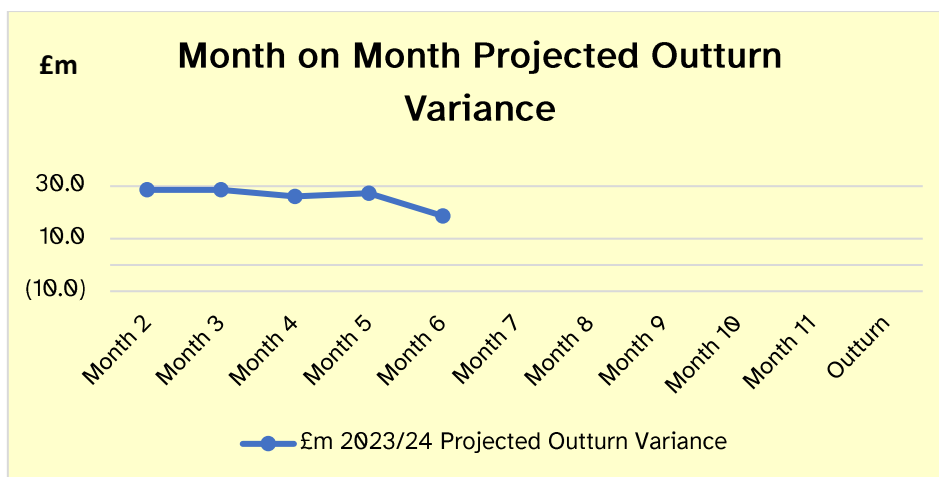
1. The Council is projecting an overspend of £18.7m for 2023/24, which equates to 3.8% of the net budget for the year. This is an improvement of £8.6m from the previous forecast of £27.3m in month five.
2. The forecast overspend for year is driven by Adults Services overspend of £14.9m and Children's Services of £12.4m. Together these total £27.3m and mask the fact that the rest of the council is forecast to be £8.6m underspend. The other concerning aspect of the Adults and Childrens Services overspend is that they both impact upon the following financial year as well.
3. We have taken a range of actions to address the in-year budget position, alongside the monthly reporting of the budget monitoring position to Scrutiny and the Executive, we have established a number of daily and weekly control boards: -
  - Establishment & Recruitment Control Board - to assess all workforce requests and changes.
  - Commercial & Procurement Control Board – to review and challenge all new commissions, annual uplifts in contract and contract renewals.
  - Spend Control Board – ensuring that all purchases over £100 are reviewed and challenged to avoid any non-essential spend.
  - Adult Social Care Panel – to review and challenge placements.

- Childrens Care Panels – various panels to review and challenge placements.
4. **Table 1** provides a summary of budget, projections, and variances on a service-by-service basis as at the end of September with further detail and mitigations being taken by the responsible director outlined in the body of the report. After taking into account all service expenditure and contingencies the projected outturn position is £511.6m against a net budget of £492.9m. It has been particularly challenging to produce budget monitoring for this financial year so far and paragraph 25 provides more detail on this. The format of the table has changed this month to show greater detail down to individual service level and to highlight the areas of concern with a RAG status column. The format of the budget monitoring report will continue to be developed and evolve during the year as we further develop our financial reporting following the introduction of the new finance system budget monitoring tool.



**Table 1: 2023/24 Budget Monitoring Report as at the end of September 2023  
(Month 6)**

Service Area	Original Budget	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m	£m			£m
<b>Adult Services</b>							
Adult Social Care Operations - Physical Disability/Sensory Loss/65 Plus	114.2	114.3	119.6	5.3	A	Red	0.0
Adult Social Care Operations - Mental Health	23.5	23.5	24.5	1.0	A	Red	0.0
Adult Social Care Operations - Learning Disabilities	110.5	109.9	117.4	7.5	A	Red	0.0
Commissioning	(62.2)	(62.2)	(61.1)	1.1	A	Red	0.0
<b>Adult Services Total</b>	<b>186.0</b>	<b>185.5</b>	<b>200.4</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	82.0	92.7	10.7	A	Red	0.6
Commissioning and Performance	11.1	11.2	10.9	(0.3)	(F)	Green	(0.3)
Inclusion	12.6	15.8	17.5	1.7	A	Red	0.0
Education, Partnerships and Skills	17.4	14.1	14.4	0.3	A	Red	0.3
<b>Children &amp; Family Services Total</b>	<b>122.9</b>	<b>123.1</b>	<b>135.5</b>	<b>12.4</b>	<b>A</b>	<b>Red</b>	<b>0.6</b>
<b>Community Services</b>							
Housing	5.9	6.1	6.1	0.0	-	Green	0.0
Customer Services	6.9	6.6	6.6	0.0	-	Green	0.0
Cultural Services	9.1	8.7	9.1	0.4	A	Red	0.4
Regulatory & Operational Services	13.1	12.4	13.3	0.9	A	Red	0.9
<b>Community Services Total</b>	<b>35.0</b>	<b>33.8</b>	<b>35.1</b>	<b>1.3</b>	<b>A</b>	<b>Red</b>	<b>1.3</b>
<b>Climate &amp; Place</b>							
Climate, Environment & Sustainability	55.8	55.5	56.1	0.6	A	Red	(0.2)
Infrastructure & Transport	21.8	22.1	23.2	1.1	A	Red	(0.4)
Economy, Employment & Planning	10.5	10.4	10.4	0.0	-	Green	0.0
Accountable Bodies	3.7	3.7	(3.3)	(7.0)	(F)	Green	(7.0)
<b>Climate &amp; Place Total</b>	<b>91.8</b>	<b>91.7</b>	<b>86.4</b>	<b>(5.3)</b>	<b>(F)</b>	<b>Green</b>	<b>(7.6)</b>
<b>Strategy, Workforce &amp; Localities</b>							
Partnership & Localities	0.8	2.8	2.8	0.0	-	Green	0.0
Strategy & Performance	3.2	3.3	3.3	0.0	-	Green	0.0
Workforce	6.0	5.8	5.4	(0.4)	(F)	Green	(0.2)
Governance, Democratic & Legal Services	9.0	9.3	10.6	1.3	A	Red	(0.2)
<b>Strategy, Workforce &amp; Localities Total</b>	<b>19.0</b>	<b>21.2</b>	<b>22.1</b>	<b>0.9</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>
<b>Resources &amp; Corporate Services</b>							
Finance	12.6	12.8	11.4	(1.4)	(F)	Green	(1.2)
Strategic Asset Management	(9.2)	(9.6)	(9.2)	0.4	A	Red	0.0
Information Communication Technology	17.7	17.8	16.6	(1.2)	(F)	Green	(1.3)
<b>Resources &amp; Corporate Services Total</b>	<b>21.1</b>	<b>21.0</b>	<b>18.8</b>	<b>(2.2)</b>	<b>(F)</b>	<b>Green</b>	<b>(2.5)</b>
<b>Public Health</b>	<b>1.7</b>	<b>1.0</b>	<b>1.0</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Non-Service</b>	<b>9.8</b>	<b>9.8</b>	<b>6.2</b>	<b>(3.6)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.1)</b>
<b>Traded Services</b>							
Dillington	0.0	0.0	0.3	0.3	A	Red	0.1
<b>Traded Services Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</b>	<b>A</b>	<b>Red</b>	<b>0.1</b>
<b>Total Service Position</b>	<b>487.3</b>	<b>487.2</b>	<b>505.9</b>	<b>18.7</b>	<b>A</b>	<b>Red</b>	<b>(8.6)</b>
Corporate Contingency	6.0	5.7	5.7	0.0	-	Green	-
<b>Total After Contingencies</b>	<b>493.3</b>	<b>492.9</b>	<b>511.6</b>	<b>18.7</b>	<b>A</b>	<b>Red</b>	<b>(8.6)</b>
Reserves	(19.9)	(19.9)	(19.9)	0.0	-	Green	0.0
Transfers to Schools	0.0	0.4	0.4	0.0	-	Green	0.0
Council Tax	(345.4)	(345.4)	(345.4)	0.0	-	Green	0.0
Business Rates	(116.1)	(116.1)	(116.1)	0.0	-	Green	0.0
Revenue Support Grant	(7.9)	(7.9)	(7.9)	0.0	-	Green	0.0
Flexible Use of Capital Receipts	(4.0)	(4.0)	(4.0)	0.0	-	Green	0.0
<b>Total Position</b>	<b>0.0</b>	<b>(0.0)</b>	<b>18.7</b>	<b>18.7</b>	<b>A</b>	<b>Red</b>	<b>(8.6)</b>



5. The Finance team are working closely with directorate management teams to challenge the financial assumptions which are being forecast. Everyone is fully engaged in understanding the reasons behind the assumptions and also working together as a team to mitigate overspends were possible.

### Recommendations

6. That the Executive:
  - a) Approves that it will continue to receive a monthly update on the financial position and actions being taken to address it.
  - b) Notes the forecast overspend of £18.7m (3.8%) for the year and the recovery action being taken and mitigations put in place to address this.
  - c) Notes that the format of the Budget Monitoring has now changed for month six.

### Reasons for recommendations

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

### Other options considered

8. 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

9. 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

10. 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>	5	<b>Impact</b>	5	<b>Risk Score</b>	25
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11. The financial impact of an overspend of £18.7m in the current financial would result in a reduction in the level of General Reserves from £49.8m to £31.1m. This remains above the £30m minimum risk-based assessment of the reserves approved by Council in February 2023.
12. The variances causing the net overspend are a mixture of on-going and once-off items, and the on-going items will have a financial impact upon 2024/25 if they are not addressed.

## Legal Implications

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

## HR Implications

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

## Other Implications:

## Equalities Implications

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

## Community Safety Implications

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

## Climate Change and Sustainability Implications

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

## Health and Safety Implications

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

## Health and Wellbeing Implications

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

## Social Value

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

## Scrutiny comments / recommendations:

21. This report will be presented to Scrutiny for Corporate & Resources Committee, on 5 December 2023.

## Background

22. The Full Council approved the 2023/24 Budget in February 2023, the first budget for Somerset Council. Budget monitoring is delegated to Executive and Scrutiny and revenue service reports will be presented monthly with a full overview of revenue, capital, and reserves quarterly. This report outlines the forecast year-end position of services against the 2023/24 budget of £492.9m as at the end of September 2023.

23. **Table 1** 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 -10 (including an updated on MTFP savings and the Treasury Management update). The significant variances at month six are:

- Adult Services has a £14.9m adverse variance against their budget (8% of service budget). This variance is mainly in the Adult Social Care and Learning Disabilities budget areas due to fee levels being high than anticipated.
- Children's Services have a £12.4m adverse variance against their budget (10.1% of service budget), an unfavourable movement of £0.6m from month five. This increase is mainly due to identification of an under accrual for

22/23 of £0.9m within External Placements which will remain as expenditure in 2023/24.

- Climate and Place have a favourable variance of £5.3m against their budget. This is a reduction of £7.6m since month five. The favourable movement in the main is due to income received via Connecting Devon and Somerset. The balance received has been reduced due to overspends in Waste Services, and Highways.
- Resources and Corporate have a £2.2m favourable variance (10.5% of service budget). The majority of the favourable variance is seen in Finance and Information Communication Technology Services.
- Non-Services have a favourable variance of £3.6m due once off in year favourable treasury management activities, together with carefully management of the Council's cashflow which has at times seen and higher than anticipated cashflow levels.

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

24. The 2023/24 Budget was put together using the information from the five predecessor councils which all recorded things in different ways and also before the full officer structure was finalised. Therefore, there is still some alignment of budgets to take place which will require budget virements. Service Directors are currently developing their service structure which will require further adjustments to the budget in order to reflect the new staffing establishment.

25. It has been particularly challenging to produce budget monitoring for this financial year so far, for a number of reasons such as:

- The implementation of the new Finance System Microsoft Dynamics and Solver in April 2023 meant a whole new system and way of financial transactions going in and out of the Council.
- The amalgamation of the 5 legacy council's budgets done pre vesting day has needed considerable adjustment to since April to fit with the current structure for Somerset Council.
- We have struggled to identify which budgets, if any would need to be moved to form completely new services formed e.g. LCN's

- Errors have been found in budgets that have needed to be corrected, or managed where correction cannot be made. Some legacy Council's did not have budgets for expenditure commitments made. We have also found that income included in the budget to be achieved was never going to be and therefore income budgets are overstated.
- Additional pressures have been identified to significant areas of spend where we had predicted budgets to be sufficient e.g. the pay award budgeted for at 5% but agreed at £1,925 which is equivalent to 6.1% and approximately £2m to be funded from contingency.
- Considerable work has been needed to staffing establishment information, as a significant number of posts were not funded, or were allocated to be funded from reserves, but individuals have permanent contracts. This has had to be unpicked and corrected in collaboration with our HR colleagues.

26. After accounting for all service expenditure and contingencies the projected outturn position at month six is £511.6m against a net budget of £492.9m. This gives a £18.7m adverse variance which represents a variance of 3.8%. 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**

- 27. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023
- 28. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council February 2023
- 29. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive November 2023

### **Appendices**

Appendix 1: Adults Services

Appendix 2: Children, Families & Education Services

Appendix 3: Community Services

Appendix 4: Climate and Place (including Accountable Bodies)

Appendix 5: Strategy, Workforce and Localities

Appendix 6: Resources and Corporate Services

Appendix 7: Public Health

Appendix 8: Other service areas, (including Collection Fund)

Appendix 9: MTFP Savings Monitoring

Appendix 10: Treasury Management

## Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	20/11/2023
Communications	Peter Elliot	21/11/2023
Finance & Procurement	Nicola Hix	20/11/2023
Workforce	Dawn Bettridge	20/11/2023
Asset Management	Oliver Woodhams	20/11/2023
Executive Director / Senior Manager	Jason Vaughan	20/11/2023
Strategy & Performance	Alyn Jones	24/11/2023
Executive Lead Member	Cllr Liz Leyshon	20/11/2023
Consulted:		
Local Division Members	All	
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	20/11/2023
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	20/11/2023



## Appendix 1 – Adult Services

Lead Member for Adult Services: Cllr Dean Ruddle

Executive Director: Mel Lock

Service Directors

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

**Table 1: Adult Services as at the end of September 2023 (Month 6)**

- 2023/24 net budget £185.5m, projected adverse variance £14.9m, no movement from month five.
- 2022/23 net budget £160.7m, outturn adverse variance £15.4m

Service Area	Current Budget £m	Full Year Projection £m	Month 6 Variance £m	A/(F)	RAG Status	Movement From Month 5 £m
<b>Adult Social Care Operations - Physical Disability/Sensory Loss/65 Plus</b>						
PD/SL/65P Residential & Nursing	58.0	58.9	0.9	A	Red	0.0
Home Care	28.2	31.0	2.8	A	Red	0.0
Direct Payments	12.5	14.2	1.7	A	Red	0.0
Staffing Costs	12.5	11.5	(1.0)	(F)	Green	0.0
Transport, Daycare & Other	3.1	4.0	0.9	A	Red	0.0
<b>sub total</b>	<b>114.3</b>	<b>119.6</b>	<b>5.3</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Adult Social Care Operations - Mental Health</b>						
MH Residential & Nursing	14.7	14.6	(0.1)	(F)	Green	0.0
Home Care/Supported Living	5.7	6.9	1.2	A	Red	0.0
Staffing/Deprivation of Liberty, Safeguards	1.4	1.4	0.0	-	Green	0.0
Direct Payments, Day Care & Transport	1.7	1.6	(0.1)	(F)	Green	0.0
<b>sub total</b>	<b>23.5</b>	<b>24.5</b>	<b>1.0</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Adult Social Care Operations - Learning Disabilities</b>						
LD Residential & Nursing	23.8	25.3	1.5	A	Red	0.0
Supported Living/Home Care	33.7	38.5	4.8	A	Red	0.0
Direct Payments/In Control	10.7	9.7	(1.0)	(F)	Green	0.0
Day Care	6.4	6.9	0.5	A	Red	0.0
Discovery	30.5	30.9	0.4	A	Red	0.0
Transport, Shared Lives & Other	2.4	2.6	0.2	A	Red	0.0
Central & Salaries	2.4	3.5	1.1	A	Red	0.0
<b>sub total</b>	<b>109.9</b>	<b>117.4</b>	<b>7.5</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Commissioning</b>						
Commissioning	(62.2)	(61.1)	1.1	A	Red	0.0
<b>sub total</b>	<b>(62.2)</b>	<b>(61.1)</b>	<b>1.1</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Total</b>	<b>185.5</b>	<b>200.4</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 an 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.

Since 2020/21 we have seen an increase of 41% in residential placements 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 is two people. This increase in delivery is now showing as a full year effect in the table above.

To offset this, 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 adults 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.

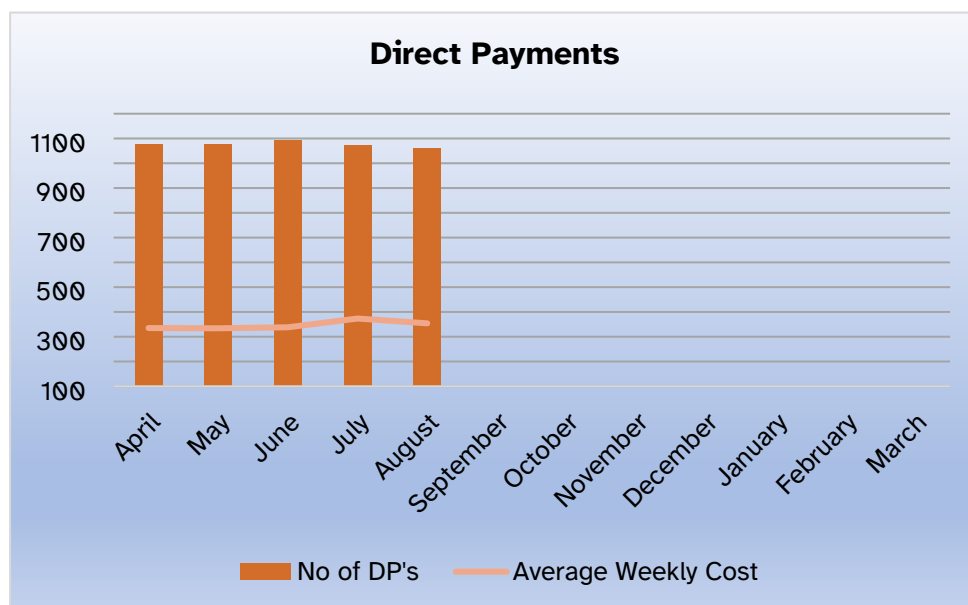
### Learning Disabilities

Overall, the cost of Learning Disabilities is projected to overspend by £7.5m. Since outturn we have seen a number of high costs placements come through, either via transitions or due to other forms of funding ending. The four main pressure areas continue to be residential & 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.

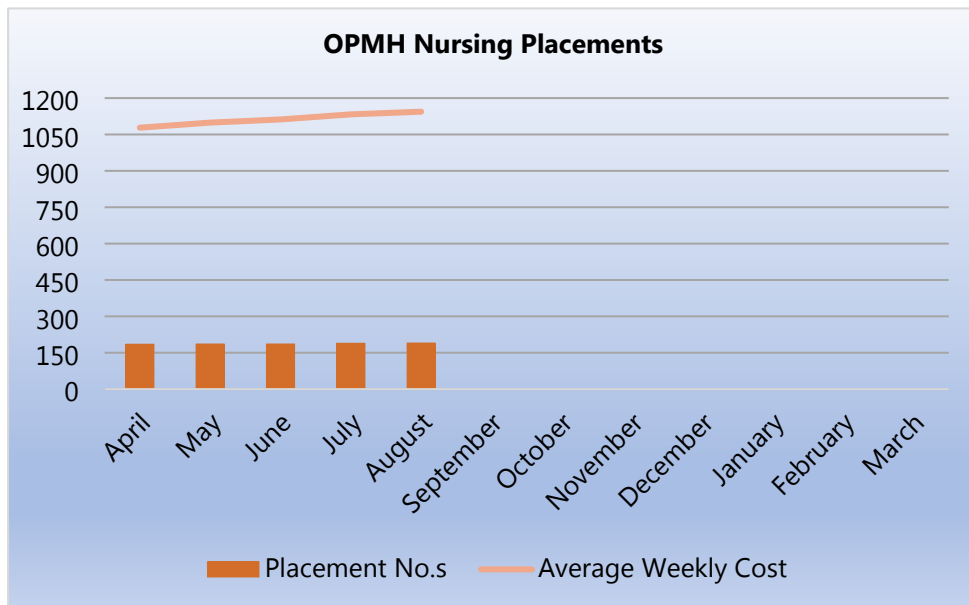
### Commissioning

Commissioning is currently projecting to overspend by £1.3m, as the Adults transformation 'my life, my future' will not achieve the full £5m saving.

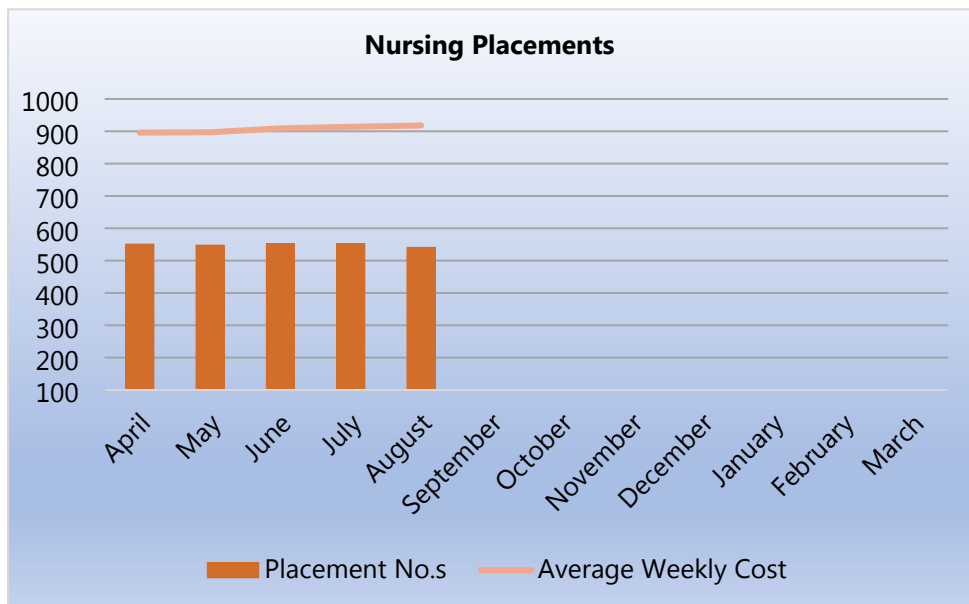
### Adult Services - key performance cost drivers



Since the beginning of the financial year, we have seen the number of people receiving a Direct Payment within ASC decreased from 1,077 to 1060 packages. The current weekly average cost of an ASC Direct Payment is £354 per package.



The number of Older People Mental Health (OPMH) Nursing placements has increased by five placements since April, from 185 to 190. The current weekly average cost for OPMH Nursing is £1,144 per placement.



Nursing placements decreased by ten since April from 551 to 541. The current weekly average cost for Nursing is £918 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 and the cost-of-living rise, particularly the increases in petrol, gas, electric, and food.

We have a number of mitigations that are not currently reflected in the financial position above but across the financial year we will start to see the impact:

- 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 Tessa Munt

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 September 2023  
(Month 6)**

- 2023/24 net budget £123.1m, projected adverse variance £12.4m, adverse movement £0.6m
- 2022/23 net budget £107.1m, outturn adverse variance £21.2m

Service Area	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m			£m
<b>Children &amp; Families</b>						
Prevention Services	5.7	5.8	0.1	A	Red	0.1
Fostering & Permanence	13.3	12.6	(0.7)	(F)	Green	(0.7)
External Placements	38.4	48.8	10.4	A	Red	0.3
Fieldwork	9.1	10.0	0.9	A	Red	0.9
Disabilities	6.8	6.3	(0.5)	(F)	Green	(0.5)
Partnership, Audit & Quality	2.7	2.7	0.0	-	Green	0.0
Children Looked After	4.7	4.9	0.2	A	Red	0.2
Leaving Care	2.2	2.5	0.3	A	Red	0.3
CSC Management	(0.9)	(0.9)	0.0	-	Green	0.0
C&F Apportionments	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>82.0</b>	<b>92.7</b>	<b>10.7</b>	<b>A</b>	<b>Red</b>	<b>0.6</b>
<b>Commissioning and Performance</b>						
C&P Commissioning	2.0	2.0	0.0	-	Green	0.0
Performance and Transformation	4.4	4.3	(0.1)	(F)	Green	(0.1)
Business Support	4.1	4.1	0.0	-	Green	0.0
Children, Families & Education Team	0.7	0.5	(0.2)	(F)	Green	(0.2)
<b>sub total</b>	<b>11.2</b>	<b>10.9</b>	<b>(0.3)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.3)</b>
<b>Inclusion</b>						
Special Educational Needs and Disabilities	3.1	3.1	0.0	-	Green	0.0
Vulnerable Learners	0.2	0.2	0.0	-	Green	0.0
Educational Psychology	2.1	2.1	0.0	-	Green	0.0
Inclusion Transformation and Partnerships	0.1	0.1	0.0	-	Green	0.0
SEND Transport	10.1	11.8	1.7	A	Red	0.0
Inclusion Strategic Management	0.2	0.2	0.0	-	Green	0.0
<b>sub total</b>	<b>15.8</b>	<b>17.5</b>	<b>1.7</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Education, Partnerships and Skills</b>						
Education Leadership	0.1	(0.1)	(0.2)	(F)	Green	(0.2)
Education Operations	(0.1)	(0.3)	(0.2)	(F)	Green	(0.2)
Curriculum and Literacy	(0.1)	0.4	0.5	A	Red	0.5
Education Places	0.6	0.7	0.1	A	Red	0.1
Home to School Transport	12.9	12.9	0.0	-	Green	0.0
EPS Management	0.7	0.8	0.1	A	Red	0.1
<b>sub total</b>	<b>14.1</b>	<b>14.4</b>	<b>0.3</b>	<b>A</b>	<b>Red</b>	<b>0.3</b>
<b>Children, Families &amp; Education Services Total</b>	<b>123.1</b>	<b>135.5</b>	<b>12.4</b>	<b>A</b>	<b>Red</b>	<b>0.6</b>

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

### **External Placements**

The external placements budget is forecasting a total overspend of £10.4m, an adverse movement of £0.3m from month five.

Of this overall variance, the unregistered placement overspend is £3.4m a reduction of £0.8m from month five and the residential overspend is £4.5m at increase of £0.3m.

The service has been able to move children from out of unregistered placements therefore reducing the projected overspend. 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. We anticipate that all but one unregistered placement will end by the end of November, with the majority of these children able to move to Homes and Horizons residential homes.

Reconciliation of 23/24 actual expenditure against the 22/23 accruals processed has identified an under accrual of £0.9m. This will be noted as an unadjusted error in the 22/23 accounts and will remain as expenditure in 23/24. Therefore, offsetting the reduction in 23/24 placement spend resulting in a net adverse movement of £0.3m.

### **Internal Fostering**

There are currently fewer in-house foster carers than planned in the 23/24 budget which has resulted in a projected underspend of £1.3m. However, there has been a significant increase in the number of connected persons (family and friends) foster carers so the pressure of £0.6m in this area is mitigating against the in-house fostering underspend.

There are a significant number of children in residential care beds with local providers whose needs would be best met in foster care. However, due to a lack of sufficiency in the internal and external fostering services, these children have had to be placed in residential care temporarily.

As part of the Children's transformation programme, intensive and ongoing work to increase the number of in-house foster carers will lead to up to 20 new foster care



approvals by the end of March 2024. Currently we anticipate a minimum of five of these being able to care for children who are currently in the residential sector.

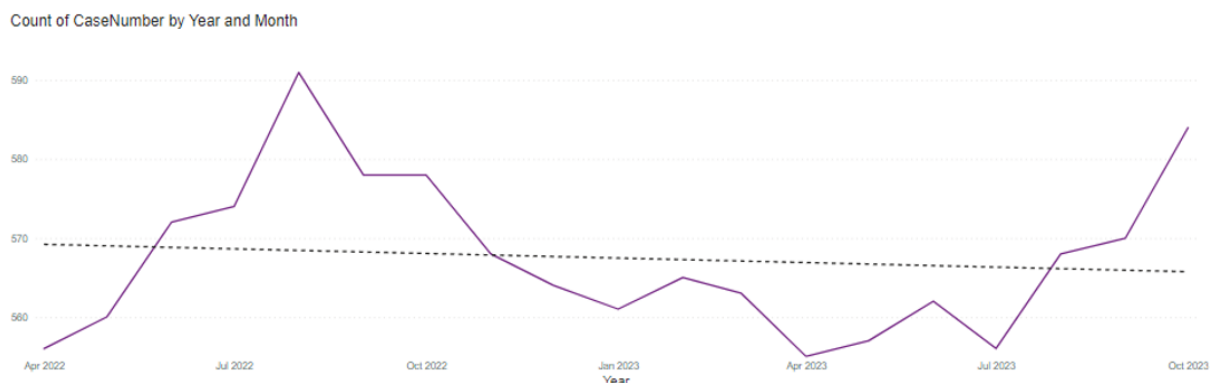
### **Fieldwork (Support for Children at Home)**

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 £0.9m.

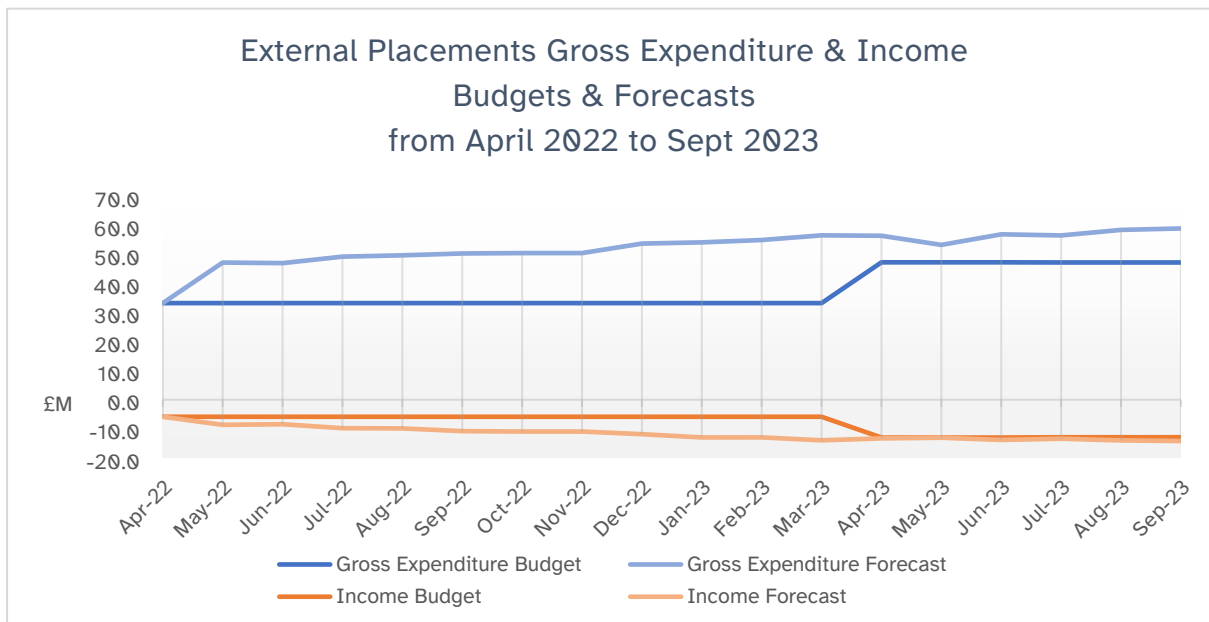
### **Children & Family Services – key performance cost drivers**

The number of children in care had remained relatively stable for a significant period with an unexpected spike in the summer of 2022. This spike was largely children in their teenage years with complex needs. This has had an impact on the number of children in external placements and costs for these children were also higher than expected due to the complexity of their needs and the lack of sufficiency in foster placements.



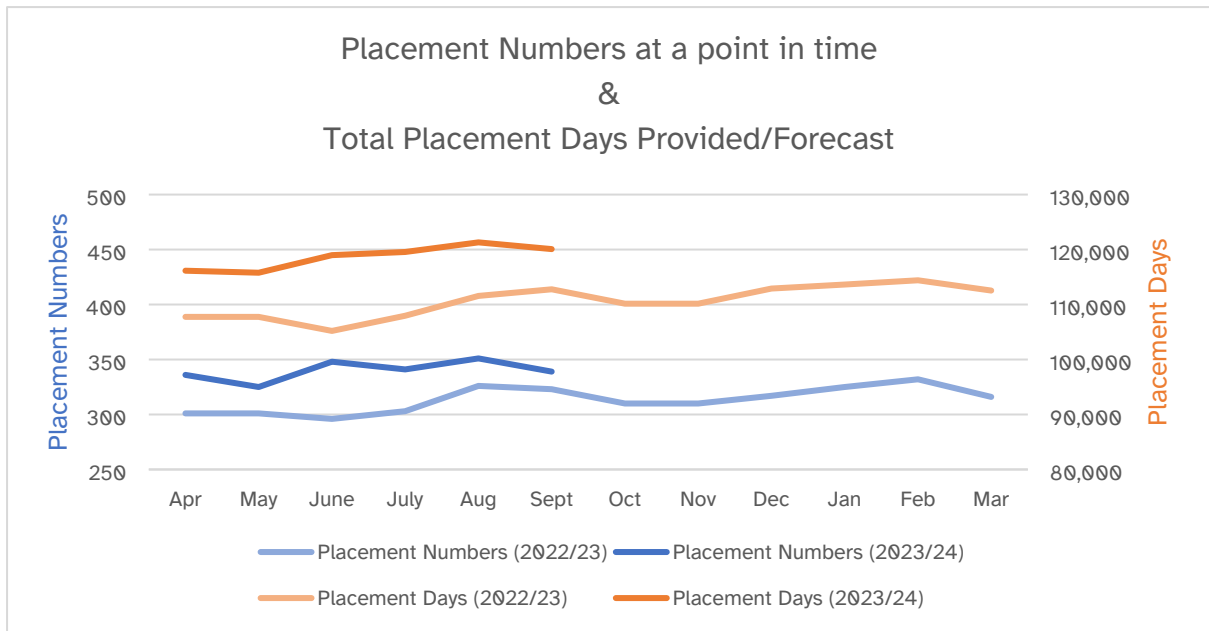
The number of children in care has increased by approximately 30 since July 2023. This largely relates to sibling groups where a non-accidental injury has occurred with the majority of these children being placed in foster care during court proceedings.

The external placements gross expenditure base budget for 2023/24 increased by £14.0m to £47.3m in 2023/24. The forecast gross expenditure for 2023/24 is £58.9m, resulting in a net forecast overspend of £10.4m due to the pressure being partly offset by NHS and DSG contributions.

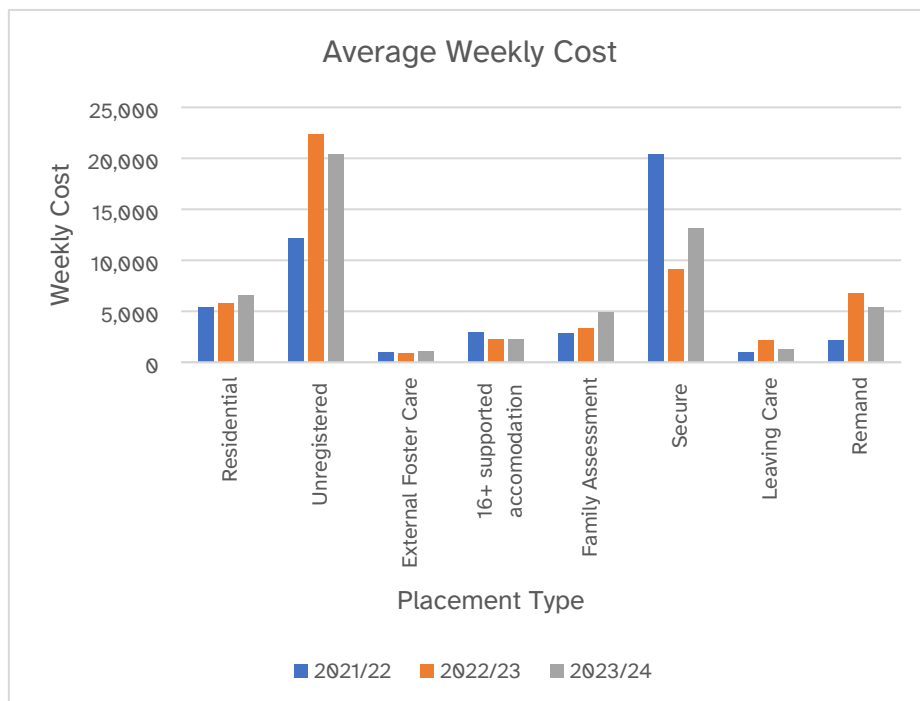


Placement numbers and the forecast number of placement days has increased compared to September last year, mainly due to:

- Increases in placements for Unaccompanied Asylum-Seeking Children (UASC), largely from the National Transfer Scheme, from a low base, which are only partly funded from the UASC Grant.
- Increases in residential placements due to both complexity of children and lack of sufficiency within the fostering sector.
- Increases in bespoke 16+ supported accommodation placements due to complexity of need.
- Reduction in external fostering placements.



The average weekly cost of unregistered placements continues to reduce and is now £20.4k, a 9% reduction on last year’s average weekly cost. The average weekly cost of residential placements has increased by 13%.



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

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. In this report, Children's Services accounted for 45% of the council's projected overspend for 23/24. This is mirrored in Somerset, where Children's Services projected overspend accounts for 44.2% of the Council's projected overspend.

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) (medium risk)**

EPS has a gross expenditure of £29.7m and is dependent on schools and academies buying the traded service.

Somerset schools are significantly underperforming, and the Council has initiated a five-year strategy in April 2023 to improve educational outcomes. The financial health of the education support services provided to schools and early years settings, and of the schools and settings themselves, is of concern, particularly in 2023/24 due to inflation.

The traded income assumptions continue to be updated in the financial model. Should schools (maintained and academies) choose to buy less than the trading assumptions this would result in a loss of income. The buy back for the following financial year will be calculated mid-year every year and services are resized accordingly.

As of month six, the EPS service is forecasting an overspend of £0.3m. Most of this adverse variance relates to course income in Somerset Centre for Integrated Learning (SCIL) and income for music education being lower than budgeted due to a reduction in the number of bookings.

### **Home to Schools Transport for Mainstream and SEN (high risk)**

In 2022/23, the overall cost of mainstream passenger transport had risen by 50% since 2018 despite static demand, while demand for SEND transport has doubled in the same period, with per passenger costs increasing by 10% (See table below). A significant factor in the rise in demand for SEND transport was a rise in number of children with EHCPs.

	Demand Number of Passengers		Costs £m		Cost per passenger £/annum	
	SEN	Mainstream	SEN	Mainstream	SEN	Mainstream
<b>Mar-23</b>	1,252	8,212	8.9	12.3	7,109	1,498
<b>Mar-22</b>	1,112	7,825	7.0	9.9	6,316	1,269
<b>Mar-21</b>	885	8,003	5.4	9.7	6,052	1,217
<b>Mar-20</b>	857	8,074	5.3	9.4	6,209	1,168
<b>Mar-19</b>	758	8,347	4.6	9.8	6,073	1,175
<b>Mar-18</b>	674	8,400	4.4	8.1	6,468	968

Another driver of increased cost has been the increasing cost of contracted supply. Suppliers have been bidding higher for tenders and in addition to a 2% fuel allowance which was given to reflect inflation, this has driven up unit costs. The average annual cost of providing transport for every SEN child has risen from £6,468 in 2018 to £7,109 in 2023 (10% increase) and the average annual cost of providing transport to mainstream children has risen from £968 in 2018 to £1,498 in 2023, a 54% increase.

An additional £5.6m in relation to these demand and inflationary increases is included in the 2023/24 budget for mainstream and SEN transport. Forecasting future costs and demand is challenging. Edge Public Solutions were commissioned to conduct a deep dive review of Home to Schools Transport earlier this year, following unprecedented growth in demand and costs. Due to continued pressure from inflation and the increased number of SEND children being placed in special school settings, it is forecast that there will be an overspend of £1.7m in SEN transport as of month six.

In April 2023 Edge produced a report that summarised the review findings, detailed opportunities and made recommendations to make financial and service improvements. A Transport Board is now in place and addressing the issues identified in the review, to reduce financial pressures through efficiencies.

## 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.

## Transformation, Savings, and Income Generation

Children's Services revenue budget includes £4.6m of MTFP transformation and other savings.

**Homes to Inspire/Strategic Partnership (on track)** – The first five 'Homes and Horizons' children's homes have opened. Our first seven young people are settling in well, with a strong partnership approach currently supporting the transition of two further children into new homes from unregistered provision. The programme continues at pace with home 6 (due to open February 24). Planning work continues for the first annexes (for crisis provision) and pods (for Staying Close provision) and for the establishment of the registered Therapeutic Education Provision, and these aspects of the programme are the most at risk currently. Unless delivered on time this will impact on 2023-24 financial year savings. As reported to Children's Scrutiny Committee, the programme is on course to deliver system savings of £2m (of which £1.2m relates to Children's Social Care, primarily by reducing the number of children in unregistered provision where costs would otherwise be significantly higher).

**Family Safeguarding saving (on track)** – this saving is about preventing children coming into care. The savings target, set in early 2020, relates to reduced numbers of children coming into care. The impact of the pandemic, which led to more children coming into care, could not be anticipated. Numbers of children in care have reduced significantly and are now stable evidencing the positive impact of this service on children remaining in their birth family.

**Increased staff turnover (on track)** – the £0.5m saving in 2023/24 increases the total turnover saving to £1m per year which is currently on track to be achieved across Children's Services.

There is approximately £1.8m of MTFP savings at risk:

**Diagnostic Review of Children's Services (medium risk)** – the Impower report identifies potential savings which deliver approximately 6 to 8 step downs from residential to in house fostering, but there is a risk that not all savings will be delivered in 2023/24 due to the unknown timescale to drive significant change in in-house fostering services.

## 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

The forecast in year variances by the four DSG blocks are outlined below.

**Table 5: 2023/24 Dedicated Schools Grant Summary**

DSG Block	Balance b/fwd at 1 Apr 2023 surplus/(deficit) £m	Total funding for 2023/24 £m	Allocation to Academies and LA Schools £m	Total funding available for services 2023/24 £m	2023/24 Forecast Month 6 £m	Forecast in-year variance surplus/(deficit) £m	Forecast balance c/fwd at 31 Mar 2024 surplus/(deficit) £m
Schools	2.6	372.0	373.3	(1.3)	0.3	(1.6)	1.0
Central Schools	5.6	5.0	-	5.0	5.0	-	5.6
Early Years	0.9	31.1	-	31.1	31.1	-	0.9
High Needs	(29.8)	83.6	10.2	73.5	88.6	(15.1)	(44.9)
<b>Total</b>	<b>(20.7)</b>	<b>491.8</b>	<b>383.5</b>	<b>108.3</b>	<b>125.1</b>	<b>(16.7)</b>	<b>(37.5)</b>

The DSG is forecast to have an in-year deficit of £16.7m in 2023/24 (a favourable movement of £0.1m from Month 5) giving a carried forward cumulative deficit of £37.5m when added to the brought forward balance of £20.7m. The main area for concern continues to be the High Needs Block with a forecast in-year deficit of £15.1m.



The main areas contributing to the adverse variance in the High Needs Block are:

1. Planned budget pressure (£5.5m adverse variance, no movement from Month 5)

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. Independent & Non-Maintained Schools (INMS) and Independent Post 16 Schools (£5.1m adverse variance, no movement from month 5)

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.

3. Mainstream Schools & Academies (£1.5m adverse variance, no movement from month 5)

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.

4. Children Looked After (CLA) (£1.1m adverse variance, an adverse movement of £0.2m from Month 5)

The average complexity and therefore, cost of CLA placements resulting in a contribution from education has increased above the budgeted assumptions. The adverse movement in Month 5 has resulted from further children moving into external placements during the month requiring educational contributions.

5. Special Schools (no variance, a favourable movement of £0.3m from Month 5)

The favourable variance has arisen due to an error in the previous period forecast.

6. Education Other than at School (EOTAS) (£0.3m adverse variance, no change from month 5)

There has been a significant increase in the number of EOTAS packages being agreed through the PAT Panel. Committed packages for the 2023 Summer term have been fully included but a number of these may not have started as planned. This would result in the related costs not being incurred and a future reduction in the forecast. Forecast costs for the Autumn 2023 and Spring 2024 terms are based on prior years and known cost increases.

7. Contribution from Growth Fund (£1.5m adverse variance, no change from month 5)

In addition to the pressures noted above, 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. The situation will be kept under review to identify if a transfer is possible before the end of the financial year.

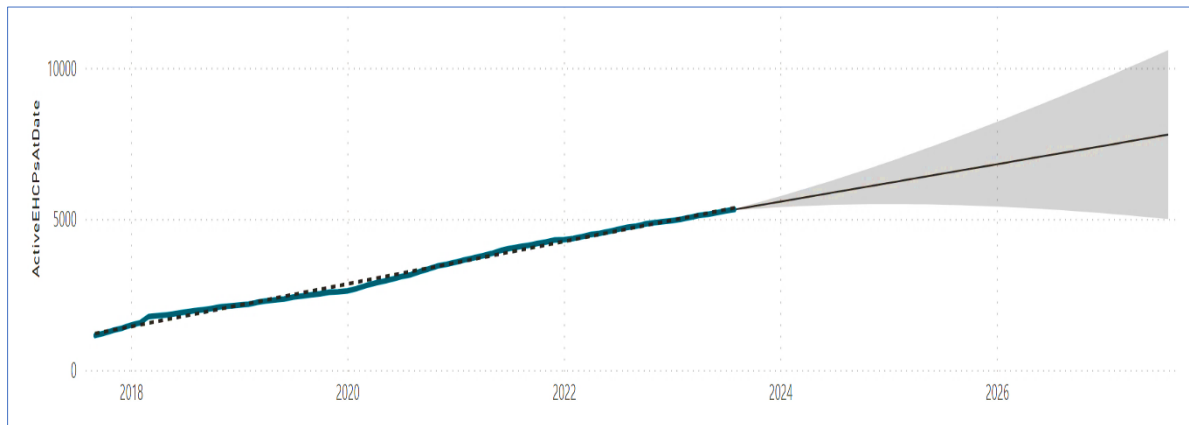
Because it is a movement of funds between two blocks within the DSG, this transfer does not have any net effect on the overall DSG deficit.

The £1.5m adverse movement on the Schools Block consists of planned expenditure on growing schools and academies of £1.2m which is not included in the budget and unplanned expenditure on asylum seeking children of £0.3m.

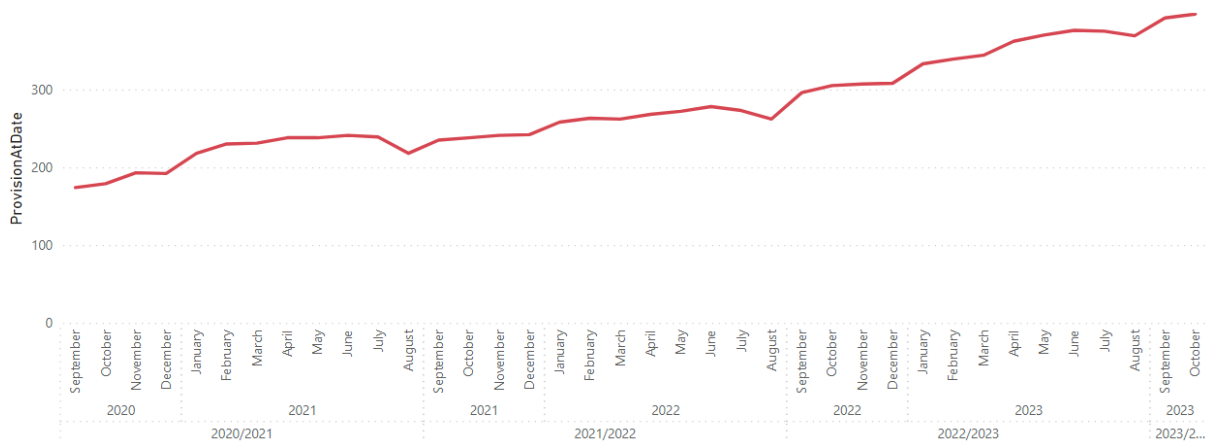
### **Dedicated Schools Grant - key performance cost drivers**

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 accessing independent non-maintained specialist (INMS) schools. INMS schools are significantly more costly (Approx £55k per pupil per year) than placements in maintained specialist 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 with further mitigating actions being developed.

## **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. These schools are now the focus of targeted work to review their budgets in detail and develop financial recovery plans.
- 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**

Somerset's education system as whole (both the academised and maintained sectors) is underperforming and the 2022 assessment outcomes showed a trajectory of decline. While funding and finance issues are significant factors contributing to school performance, they do not determine educational outcomes. However, a weakened support infrastructure around schools has been strongly associated with that decline and financial stability is necessary for strong and reliable support services. Ensuring that financial uncertainty does not disrupt the focus on improvement and the benefit of improvement for children is therefore a priority for the local authority.

Key stakeholders, including Schools and the Local Authority are currently being consulted on proposals that are designed to mitigate risks and provide clarity and stability in relation to financial measures associated with a change of status from local authority maintained to academy status.

These proposals have been considered by Scrutiny and were agreed on 2 August by the Executive:

- a) Change the approach to managing Core Offer contracts when a school converts to academy status.
- b) Update the Council's academy charge for schools electing to convert to academy status.
- c) Apply Department for Education guidance when dealing with surplus and deficit balances on conversion to academy status.
- d) Implement the proposal at (c) in relation to surplus and deficit balances effective from the date of decision (2 August 2023)

There are currently 13 schools with an academy order and a further ten that have notified of an intention to academise. Five of the schools with orders have directive academy orders due to underperformance which means that costs cannot be recouped but any surplus would be retained.



## 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 the end of September 2023  
(Month 6)**

- 2023/24 net budget £33.8m, projected adverse variance £1.3m, adverse movement £1.3m.

Service Area	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m			£m
<b>Housing</b>						
Housing	0.0	0.0	0.0	-	Green	0.0
Housing Enabling	0.5	0.5	0.0	-	Green	0.0
Housing Strategic	1.1	1.1	0.0	-	Green	0.0
Homelessness	4.3	4.3	0.0	-	Green	0.0
Arms-Length Management Organisation (ALMO)	0.0	0.0	0.0	-	Green	0.0
Somerset Independent Plus	0.2	0.2	0.0	-	Green	0.0
<b>sub total</b>	<b>6.1</b>	<b>6.1</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Customer Services</b>						
Customers & Communities	6.6	6.6	0.0	-	Green	0.0
<b>sub total</b>	<b>6.6</b>	<b>6.6</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Cultural Services</b>						
Library Service	3.8	3.8	0.0	-	Green	0.0
Heritage Service	1.7	1.7	0.0	-	Green	0.0
Leisure - Sports Centre	2.0	2.4	0.4	A	Red	0.4
Museums	0.0	0.0	0.0	-	Green	0.0
Theatres	0.9	0.9	0.0	-	Green	0.0
Visitor Centres	0.2	0.2	0.0	-	Green	0.0
Tourism	0.1	0.1	0.0	-	Green	0.0
(wellbeing) Community Grants	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>8.7</b>	<b>9.1</b>	<b>0.4</b>	<b>A</b>	<b>Red</b>	<b>0.4</b>
<b>Regulatory &amp; Operational Services</b>						
Registration	(0.2)	(0.2)	0.0	-	Green	0.0
Environmental Health	3.5	3.5	0.0	-	Green	0.0
Bereavement Services	(1.3)	(1.3)	0.0	-	Green	0.0
Harbours	0.3	0.3	0.0	-	Green	0.0
Ports	0.1	0.1	0.0	-	Green	0.0
Street Cleansing	4.9	4.9	0.0	-	Green	0.0
Open Spaces	3.3	4.2	0.9	A	Red	0.9
Environmental Health	0.0	0.0	0.0	-	Green	0.0
(wellbeing) Community Safety	0.0	0.0	0.0	-	Green	0.0
CCTV	0.7	0.7	0.0	-	Green	0.0
Licensing	(0.4)	(0.4)	0.0	-	Green	0.0
Resorts	0.2	0.2	0.0	-	Green	0.0
Coroners	1.3	1.3	0.0	-	Green	0.0
<b>sub total</b>	<b>12.4</b>	<b>13.3</b>	<b>0.9</b>	<b>A</b>	<b>Red</b>	<b>0.9</b>
<b>Community Services Total</b>	<b>33.8</b>	<b>35.1</b>	<b>1.3</b>	<b>A</b>	<b>Red</b>	<b>1.3</b>

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

## **Cultural Services**

There is an anticipated under recovery of income from the contracted schedule of payments in 2023/24 due to changes in Somerset Council business rate policy, and contractor pension contribution liabilities. There are also utility benchmarking clauses for which the council has some liability. The service is continuing to work with the contractor to find solutions to reduce the impact to the Council. The service is working through all areas to confirm if the overspend can be mitigated through other in-year savings.

## **Regulation & Operations:**

Open Spaces functions were previously carried out by the district councils, these include services such as ground maintenance. This service is reporting a total variance of £0.9m. This relates to a reduction of £0.8m budgeted income associated with the loss of income from a grounds maintenance contract provided by the council to an external client. This 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 this change. Therefore, this income target will not be achieved. A growth bid has been submitted to amend this income budget estimate going forwards and additional work is underway in year to reduce the impact of this, we would expect to see this reduce as the year progresses.

In addition, three of the districts delivered the Open Spaces service in-house, whereas Mendip District Council had an external contractor to provide this service. The service is facing an in-year pressure of £0.1m because the contract price increase is more than budgeted.

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

### **Climate and Place**

Lead Members:

- Environment and Climate Change: Cllr Dixie Darch
- Transport and Digital: Cllr Mike Rigby
- Economic Development, Planning & Assets: Cllr Ros Wyke

Executive Director: Mickey Green

Service Directors:

- Climate, Environment and Sustainability: Kirsty Larkins
- Infrastructure and Transport: David Carter
- Economy, Employment and Planning: Paul Hickson

### **Accountable Bodies**

Lead Members:

- Transport and Digital: Cllr Mike Rigby
- Economic Development, Planning & Assets: Cllr Ros Wyke
- Environment and 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 September 2023 (Month 6)**

- Climate and Place 2023/24 net budget £88m, projected adverse variance £1.7m, favourable movement £0.6m from month five.
- Accountable Bodies 2023/24 net budget £3.7, no projected variance, favourable movement £7m from month five.

Service Area	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m			£m
<b>Climate, Environment &amp; Sustainability</b>						
Climate & Place Management	0.6	0.6	0.0	-	Green	0.0
Business Support	1.3	1.3	0.0	-	Green	0.0
Somerset Waste	49.4	50.0	0.6	A	Red	(0.2)
Drainage Board Levy	2.3	2.3	0.0	-	Green	0.0
Climate Change Costs	0.8	0.8	0.0	-	Green	0.0
Emergency Planning	0.0	0.0	0.0	-	Green	0.0
Flood & Water	0.6	0.6	0.0	-	Green	0.0
Countryside	0.4	0.4	0.0	-	Green	0.0
Mendips AONB	0.0	0.0	0.0	-	Green	0.0
Quantock AONB	0.1	0.1	0.0	-	Green	0.0
<b>sub total</b>	<b>55.5</b>	<b>56.1</b>	<b>0.6</b>	<b>A</b>	<b>Red</b>	<b>(0.2)</b>
<b>Infrastructure &amp; Transport</b>						
Highways & Transport Commissioning	1.8	1.8	0.0	-	Green	0.0
Infrastructure Programmes Group	0.4	0.4	0.0	-	Green	(0.2)
Highways	16.4	17.5	1.1	A	Red	(0.2)
Traffic Management	0.3	0.3	0.0	-	Green	0.0
Transporting Somerset	9.3	9.3	0.0	-	Green	0.0
Car Parks	(6.5)	(6.5)	0.0	-	Green	0.0
Fleet Management	0.4	0.4	0.0	-	Green	0.0
<b>sub total</b>	<b>22.1</b>	<b>23.2</b>	<b>1.1</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>
<b>Economy, Employment &amp; Planning</b>						
Development Control	2.0	2.0	0.0	-	Green	0.0
Planning Policy	3.2	3.2	0.0	-	Green	0.0
Economic Development	4.7	4.7	0.0	-	Green	0.0
Building Control	0.5	0.5	0.0	-	Green	0.0
<b>sub total</b>	<b>10.4</b>	<b>10.4</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Accountable Bodies</b>						
Somerset Rivers Authority	3.0	3.0	0.0	-	Green	0.0
Local Enterprise Partnership	0.0	0.0	0.0	-	Green	0.0
Connecting Devon & Somerset (CDS)	0.7	(6.3)	(7.0)	(F)	Green	(7.0)
<b>sub total</b>	<b>3.7</b>	<b>(3.3)</b>	<b>(7.0)</b>	<b>(F)</b>	<b>Green</b>	<b>(7.0)</b>
<b>Climate &amp; Place Total</b>	<b>91.7</b>	<b>86.4</b>	<b>(5.3)</b>	<b>(F)</b>	<b>Green</b>	<b>(7.6)</b>

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

Climate and Place is currently forecasting an outturn variance of £1.7m, a favourable movement of £0.6m since month five. The forecasted overspends are due to the following:

### Climate, Environment and Sustainability

- Waste Services is forecasting an overspend of £0.6m at outturn a reduction of £0.2m since month five. The favourable movement is due to additional contract defaults received for the collection contract and lower growth in residual waste tonnage. The overall overspend can be explained by the following:
  - An increase in residual waste has been seen at both the kerbside and recycling centres. The budgeted increase was estimated to be 0.7%, however tonnages figures to the end of month five shows that the actual

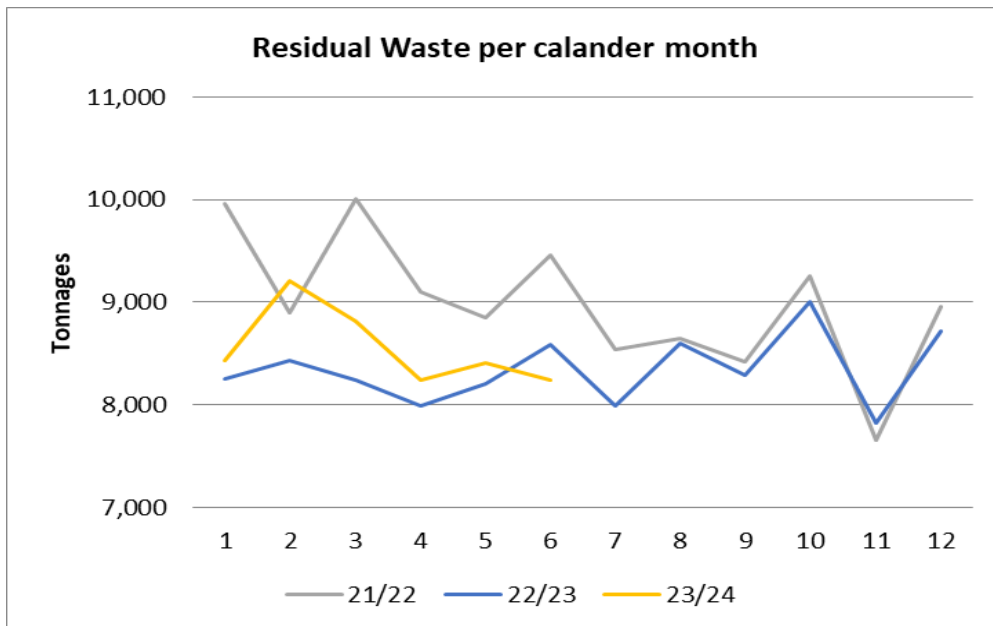
increase for this period is 5.0%. Residual tonnages have reduced but the overall tonnage growth across all waste streams remains high. This trend has been forecast to continue for the remainder of the year for budget monitoring. The impact of increased waste volumes has been partially offset by a lower than budgeted inflationary increase to contractor rates.

- The additional bank holiday for the King's coronation, meant that there was an impact on waste collections and was not anticipated in budgets.
- Legislation change for the treatment of POPs (persistent organic pollutants, typically fire-retardant coatings in furniture) has increased contractor costs.
- An anticipated change of legislation due in January 2024 regarding DIY waste (removing charges at recycling centres) adds further pressures to the waste budget.
- Waste services have been able to negotiate an improved pay award shared with Suez, however this has provided a further unbudgeted pressure within the service. This however has avoided any strike action which would have caused disrupted waste collections across the County and resulted in significant costs.

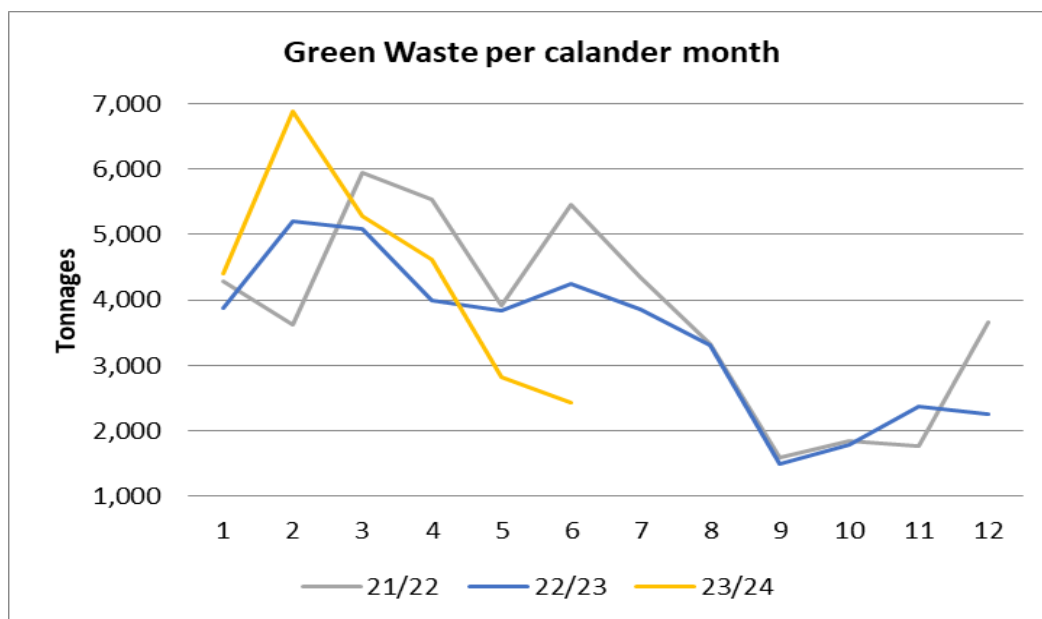
### **Infrastructure and Transport**

- Highways is currently forecasting an overspend of £1.1m at outturn, this is a favourable movement of £0.2m since month five. The favourable movement is due to vacant posts, one off income in Rights of Way and funding from Commuted Sums. As many authorities are finding this is due to an increase in Safety defects across the road network. The service continues to work hard to successfully complete the investigation and repair works. This pressure is a continuation of the situation that Somerset County Council reported in 2022/23.
- Infrastructure Programmes Group had highlighted pressures of £0.2m in month five relating to allocating salary costs against capital schemes. Since month five the service has been able to absorb the pressure into existing budgets and therefore is showing a favourable movement of £0.2m at month six.

### **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 for 2023/24. An additional bank holiday collection due to the Kings Coronation in May and a subsequent alteration to waste collection days (that lead to a temporary relaxation inside waste policy), increased tonnage, and pressure on the Recycling Centres. Further pressures on the residual waste service during May and June arose from the disposal of flood damaged materials. Residual Waste during from July to September 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. Volumes have dropped significantly for August and September.

### 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 fulfil 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.

- **Road Safety.** There has been an increase of killed or seriously injured accidents across the authority. The role of the Council is to educate and prevent accidents on the network, therefore with an increase of accidents it is likely that there will be some intervention needed to prevent further instances.
- **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 and are not anticipating any draws from or to reserves.

### **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.

The Government is ceasing funding of LEPs from April 2024 and expects their functions to be integrated into local authorities post that date. Somerset Council is working with the other local authorities in the Heart of the Southwest area and the LEP to plan for this transition – and integration plan is being developed as required by Government for this. The Council is also working with the LEP and partner Local Authorities to agree how residual budgets and LEP assets are apportioned at this point.

## 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 September 2023 (Month 6)**

- 2023/24 net budget £21.2m, projected adverse variance £0.9m, favourable movement £0.4m.

Service Area	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m			£m
<b>Partnership &amp; Localities</b>						
Partnership & Localities	2.8	2.8	0.0	-	Green	0.0
<b>sub total</b>	<b>2.8</b>	<b>2.8</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Strategy &amp; Performance</b>						
Communications	1.2	1.2	0.0	-	Green	0.0
Transformation & Change	2.0	2.0	0.0	-	Green	0.0
Digital Team	0.2	0.2	0.0	-	Green	0.0
Land Charges	(0.6)	(0.6)	0.0	-	Green	0.0
Performance	0.5	0.5	0.0	-	Green	0.0
<b>sub total</b>	<b>3.3</b>	<b>3.3</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>
<b>Workforce</b>						
Human Resources & Organisational Development	4.7	4.5	(0.2)	(F)	Green	0.0
Learning & Development	1.1	0.9	(0.2)	(F)	Green	(0.2)
Dillington Advertising Services	0.0	0.0	0.0	-	Green	0.0
<b>sub total</b>	<b>5.8</b>	<b>5.4</b>	<b>(0.4)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.2)</b>
<b>Governance, Democratic &amp; Legal Services</b>						
Democratic Services	3.7	3.7	0.0	-	Green	0.0
Legal Services	4.2	5.7	1.5	A	Red	0.0
Info Governance	0.5	0.5	0.0	-	Green	0.0
Elections	0.9	0.7	(0.2)	(F)	Green	(0.2)
<b>sub total</b>	<b>9.3</b>	<b>10.6</b>	<b>1.3</b>	<b>A</b>	<b>Red</b>	<b>(0.2)</b>
<b>Strategy, Workforce &amp; Localities Total</b>	<b>21.2</b>	<b>22.1</b>	<b>0.9</b>	<b>A</b>	<b>Red</b>	<b>(0.4)</b>

## **Strategy, Workforce & Localities - key explanations, actions, & mitigating controls**

### **Workforce**

An underspend of £0.2m is forecast within the Human Resources & Organisational Development budget in respect of employment costs. This is due to vacancies within the service.

An underspend of £0.2m 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**

The forecast £1.5m adverse variance within Legal Services is an estimate of anticipated increases in external legal costs based on the previous year's reported pressures. This is due to the continued need to place legal cases, principally in respect of childcare, with external legal experts.

## Appendix 6 - Resources & Corporate Services

Lead Members:

- Economic Development, Planning & Assets: Cllr Ros Wyke
- Resources and Performance: Cllr Liz Leyshon
- Transport and Digital: Cllr Mike Rigby

Executive Director: Jason Vaughan

Service Directors:

- Finance and 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 September 2023 (Month 6)**

- 2023/24 net budget £21.0m, projected favourable variance of £2.2m, favourable movement £2.5m

Service Area	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m			£m
<b>Finance</b>						
Finance	8.2	7.5	(0.7)	(F)	Green	(0.7)
Procurement	1.8	1.7	(0.1)	(F)	Green	0.0
Revenues	1.8	1.3	(0.5)	(F)	Green	(0.5)
Housing Benefits	1.0	0.9	(0.1)	(F)	Green	0.0
<b>sub total</b>	<b>12.8</b>	<b>11.4</b>	<b>(1.4)</b>	<b>(F)</b>	<b>Green</b>	<b>(1.2)</b>
<b>Strategic Asset Management</b>						
Property Services	11.0	11.4	0.4	A	Red	0.0
Commercial Investment Properties	(20.6)	(20.6)	0.0	-	Green	0.0
<b>sub total</b>	<b>(9.6)</b>	<b>(9.2)</b>	<b>0.4</b>	<b>A</b>	<b>Red</b>	<b>0.0</b>
<b>Information Communication Technology</b>						
Hardware & Software	10.1	9.4	(0.7)	(F)	Green	(0.8)
ICT General	6.8	6.1	(0.7)	(F)	Green	(0.7)
ICT Traded	0.0	0.1	0.1	A	Red	0.1
Telecommunications	0.9	1.0	0.1	A	Red	0.1
<b>sub total</b>	<b>17.8</b>	<b>16.6</b>	<b>(1.2)</b>	<b>(F)</b>	<b>Green</b>	<b>(1.3)</b>
<b>Resources &amp; Corporate Services Total</b>	<b>21.0</b>	<b>18.8</b>	<b>(2.2)</b>	<b>(F)</b>	<b>Green</b>	<b>(2.5)</b>

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

#### **Finance**

A number of vacant posts across the Finance and Procurement services have resulted in an underspend on employee budgets.

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 underspends on court costs, resulting in an overall underspend of £0.1m.

### **Strategic Asset Management**

The service is holding a large number of vacancies which has resulted in a forecast underspend on employee budgets. 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. Tenancy changes at various properties has resulted in an anticipated shortfall of income in respect of rent receivable. Various other overspends anticipated on several budgets including facilities costs, property maintenance and training costs.

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.

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 (£1.6m), this is mainly 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 a number of software licences being less than anticipated resulting in an underspend on the associated budget.

## **Appendix 7 - Public Health**

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

Executive Director: Professor Trudi Grant

Service Directors

- Deputy Director Public Health: Lou Woolway

**Table 1: 2023/24 Public Health as at the end of September 2023 (Month 6)**

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

Service Area	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m			£m
Public Health Grant	22.6	22.6	0.0	-	Green	0.0
Somerset Council Budget	1.0	1.0	0.0	-	Green	0.0
Grant Income	(22.6)	(22.6)	0.0	-	Green	0.0
<b>Public Health Total</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**

The Public Health budget is currently projected to be on budget for both the ringfenced grant and the Somerset Council budget.

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

Both the Public Health Grant and the Somerset Council funding managed by Public Health are under significant 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. We are still awaiting a decision by the treasury to pay the inflationary pay increase for staff on active NHS Agenda for Change Terms and Conditions where teams are employed outside of the NHS.

There is a systemic underfunding of public health in Somerset. The Public Health Grant is significantly below the national average, being 141st 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)**

### **Non-Service**

Lead Member for Non-Service: Cllr Liz Leyshon

Executive Director: Jason Vaughan

**Table 1: 2023/24 Non-Service as at the end of September 2023 (Month 6)**

- 2023/24 net budget £9.8m, projected favourable variance £3.6m, favourable movement £0.1m from month five.

<b>Service Area</b>	<b>Current Budget</b>	<b>Full Year Projection</b>	<b>Month 6 Variance</b>	<b>A/(F)</b>	<b>RAG Status</b>	<b>Movement From Month 5</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>			<b>£m</b>
Local Government Reform	0.1	0.1	0.0	-	Green	0.0
Contributions	0.9	0.9	0.0	-	Green	0.0
Corporate Costs	9.2	9.1	(0.1)	(F)	Green	(0.1)
Financing Transactions	40.7	37.7	(3.0)	(F)	Green	0.0
Special Grants	(56.4)	(56.9)	(0.5)	(F)	Green	0.0
Pay Award	15.3	15.3	0.0	-	Green	0.0
<b>Non-Service Total</b>	<b>9.8</b>	<b>6.2</b>	<b>(3.6)</b>	<b>(F)</b>	<b>Green</b>	<b>(0.1)</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.

#### **Special Grants**

The favourable variance of £0.5m for Special 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.

## Traded Services

Lead Member for Traded Services: Cllr Tessa Munt

Executive Director: Claire Winter

**Table 2: 2023/24 Traded Services as at the end of September 2023  
(Month 6)**

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

Service Area	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m			£m
Dillington	0.0	0.3	0.3	A	Red	0.1
<b>Traded Services Total</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</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 £0.3m, an increase of £0.1m from month five. With operating costs continuing to increase, particularly food, drink, and utility bills. Salary costs have also increased due to using agency staff whilst current employees secure alternative employment.

## Contingencies

Lead Member for Contingencies: Cllr Liz Leyshon

Executive Director: Jason Vaughan

**Table 3: 2023/24 Contingencies as at the end of September 2023 (Month 6)**

- 2023/24 allocation of £6m, assumed £6m is committed.

Service Area	Original Budget	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m	£m			£m
Corporate Contingency	6.0	5.7	5.7	0.0	0.0	Green	0.0
<b>Contingencies Total</b>	<b>6.0</b>	<b>5.7</b>	<b>5.7</b>	<b>0.0</b>	<b>0.0</b>	<b>Green</b>	<b>-</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 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 is the equivalent to a 5.5% increase.

### **Core Revenue Funding**

Lead Member for Core Revenue Funding: Cllr Liz Leyshon

Executive Director: Jason Vaughan

**Table 4: 2023/24 Core Revenue Funding as at the end of September 2023  
(Month 6)**

- 2022/23 net budget (£473.4m), no projected variance

Service Area	Current Budget	Full Year Projection	Month 6 Variance	A/(F)	RAG Status	Movement From Month 5
	£m	£m	£m			£m
Council Tax	(345.4)	(345.4)	0.0	-	Green	0.0
Business Rates	(116.1)	(116.1)	0.0	-	Green	0.0
Revenue Support Grant	(7.9)	(7.9)	0.0	-	Green	0.0
Flexible Use of Capital Receipts	(4.0)	(4.0)	0.0	-	Green	0.0
<b>Core Revenue Funding Total</b>	<b>(473.4)</b>	<b>(473.4)</b>	<b>0.0</b>	<b>-</b>	<b>Green</b>	<b>0.0</b>

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

There is currently no variance projected for outturn.

### **Collection Fund**

#### **Council Tax**

The provisional target in-year collection rate for the Council Tax for 2023/24 is 96.70%. This represents the proportion of the net collectable debit (£446m) that is actually collected in year. We track progress monthly against cumulative monthly

targets. The combined provisional target for the end of quarter 2 was 56.47%, whereas we had actually collected 58.01%. This suggests that the economic climate is not having the affect anticipated on Council Tax collection and that we are broadly on track to hit the annual target. However, we are now entering the winter period and the cost-of-living crisis is ongoing. (NB. The legacy districts calculate the monthly targets in different ways, and we are working towards implementing a consistent approach hence the targets are provisional at this stage).

In addition, we also track the position in relation to the combined arrears relating to previous financial years. At 1 April 2023 these stood at £42.7m and had reduced to £36.7m at the end of quarter 2. This represents a 14% reduction. However, most of the debt collected is recently new outstanding debt from the last financial year and the arrears will become progressively more difficult to collect with time. We do not anticipate the collection rate being as good in the second half of the year.

### **Business Rates**

The provisional target in-year collection rate for Business Rates for 2023/24 is 96.71%. This represents the proportion of the net collectable debit (£169m) that is actually collected in year. We track progress monthly against cumulative monthly targets. The provisional target for the end of quarter 2 was 57.36%, whereas we had actually collected 55.19%. The shortfall of 2.17% results from a number of factors including the economic climate and delays in commencing recovery action in some areas due to cash posting problems earlier in the year resulting from the implementation of the new finance system. We have also not as yet implemented internal transfers to clear elements of the Council's own Business Rate liability, which we believe would make us broadly on target. Ordinarily this would happen early in the financial year, so this is further distorting the collection rates. We have now recommenced recovery activity in all areas, which should help to get us back on track with collection. (NB. The legacy districts calculate the monthly targets in different ways, and we are working towards implementing a consistent approach hence the targets are provisional at this stage. In addition, target setting has been complicated in recent years by Govt. frequently introducing new one-off reliefs as a result of Covid and subsequent economic challenges).

In addition, we also track the position in relation to the combined arrears relating to previous financial year. At 1 April 2023 these stood at £13.3m and had reduced to £10.9m at the end of quarter 2. This represents a 18% reduction. However, most of the debt collected is recently new outstanding debt from the last financial year and the

arrears will become progressively more difficult to collect with time. We do not anticipate the collection rate being as good in the second half of the year.

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## **Appendix 9 – Update on Transformation, Savings, and Income Generation Proposals**

The Council's 2023/24 revenue budget includes over £40m of approved MTFP transformation, savings, and income generation proposals (TSIGP). As at the end of quarter two, it is forecast that 73% will be delivered against this target and 1% will be achieved over and above this target. This is a slight improvement from last quarter where 72% of savings were forecast to be delivered.

Delivery of the 2023/24 approved savings is vital and where this cannot be achieved then the development of alternative recovery or mitigation measures to address any forecast underachievement of approved savings is required by the relevant service director.

Table 1 shows the forecast achievement of TSIGPs against the original approved amounts. Services monitor these monthly based on their achievement to date and the forecast profile for realising the savings over the year. Any over or under achievement is reflected in the forecast outturn position.

Within the overall profile, £29.8m (73%) are either achieved or on-track to be delivered.

**Table 1: Performance of Agreed Transformation, Savings, and Income generation Proposals as at the end of September 2023 (Month 6)**

Service Area	Approved TSIGP	Over-achieved/ on track to overachieve	Achieved	On-track	At Risk	Unachievable
	£m	£m	£m	£m	£m	£m
Adults Services	10.5	0.0	2.0	3.7	0.0	4.8
Children & Family Services	4.6	0.4	0.2	2.6	1.8	0.0
Public Health	0.1	0.0	0.0	0.1	0.0	0.0
Communities Services	1.5	0.0	0.1	0.6	0.4	0.4
Climate & Place	7.9	0.0	0.6	5.2	2.1	0.0
Strategy, Workforce & Localities	0.6	0.0	0.6	0.0	0.0	0.0
Resources & Corporate Services	4.7	0.1	0.8	3.6	0.2	0.1
Non-Service	11.0	0.0	2.6	7.1	1.3	0.0
<b>Total</b>	<b>40.9</b>	<b>0.5</b>	<b>6.9</b>	<b>22.9</b>	<b>5.8</b>	<b>5.3</b>

**At Risk/Unachievable savings total £11.1m (27%) and include:**

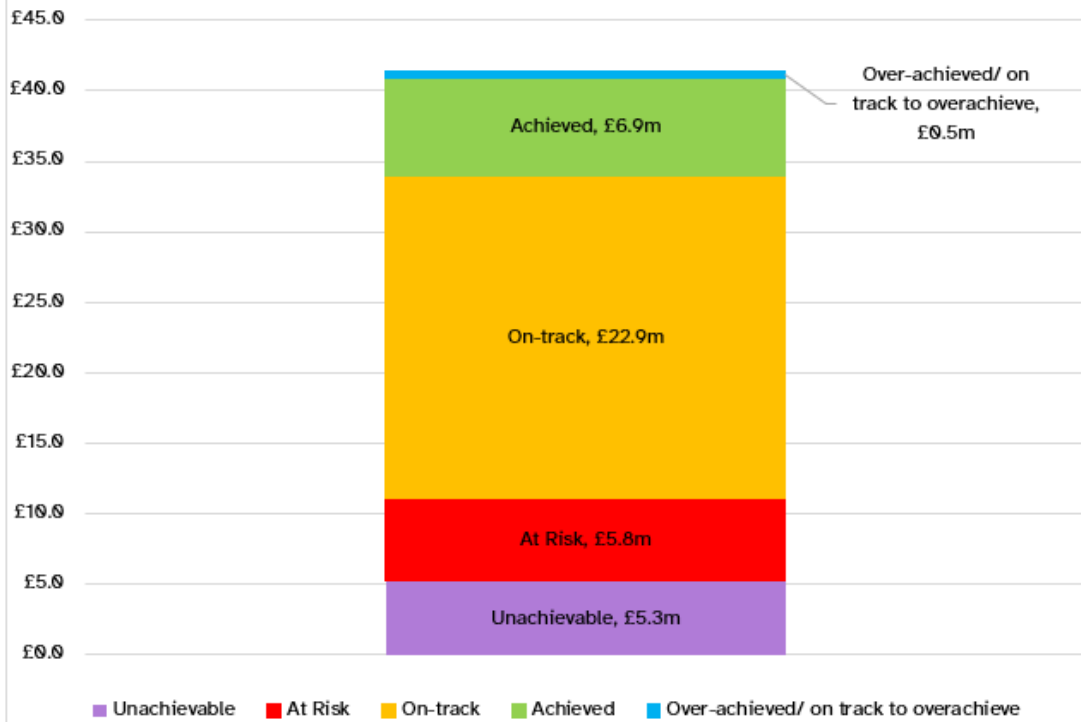
- **Adult Services – Total savings £10.5m, £4.8m unachievable.**

- My Life, My Future savings. Longer rollout than originally anticipated. £4.8m of the £5.0m saving will now be achieved in 2024/25.
- **Children & Family Services – Total savings £4.6m, £1.8m at risk.**
  - Family Intervention (high risk) - a review of the original savings assumptions has been undertaken and an alternative delivery model proposed.
  - Diagnostic Review of Children’s Services (medium risk) – the Impower report identifies potential savings which deliver approximately 6 to 8 step downs from residential to in house fostering, but there is a risk that not all savings will be delivered in 2023/24 due to the unknown timescale to drive significant change in in-house fostering services.
  - Strategic Partnership Staying Close Pods and Annexes (medium risk) – delays in identifying a cost-effective construction method, procurement of the pods and annexes, and agreeing a planning route have resulted in a 4-month delay to opening the provision. There is a risk of further slippage while there is still no contractor in place.
- **Communities Services – Total savings £1.5m, £0.8m at risk/unachievable.**
  - Freedom Leisure Contract savings. Income & costs determined by contract with Freedom Leisure, so savings opportunities are limited. £0.7m at risk/unachievable
  - Reduction in Watchet Harbour dredging activity. Activity is still required therefore £20k saving unachievable.
  - Alignment of fees & charges for new Lifeline customers. Currently undertaking a review of income and costs to provide confidence that the savings are achievable following merger of lifeline services - £0.1m potentially at risk.
- **Climate & Place – Total savings £7.9m, £2.1m at risk.**
  - Recycle More. Latest data shows increase in landfill tonnages. Therefore £1.7m of the total saving (£1.4m on track to be achieved).
  - Materials Income. The entire £0.4m saving is at risk due to fluctuating material prices and volumes caused by the volatile economic environment.



- **Resources & Corporate Services – Total savings £4.7m, £0.3m at risk/unachievable.**
  - Mobile Devices. £51k saving is due to be delivered January 2024. Project Manager considers this value to be at risk.
  - Reduction Treasury Management Advice costs. £26k at risk due to lack of baseline & Invoicing data.
  - Review of SAP Licences. Project Manager advises anticipated delay putting the £50k saving at risk.
  - Environmental Health IT. No activity in the programme to realise this saving therefore the entire £39k saving is at risk.
  - Office 365 back-up contracts. Project Manager states this £26k saving is likely unachievable due to pressure to extend Office 365 back-up.
  - Data Centre Consolidation. Linked to office rationalisation therefore £50k saving will not be achievable this year.
  - Housing Benefit Admin Grant (2% increase): The increase in the Government Grant, was less than anticipated resulting in this £28.4k saving being unachievable.
  
- **Non-Service – Total savings £11.0m, £1.3m at risk.**
  - LGR Staffing savings. Work is currently being undertaken on the new staffing structures for the council, with some proposals out for consultation. Until the consultation is complete the financial savings cannot be guaranteed.

**Actual/Forecast Achievements of Transformation, Savings & Income Generation Proposals at end September 2023 (Month 6)**  
**£m**



## Appendix 10 – Treasury Management

### Investments

The Bank of England (BoE) base rate continued to increase during quarter two, to end the quarter at 5.25%. However, with inflation starting to soften the BoE has kept this rate at its last two meetings and most forecasters believe this will be the peak in interest rates for this cycle. Rates are expected to stay at this level until late spring or summer 2024, before declining very gradually.

Cash balances have continued to fall during the quarter in lieu of taking out new borrowing.

No further investment has been made in pooled funds during the quarter. We have maintained the £116.5m already invested by the five prior councils. It is likely we will be looking to reduce this level of investment as the year progresses; however, most funds are currently priced lower than the initial cost and so selling is problematic as it would crystallise these losses.

The continued fall in investment balances is likely to lead to missing the income budget for the year.

A summary of investment balances and movements during the last three months is shown in Table 2 below:

**Table 2: Investment Balances and Movements for Quarter 2**

	<b>Balance as at 30-06-2023</b>	<b>Balance as at 30- 09-2023</b>	<b>Movement</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Money Market Funds	35.7	26.5	(9.2)
Notice Bank Accounts	20.0	20.0	0.0
Time deposits/CDs – Banks	70.0	0.0	(70.0)
Time Deposits – LAs	30.0	20.0	(10.0)
Debt Management Office	0.0	0.0	0.0
Strategic Pooled Funds	116.5	116.5	0.0
<b>Total Investments</b>	<b>272.2</b>	<b>183.0</b>	<b>(89.2)</b>

## Borrowing

The Council is currently managing the cost of borrowing through its Treasury Management activities, as set out in the approved Treasury Management Strategy, by utilising cash funds available rather than taking external debt. This is known as internal borrowing and the council has utilised this strategy over the past three years. This has seen some debt repaid on maturity with only selective deals being renewed. As we move forward through the 2023-24 financial year it is likely that additional debt will be required to manage cash balances and meet capital expenditure.

Paying down some debt initially has continued to allow us to make savings on debt interest costs in the quarter. The majority of the existing debt is fixed rate and therefore it is less sensitive to the increases in BoE base rate but the cost of new debt when needed will be higher than originally budgeted.

Even with the higher costs for new debt and the significant levels of debt that may well be needed in the second half of the year a significant underspend on debt costs is forecast for the full year.

**Table 3: Debt Balances and Movements for Quarter 2**

	<b>Balance as at 30-06-2023</b>	<b>Balance as at 30-09-2023</b>	<b>Movement</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Local Authority	113.0	117.0	4.0
PWLB	239.8	239.8	0.0
Fixed Rate Bank	57.5	57.5	0.0
LOBO Ban	108.0	93.0	(15.0)
<b>Total General Fund</b>	<b>518.3</b>	<b>507.3</b>	<b>(11.0)</b>
Local Authority	15.0	10.0	(5.0)
PWLB	135.9	135.9	0.0
Fixed Rate Bank	3.0	3.0	0.0
<b>Total HRA</b>	<b>153.9</b>	<b>148.9</b>	<b>(5.0)</b>
<b>Total Debt</b>	<b>672.2</b>	<b>656.2</b>	<b>(16.0)</b>

Audit Committee  
Meeting Date – 14 December 2023



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## **Internal Audit – Target Financial Assurance Work 2023-24**

Lead Officer: Alastair Woodland  
Author: Alastair Woodland  
Contact Details: Alastair.woodland@SWAPaudit.co.uk

### **Summary / Link to Council Plan**

1. The Internal Audit function plays a central role in corporate governance by providing assurance to the Audit Committee, looking over governance, risk, and internal controls and checking on the probity of the organisation.
2. The 2023-24 Annual Internal Audit Plan is to provide independent and objective assurance on SC's Internal Control Environment. This work will support the Annual Governance Statement.
3. Delivery of the corporate objectives requires strong governance and risk management and effective internal controls. The Internal Audit Plan seeks to provide independent and objective assurance on matters relating to governance, risk and control processes that ultimately ensures delivery of statutory services and corporate aims and objectives.
4. Please note this is not our usual progress update report but rather a report to summarise the work included in the 2023-24 audit plan that provides assurance around the financial management controls.

### **Issue for Consideration / Recommendations**

5. The Audit Committee:

5.1. Members are asked to note the coverage of audit work around financial controls and consider additional assurance if required.

### **Implications**

6. Any large organisation needs to have well-established internal controls and a systematic risk management framework in place to identify and mitigate the risks it may face. Somerset Council has a risk management framework, and within that, individual internal audit reports deal with the specific risk issues that arise from the findings. These are translated into mitigating actions and timetable for management to implement. Weak internal controls can lead to poor service delivery and weak financial management resulting in a poor value for money services for the taxpayer.

### **Legal Implications**

7. There are no specific legal issues relating to this report.

### **Background Papers**

8. SWAP's Internal Audit Activity Report – Financial Focus 2023-24.

### **Appendices**

**Appendix A – SWAP Internal Audit Report – Financial Focus 2023-24**

# Somerset Council

## Report of Internal Audit – Financial Focus

December 2023

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# Introduction

The contacts at SWAP in connection with this report are:

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**Adam Williams**

Principal Auditor

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## Introduction

Following the extreme financial pressure that Somerset Council is facing in year and the budget shortfall for 2024-25, it has become imperative that internal audit resources are directed to work that provides additional assurance and support in this area. This report highlights the priority areas for Internal Audit work as aligned with the key requirements identified in CIPFA's Financial Management Code around factors supporting financial resilience. This work is also aligned to the two strategic risks around financial management, namely ORG0057 and ORG0070.

### SWAP's Internal Audit Plan approach

Our approach to Internal Audit planning is a continuous risk assessment and rolling plan approach with the aim of providing a constant 9-to-12-month rolling view of audit work. We build our plan in conjunction with management as the year progresses. The resulting programme will be a combination of requested audit work aligned to service priorities, combined with audit work recommended by SWAP, driven by our continuous risk assessment. Given the maturity of the current organisation there are several key governance areas that will need to be assessed to ensure key fundamentals of a healthy organisation are in place and operating effectively from a governance point of view.

Internal audit work should be closely aligned to the risks the organisation is facing and where there is confidence in the organisations risk management framework, reliance can be taken from the council's strategic and directorate risk registers. Overlaid onto this assessment is SWAP's sector-wide top 10 risk areas for coverage, as well as consideration of the eight strands of our 'Healthy Organisation' framework.

The results of our risk assessment is shared with Senior Management in Directorates to obtain their view on internal audit involvement. In developing risk assessments, we will also take account of other sources of assurance, where relevant. As the year progresses, we will update the Committee through our usual quarterly update report on Internal Audit activity. It will be through this process the Audit Committee members will be able to assess whether the audit work building throughout the year provides sufficient and appropriate coverage of key risks.



# Corporate Risk Coverage November 2023

It's important for the Audit Committee to understand where there is no independent internal audit coverage against key risk areas and to seek, where necessary, other assurance from first or second line.

### Three lines Model

## Corporate Risk Coverage November 2023

The table below highlights coverage of our internal audit work from the 1<sup>st</sup> April 2023 to November 2023 against current corporate risks. Due to the complexity and scope of some of the corporate risks, the volume of audit work to help shape a 'good' degree of coverage can vary. We usually monitor coverage over a 2-year period, however as Somerset Council was only formed on the 1<sup>st</sup> April 2023 with new corporate risks, we have only taken coverage from that date.

Whilst all strategic risks are important, given the financial challenges the authority is facing, and the imminent threat of a section 114 notice our intention is to identify and divert internal audit resources where appropriate to provide assurance around the two main financial strategic risks – ORG0057 and ORG0070. Our current rolling plan includes work across all risks, with the exception of ORG0065 and ORG0066.

Strategic Risk	Coverage
SC ORG0009 - Safeguarding Children	Some
SC ORG0053 - Organisational Resilience	In Progress
SC ORG0056 - Supply Chain	None
SC ORG0057 - Financial stability / Sustainable MTFP	Some
SC ORG0060 - Failure of ASC to meet statutory obligations	Some
SC ORG0061 - Climate Change	Some
SC ORG0062 - Health and safety management, strategic planning and direction is not embedded across the Council	In Progress
SC ORG0063 - Commercial Investments	In Progress
SC ORG0064 - General Housing: Failure to maintain delivery of affordable housing	Some
SC ORG0065 - Inability recruiting and retaining staff	None
SC ORG0066 - Financial instability within the VCFSE sector	None
SC ORG0068 - Increase in fraudulent activity	Some
SC ORG0070 - Budget overspend in the current year	Some
SC ORG0071 - Adults Social Care Transformation programme does not achieve its financial targets	None
SC ORG0075 - LCN - Failure to deliver the key commitment of the business case	None

### Coverage Key

Coverage	Description
Good	Good audit coverage completed
Adequate	Adequate audit coverage completed
Some	Some aspects of audit coverage completed
In Progress	Some aspects of audit coverage in progress
None	No audit coverage to date

# Financial Assurance Priority Work

To help provide an overview structure to our financial assurance work we have aligned it to the key factors identified in CIPFA's Financial Management Code that support financial resilience.

## Priority Work to Support Financial Challenges

### CIPFA Financial Management Code 2019

The purpose of the CIPFA Financial Management Code is to establish the principles that should be in operation in any local authority to ensure the basic level of financial governance is in place. An overview of the Financial Management Code key standards can be seen in **Appendix A**. The Financial Management Code also highlights the way an authority can exhibit financial stress. This is summarised in **Appendix B**.

For our purpose, the Financial Management Code highlights a number of factors that drive the ability of an authority to withstand financial pressure. These factors are considered helpful as part of any financial resilience assessment. Our intention is to align certain aspects of our audit work against these resilience areas to build a picture of how resilient the authority is and will be going forward. Key resilience factors include:

- Getting routine financial management right.
- Planning and managing capital well.
- Using performance information effectively.
- Having clear plans for delivering of savings.
- Managing reserves well.

Whilst not all areas listed above will be subject to internal audit work during 2023-24, they will remain on our radar for the 2024-25 audit plan and future consideration. As with several key governance areas, due to the immature nature of Somerset Council and ongoing development of the structure, key processes and systems are subject to on-going change and impacting the timing of some audit work.

The table below summarises the individual audits that we plan to undertake against these resilience factors to help shape a view of the organisation.

# Financial Assurance Priority Work

## Summary of Planned Audits 2023-24 against Financial Management Code Financial Resilience Factors

Financial Management Code Area / Name of Audit	In Audit Plan	Indicative timing	Strategic Risk Link		
			ORG57	ORG68	ORG70
<b>Getting routine financial management right</b>					
Financial Control - Budget Monitoring & Reporting	2023-24	In Progress	✓	✓	✓
<b>New:</b> Financial Control – Budget Planning/Assumptions	2023-24	In Progress	✓	✓	✓
MSD (Financial Management System IT Controls)	2023-24	In Progress	✓	✓	✓
Debtors	2023-24	Waiting to Go Live		✓	✓
Creditors	2023-24	Waiting to Go Live		✓	✓
Main Accounting	2023-24	Waiting to Go Live		✓	✓
MTFP Process	Placeholder	-	✓		
Council Tax/NDR	2024-25	Future Proposed		✓	
Financial Literacy Across the Organisation	Placeholder	-	✓		✓
Scheme of Delegation	Placeholder	-	✓	✓	✓
<b>Planning and managing capital well.</b>					
Capital Programme	Placeholder	-			✓
Commercialisation Programme	2023-24	In Progress		✓	✓
Asset Management	TBC	Future Proposed			✓
<b>Using performance information effectively.</b>					
Performance Management, incl benchmarking	2024-25	Future Proposed	Cross cutting/impact on numerous risks		
<b>Having clear plans for delivering of savings.</b>					
Benefit Realisation Framework (Cash and Non-Cash Delivery)	2023-24	Complete	✓		✓
<b>New:</b> Corporate and Service Planning	2024-25	Future Proposed	✓		
<b>New:</b> Transformation Programme (Delivery of Savings)	2024-25	Future Proposed	✓		✓
<b>New:</b> Adults Transformation	2024-25	Future Proposed	✓		
<b>Managing reserves well.</b>					
Use and Management of Reserves	Placeholder	-	✓	✓	

Note: Audits listed with 'Placeholder' are within the audit universe but not currently scheduled to be undertaken. Please refer to the detailed scoping document circulated to Audit Committee members prior to this meeting for further scope detail. TBC – agreement this should be undertaken, although exact timing not confirmed.

## Financial Assurance Priority Work

In addition to work around CIPFA's key financial resilience factors, we are also undertaking targeted work.

### Other Financial Assurance Audit Work

Whilst a number of reviews are scheduled to support work around core financial resilience factors, there are other assurance pieces of work currently being undertaken to provide assurance around ORG0057 and ORG0070. These include the following:

Audit Name	Scope
Financial System Controls Assessment	To identify which controls are or are not operating effectively across all the key financial system areas. The assessment was based on individual manager's responses.
CLA Placements Contract and Procurement	The audit scope covers: Processes for sourcing CLA and care leaver placements, including tendering and selection arrangements; Invoice payment processes; budget monitoring processes; Reporting and oversight by senior management.
Children's Invoicing CLA and SEND	Targeted work to complete data analysis of invoice and LCS System data for the purpose of identifying duplicate invoices and charges for expired care packages.
School Balances (DSG, Deficit Recovery)	High-level review supporting the analysis of schools financial spend and agreeing actions for tracking from resulting support workshops.

# Financial Assurance Priority Work

Key financial system controls underpin the integrity of financial transactions within the Authority.

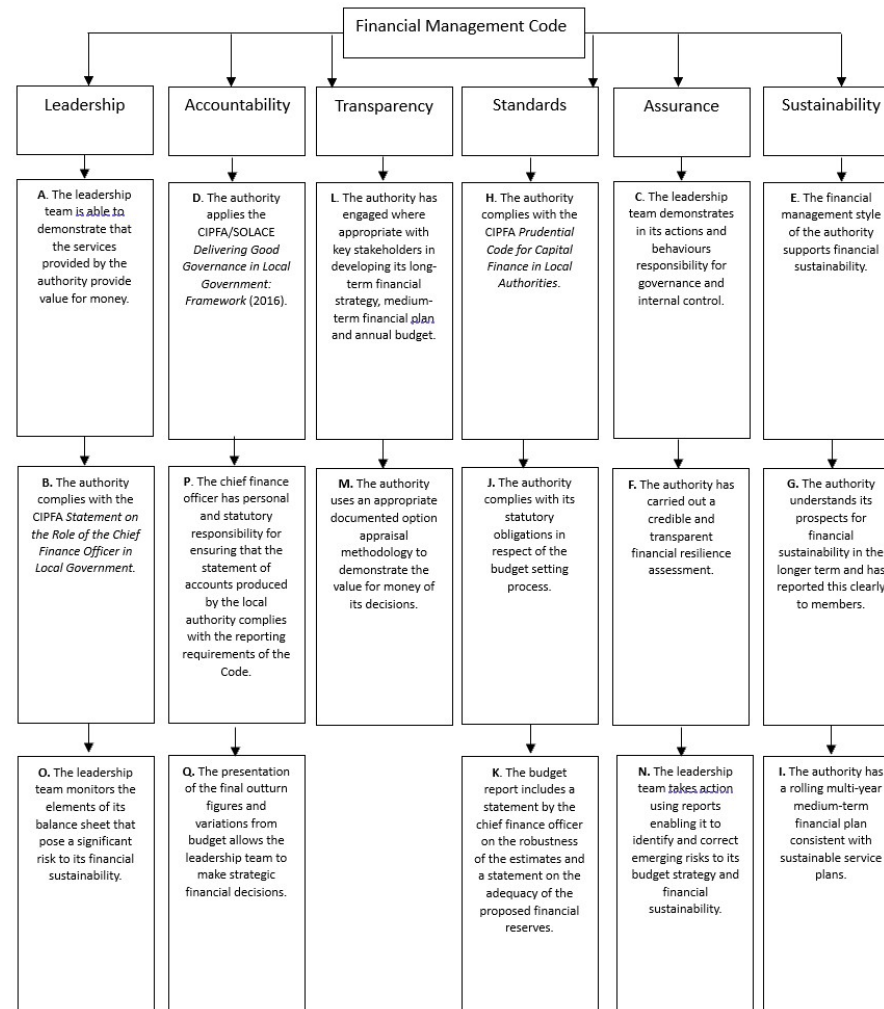
## Financial Systems Controls Summary

As highlighted in September Audit Committee, we added an additional piece of work to collate a view on the operation of key financial system controls. This piece of work involved liaising with Service Managers to review the operating of key financial system controls and to understand what has or has not been working effectively since 1 April 2023. Our initial assessment for the end of October showed 64% of controls operating effectively and 23% partially in place. With a number of recent developments this has now increased to 78% fully operating and 17 partially in place. Below is a summary across key systems reviewed:

	Number of controls reviewed	Number in place and believed to be operating effectively	Number partially in place	Number not in place	Control outside of management responsibility
<b>Microsoft Dynamics</b>					
Main Accounting	8	38%	50%	13%	0%
Accounts Payable	13	100%	0%	0%	0%
Accounts Receivable	10	63%	38%	0%	0%
<b>Other</b>					
Payroll & Expenses	14	100%	0%	0%	0%
Treasury	14	100%	0%	0%	0%
<b>Revs and Benefits (cumulative)</b>					
Ctax Support and Housing Benefit	46	89%	11%	0%	0%
Ctax and NDR Revenues	57	60%	25%	2%	14%
<b>Total</b>	<b>162</b>	<b>76.5%</b>	<b>16.0%</b>	<b>1.2%</b>	<b>4.9%</b>
Average score per system		<b>78%</b>	<b>18%</b>	<b>2%</b>	<b>2%</b>

Members of the Audit Committee have received an additional document detailing the control summary.

Strong financial management and governance is imperative for local government to survive in the current economic climate. CIPFA’s Financial Management Code provides a set of standards that every Local Authority should be operating to so that it is best placed to deal with the level of financial uncertainty against increasing demands for its services against income and future financial shocks.



The authority can exhibit financial stress in a number of ways. Some of the more common symptoms are as follows:

- **Running down reserves** – Using the authority’s financial reserves to finance a deficit or to avoid difficult decisions around spending cuts provides temporary relief, but is not sustainable in the long term.
- **Failure to address financial pressures** – Refusing to make difficult decisions about how to reconcile funding and service pressures, or not recognising that such decisions need to be made, is equally not a solution to challenges but instead simply increases the financial gap and the extent of change that will be required in future years.
- **Shortened planning horizons** – Long-term planning is more difficult in times of uncertainty, but it is still important, perhaps even more so than in more stable circumstances. A failure to plan is indicative of a lack of strategic thinking and an unwillingness to make difficult decisions.
- **Lack of investment in infrastructure resources** – When resources are scarce, it is tempting to defer the maintenance and enhancement of assets (such as buildings) to future periods, which can result in the failure of key physical resources.
- **Gaps in savings plans** – Knowing that savings are required is helpful, but knowing how these savings are going to be achieved is critical. Simply indicating that ‘unidentified savings’ will be made is not an acceptable strategy for financial resilience.
- **Unplanned overspends** – No budget is going to be absolutely spot-on. However, overspending against the budget is simply rolling over this year’s problems into next year. It is a clear sign that the authority is failing to turn its financial policy decisions into action on the ground.

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Audit Committee  
Meeting Date –14<sup>th</sup> December 2023



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## **2024/25 General Fund Revenue Budget & Capital Programme update**

Executive Member(s): Cllr Liz Leyshon Deputy Leader of the Council and Lead Member on Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan, Executive Director – Resources & Corporate Services (Section 151 Officer)

Author: Jason Vaughan, Executive Director – Resources & Corporate Services

Contact Details: [jason.vaughan@somerset.gov.uk](mailto:jason.vaughan@somerset.gov.uk)

### **Summary**

1. The Council has declared a financial emergency. This report, taken to Executive in December 2023 provides an update on the progress in reducing the budget gap that was forecast at £100m in November 2023. Given the significant gap and the relatively low level of reserves, there is the very real prospect of the Section 151 Officer having to issue a statutory section 114 notice if things do not significantly improve.
2. The report is brought here to assist with providing Audit Committee with some assurance that work has and continues to take place to reduce the forecast budget gap which is needed to be able to set a balanced budget for 2024/25.

### **Recommendations**

3. That Audit Committee note the contents of the report considered by the Executive in December 2023.

### **Financial and Risk Implications**

4. There are no direct financial or risk implications as a result of bringing this paper to Audit Committee aside from those outlined in the original paper.

## **Legal Implications**

5. All legal implications in relation to this paper are considered in the main report.

## **Background Papers**

6. All background papers are listed under this section of the report.

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## **2024/25 General Fund Revenue Budget & Capital Programme update**

Executive Member(s): Cllr Liz Leyshon Deputy Leader of the Council and Lead Member on Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan, Executive Director – Resources & Corporate Services (Section 151 Officer)

Author: Jason Vaughan, Executive Director – Resources & Corporate Services

Contact Details: [jason.vaughan@somerset.gov.uk](mailto:jason.vaughan@somerset.gov.uk)

### **Summary**

1. The very stark and challenging financial position that the Council faces is well documented, with the cost of delivering services increasing significantly faster than the income it receives. The Council cannot continue to provide and operate services in their current format and rapid, radical, change is required if it is to become financially sustainable. The November 2023 Executive received an update on the development of the 2024/25 revenue budget which set out that there was a forecast budget gap of £100m. Given the significant gap and the relatively low level of reserves, there is the very real prospect of the Section 151 Officer having to issue a statutory section 114 notice if things do not significantly improve. As a result of this, the Council declared a financial emergency and this report provides an update on the progress in reducing the budget gap.
2. The latest forecast is that the budget gap has reduced to £87m as a result of reviewing budget pressures, identification of further potential savings and reducing the size of the capital programme. Further work will continue, and updates made to the forecast, such as for the local government finance settlement, with an update coming to the January 2024 Executive meeting and final proposals coming to the February 2024 Executive for recommendation to Council. Indications from the Autumn Statement on 22 November 2023 are that there will be real term reductions for Local Government rather than increased spending. There is a significant amount of work taking place to reduce the budget gap, however, the Council will not be able to set a balanced budget for 2024/25 without Government support through a capitalisation direction. There have been some initial discussions with the Department of Levelling Up, Housing and Communities (DLUHC) over this and the recommendation is that the council formally requests a capitalisation direction. This would enable the Council to capitalise an amount of revenue expenditure and either borrow or use asset sales to finance it.

3. The Financial Strategy was approved by the Executive in July 2023 and focused upon delivery of a sustainable council over the medium term and required:
  - early action on 17 Key Areas,
  - a review of all the MTFP assumptions, and
  - all services setting out a full range of budget options.
4. As reported previously, progress against this has been slow and with the current year's projected budget overspend and the forecast budget gap of £100m the focus has been on:
  - Reducing the current year's overspend
  - Reviewing and reducing budget pressures
  - Identifying further saving options
  - Reducing the capital programme and bids for new schemes
  - Maximising funding & income to the council
  - Generating capital receipts from asset disposals
  - Reviewing Earmarked Reserves and repurposing them to support the budget on a one-off basis
  - 'Right Sizing' of the organisation (workforce transformation) to enable it to become financially sustainable in the future
  - Working with DLUHC on a capitalisation direction
5. The month six budget monitoring report, which is included on the agenda, is projecting an overspend for 2023/24 of £18.7m (3.8%), with Adults and Children's Services overspending by £27.3m and the rest of the council being underspent by £8.6m. The corporate measures put in place to reduce the in-year overspend through the various control boards and placement panels is starting to have an impact and progress will be monitored closely during the rest of the financial year. Any overspend will need to be funded from the £49.8m of General Reserves and has the impact of reducing the amount that could be available to support the 2024/25 budget and increase the level of borrowing the Council will require, further increasing costs.
6. An initial review of the Earmarked Reserves from the five predecessor councils has been undertaken and £36.8m of these can now be repurposed and made available as a one-off to support the 2024/25 budget. The use of this level of reserves is unprecedented and will also have a detrimental impact on cash flow, increasing treasury management costs by approximately £1.0m in 2024/25 and £2.0m on an ongoing basis. Further work on reviewing the reserves will continue and an update will be included in the February 2024 report as part of the final budget proposals.
7. The use of a capitalisation direction will add to the Council's financial pressures, any Council borrowing from the PWLB will have a premium of 1.0% and the Capital used will need to be repaid over a 20-year period from 2025/26. A capitalisation direction of for example £40m, would cost the Council £2m per annum (pa) in minimum revenue provision (MRP) and approximately £2.4m pa in interest from 2025/26, £4.6m pa in total (£1.2m in 2024/25 as a part-year effect) unless this can be funded from asset sales. If the gap is not resolved for 2025/26 then another capitalisation direction would need to be sought, further adding to pressures.

8. The cost of using £36.8m of reserves and a capitalisation direction of £40m to balance the budget, without asset sales to finance them would therefore cost approximately £6.6m pa from 2025/26.

### **Recommendations**

9. That the Executive:
  - a) Endorses and recommends to December's Full Council that the Council notes that it has declared a financial emergency and endorses the range of actions and mitigations being taken forward. Furthermore, that the Council fully supports the Executive and Senior Officers to continue its discussions with the Department for Levelling Up, Housing and Communities (DLUHC) and formally requests a capitalisation direction in order to set the 2024/25 budget.
  - b) Approves a consultation and engagement process on Council Tax and potential service changes with the public and business sectors in line with the proposals set out in this report.
  - c) Approves the re-allocation of the Earmarked Reserves as set out in Appendix 1 and receives a further update in February 2024.
  - d) Receives the draft 2024/25 budget proposals at the January Executive including details of the savings proposals and finance settlement for the council.
  - e) Notes the 'Vision for a sustainable Somerset Council' and approves that an outline Business Case is developed for the January 2024 Executive meeting.
  - f) Notes the review of the 2023/24 capital programme and the review of new bids for 2024/25 schemes with the full details being included in the report to Executive in January 2024 for approval by February 2024 Council.

### **Reasons for recommendations**

10. To ensure that the Council can set a balanced budget for 2024/25.

### **Other options considered**

11. As this is an update report on progress in reducing the forecast budget gap for 2024/25 there are no other options considered.

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

12. 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

13. There is a section of the report focused upon risks and Table 5 sets out the risks associated with the budget. It is clear that the scale of financial challenges facing the Council are significant. There is also more risk and uncertainty for the new Council until all the external audits of the 2022/23 accounts from the predecessor councils are finalised. Given the size of the updated budget gap, Strategic Risk ORG0057 Sustainable MTFP has the highest score possible:

<b>Likelihood</b>	<b>5</b>	<b>Impact</b>	<b>5</b>	<b>Risk Score</b>	<b>25</b>
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14. The financial impact of an overspend of £18.7m (as at Month 6) in the current financial year would result in a reduction in the level of General Reserves from £49.8m to £31.1m. This remains above the £30m minimum risk-based assessment of the reserves approved by Council in February 2023 but given that the reserves will not be able to be replenished and will reduce further in 2024/25 this adds to risk and uncertainty.
15. There have been regular all member monthly briefings on the budget, and these will continue until the February 2024 Council meeting.

## Legal Implications

16. Section 31 of the Local Government Finance Act 1992 requires the Council to set a balanced budget at the start of each financial year. Section 28 of the Local Government Act 2003 requires all local authorities to review actual expenditure against this budget on a regular basis during the year. Where it appears that there has been a deterioration in the financial position, the local authority must take such action as is necessary to deal with the situation.
17. The Council's best value duty requires it to keep under review its services to ensure continuous improvement. This includes having a financial strategy and budgets which are clearly aligned with strategic priorities and a robust process for reviewing and setting the budget. There should be a robust system of financial controls and reporting to ensure clear accountability and a clear strategy to maintain adequate reserves. There should be collective accountability for the budget and MTFs both at officer and political level. Regular financial reporting to Executive and Scrutiny ensures members are aware of the issues during the year and the mitigating measures in place, as well as providing for public accountability.

## HR Implications

18. A number of the potential savings proposals will have HR implications and the approved HR processes and policies will be followed.

### **Other Implications:**

#### **Equalities Implications**

19. There are no specific equalities implications arising from the recommendation in this report. A number of the potential saving will require equalities impact assessments.

#### **Community Safety Implications**

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

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

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

#### **Social Value**

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

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

25. The Scrutiny for Corporate & Resources Committee considered the Financial Strategy in July 2023 and the update at their meeting on 9 November 2023. They will consider the draft 2024/25 Budget proposals at their meeting on 1 February 2024. Their comments and observations on the draft budget proposals will be considered by the Executive at their February 2024 meeting when they will finalise the budget proposals and make their recommendations on the 2024/25 budget to full Council.

#### **Background**

26. Full Council approved the 2023/24 Budget in February 2023, the first budget for the new Somerset Council. The budget was put together using the information from the five predecessor councils which all recorded budgets in different ways and it has become apparent that there are some areas where one-off sources of funding have been used to finance on-going expenditure, some items were not properly budgeted for and there was additional staffing employed over and above the staffing establishment budget.

27. The 2024/25 to 2026/27 Medium-Term Financial Strategy (MTFS) was approved in July 2023 and provides a strategic financial framework and a forward-looking approach to achieving financial sustainability for the Council. The financial forecast has been updated and reported to the November Executive and it set out that the estimated budget gap for 2024/25 assumed in the report to February Full Council had increased from £42m to £100m. As a result of this the Council has declared a 'financial emergency' and put in place a range of measures to address both the current year's forecast overspend and the forecast budget gap for 2024/25 and future years.
28. There have been regular Member briefings on the council's finances which started in August 2023 with Rob Whiteman, CEO of CIPFA giving some key messages on the financial challenges facing the sector and Mark Pickering, CEO of Arlingclose, setting out the economic outlook. There have been two monthly briefing sessions open to all members from September 2023 and these will continue through to February 2024 to ensure that all members are aware of the financial challenges that the Council faces.

### **Current Context**

29. The Council's finances have been significantly impacted by national factors outside of its control such as inflation and interest rates, as well as having to deal with the challenges of bringing the five predecessor councils into one new organisation.
30. Inflation peaked at a 40-year high with CPI rising to 11.1% in October 2022, although we are now starting to see this decrease, to 4.6% in October 2023. These inflationary increases adversely impact upon the Council and the costs of the services which it provides. This is particularly evident in the care sector where cost increases have been significantly above the CPI inflation levels. The national staff pay award for 2023/24 has now been agreed at £1,925 and this is estimated to be equivalent to a 6.1% increase in the pay bill for the Council.
31. To bring inflation under control the Bank of England has been increasing interest rates and these have risen from 0.1% in November 2021 to the current rate of 5.25%. The Council is a net borrower and inherited a position of significant amount of short-term borrowing on 1 April of over £200m, and each 1% increase having a financial impact of £2m.
32. The LGR business case set out that £18.5m of on-going savings would be achieved with the costs of implementation being £16.5m. Staffing made up the majority of the savings with an expected reduction of 339 posts delivering £12.3m with £2.9m of senior management savings and £9.4m from staff savings across the services. To date £2.6m of on-going senior management savings have been achieved which was reported to Council in July 2023, but the delivery of the other staff savings has not been achieved. The other staff savings were profiled as being £1m in current year, £4m in 2024/25 and £4.4m in 2025/26. Service Directors have been holding vacancies to mitigate against non-delivery of £1m savings in the current year. Consideration will need to be given around the delivery of these savings



and how they relate to the future workforce transformation of the Council to ensure that there is no double counting.

33. A key area of activity for the finance team in the new council has been around the production of 2022/23 statement of accounts for the five predecessor councils. This includes having to address the inherited position of outstanding external audits on their accounts from 2020/21 and 2021/22. This is particularly important, not only in understanding the opening position for the new council, but also in providing independent external assurance around the finances. Good progress has been made on this, with all the 2020/21 statement of accounts now signed off and only South Somerset DC outstanding from 2021/22 (which is approaching completion). All five of the 2022/23 statements of accounts have been published and one of these has been signed off by the external auditors. A common feature of councils that have issued section 114 notices has been the number of prior year external audits that have not been completed with issues arising that were not known when setting budgets.
34. The LGA made a submission to the Chancellor ahead of the Autumn Statement concerning local government funding and made a number of key points including:
- Councils are still under intense financial pressure.
  - Councils face ongoing inflationary and pay pressures alongside spiking demand and market challenges in areas such as children’s social care and temporary accommodation. This is happening at a time of low financial resilience across the sector following a 27% real-terms reduction in core spending power since 2010/11. Government support is needed urgently to ensure local financial and service sustainability.
  - recognise there are some pressures that cannot wait as many councils are struggling to meet needs and still balance their budgets. For example:
    - Rising costs and demand pressures in children’s social care – budgets up by 13.6 per cent in 2023/24 compared to 2022/23 with further upward pressure on in-year spend.
    - Escalating costs of home to school transport for children with special educational needs and disabilities – budgets up by 23.3 per cent whilst pressures continue.
    - Increasing costs of homelessness services with multiple contributory factors, including asylum and resettlement, pushing budgets up by 19.9 per cent with pressures ongoing
  - A key issue is that while annual average inflation peaked in 2022/23 at around 10.0 per cent for the economy as a whole and is forecast to fall to an annual average of around 6 per cent in 2023/24, this is not necessarily the case for all councils. Where councils purchase goods and services through annual contracts these contract prices will often be uprated in 2023/24 based on inflation over the preceding 12 months. For these contracts councils will experience peak inflation in 2023/24.
  - Furthermore, in 2022/23 many councils had to deal with unfunded in-year pressures through one-off measures such as the use of reserves. While one-off measures

helped plug the gap in 2022/23 this was only temporary. Councils will have had to identify new recurrent savings or income to address these unfunded 2022/23 pressures in their 2023/24 budgets.

- This means that while the economy is forecast to be on the downward slope in terms of cost pressures in 2023/24, this is not necessarily the case for councils. They remain firmly in the eye of the inflationary storm in 2023/24 and will continue to be so in 2024/25
- Not only will this require the Government to provide additional funding but greater certainty on funding is also needed. Specifically, the Government should:
  - Provide long-term funding for local government that reflects current and future demands for services.
  - Ensure that funding is sufficient for councils to recruit and retain sufficient numbers of skilled staff and meet the demands of National Living Wage increases.
  - Adopt a renewed focus on prevention to address existing and future demand for services such as social care, homelessness support and community safety.
  - Provide multi-year and timely settlements for councils to allow them to plan and make meaningful financial decisions.
  - Provide clarity as soon as possible on funding streams in the 2024/25 settlement, such as the New Homes Bonus, where there are uncertainties.
  - Ensure that when the Review of Relative Needs and Resources takes place that the Review considers both the data and the formulas used to distribute funding and that the Government ensures that overall local government funding is sufficient when new needs formulae are introduced to ensure that no council sees its funding reduce as a result and that there are transitional arrangements for any business rates reset.
  - Consider alternative forms of income for local government including an e-commerce levy with the funding retained by local government

35. The County Councils Network (CCN) has recently published a budget analysis which reveals:

- Councils' additional cost pressures this year top £3.7bn from a combination of higher than expected inflation and demand, with councils now forecasting they will overspend their budgets in 2023/24 by £639m this year – an average of £16m per council.
- Rising costs and demand totalling £319m in children's services account for almost half (45%) of the projected overspend. Adult social care (25% - £179m), education, transport – including home to school transport – and highways (22% - £154m), alongside housing (£24m – 3%), make up the bulk of the remaining additional in-year pressure.
- Overspends have worsened an already challenging financial outlook. This year, councils' funding gap has grown to £1.6bn, with a further shortfall of £1.1bn in 2024/25 and £1.3bn in 2025/26, meaning a total funding shortfall of £4bn between

2023-2026. Over the course of the three-year period councils have pencilled in £2bn of savings and service cuts but this would only reduce the deficit by half.

- As a result of cost pressures soaring, and despite increased funding, council tax rises and £1bn worth of savings and cuts this year, councils are still forecasting a budget deficit of £603m in 2023/24, with the analysis showing 1 in 10 of these councils are unsure or not confident they can balance their budget this year.
- Faced with this bleak financial picture, councils' confidence in setting a balanced budget plummets further over the next two years. Some 4 in 10 of these councils are unsure or not confident they can balance their budget in 2024/25, with this increasing to 6 in 10 by 2025/26.

36. In its analysis published following the Autumn Statement, the Office for Budget Responsibility (OBR) also warned pressure on local authority budgets "will continue". It said 2022-23 was the first time since 2019-20 that local authorities had drawn on their reserves for current spending, using £2.3bn and it now assumes they will drawdown a further £1.5bn in 2023-24 and £0.8bn in 2024-25. Its previous forecast in March had assumed there would be no drawdown.
37. The analysis notes that 11 section 114 notices have been issued by local authorities since 2018, this includes Croydon that has issued three section 114 notices, compared with two between 2000 and 2018, but says the "direct impact on our forecast to date has been relatively small as the central government response to section 114s has been to allow affected local authorities to reallocate their capital budget towards day-to-day spending (a 'capitalisation direction') or to increase council tax rates".
38. However, the OBR warns that wider pressures on local authority finances still pose a risk to its forecast. It notes that local authority spending has fallen from 7.4% to 5% of GDP since 2010-11 and forecasts it will fall further to 4.6% in 2028-29. It adds: "Given local authorities' statutory duty to provide a range of services where demand is likely to continue to grow, for example adult and child social care, pressure on local authority finances and services will continue."
39. The watchdog also forecasts a £4.5bn fall in borrowing for capital expenditure from its 2019-20 peak of £11.5bn to £7bn in 2028-29. It adds: "This reflects the financial pressures facing local authorities and higher interest rates on loans from the Public Works Loan Board, their principal source of financing."

### **Structural budget problem**

40. The Council has a structural budget problem with its cost base increasing at a significantly higher rate than its income. The main source of income is Council Tax, which is £338m in the current year. The Council Tax charge for 2023/24 is based upon having one harmonised rate across Somerset with the total amount raised being based on the same amount generated in the five predecessor councils in 2022/23. Therefore, the current band D charge of £1,646.04 reflects the historical decisions from the predecessor councils. The increases in Council Tax are carefully controlled by government which it limits through the referendum

principles. For 2024/25 the indication is that Council Tax can increase by 2.99% and that there can be a further rise of 2% for the adult social care precept.

41. The Somerset Council charge for 2023/24 is lower than the majority of other unitary councils with:
- It being ranked 49 out of 63 for unitary councils
  - Average unitary charge £1,727.08, 4.9% or £81.04 higher than in Somerset
  - Charging the unitary average would generate an additional £16.7m per annum
  - Charging the same as the highest Council Tax, Nottingham City Council (£2,053) would generate an additional £83.7m per annum.
  - Charging the same as the other Southwest unitary councils would generate an additional:
    - Dorset Council (£1,906 – 15.8% higher) - £53.4m per annum
    - Cornwall Council (£1,803 - 9.5% higher) - £32.2m per annum
    - Wiltshire Council (£1,702 – 3.4% higher) - £11.5m per annum.

### Development of the 2024/25 Budget Options

42. Following the approval of the Financial Strategy in July, services were tasked with identifying service budget options against the following headings:
- **Efficiency Savings** – Savings from LGR (being one council rather than five), changes in demand, innovation & procurement. Specific tasks are:

- Delivering the LGR Business case savings of £18.5m
    - Review of contracts as part of combining the five contracts registers into one
    - Reviewing and challenging demand and inflationary requirements
  
  - **Service levels** – Changing service levels - Gold, Silver, or Bronze standard or stopping the service altogether if it is not statutory as follows:

- Use of benchmarking information to inform the cost of services of comparable unitary councils
    - Consideration of service levels and what discretionary services are provided
  
  - **Alternative Service Delivery** – Providing the same service in a different way e.g., transformation savings, through a partner or VCFSE sector and specifically:

- To transform services as they are joined together maximising the use of digital technology and new ways of working to maximise efficiency
  
  - **Asset Management** – different use of assets, purchase, and disposal of assets as follows:

- Rationalisation of the corporate estate to reduce running costs and generate potential capital receipts or rental income.

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

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

- Review of current capital programme to deal with the impacts of inflation and focus on priority areas
- Reviewing options around the Flexible use of Capital Receipts for appropriately qualifying spend
- Review of Treasury Management activities covering both investment and borrowing activities
- Reviewing the use of reserves to smooth out the MTFP and delivery of savings.

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

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

43. The Council sets its fees and charges on an annual basis. These relate to services where the Council has local discretion over fee setting as well as for fees and charges that are set nationally. At this stage the modelling used makes an assumption that all locally set fees and charges will be increased by a minimum of CPI. Other above inflation increase will be proposed in specific areas where we believe there to be headroom.
44. There are a number of fees and charges that are set by Council on the basis of cost recovery only. We cannot therefore seek to make a profit from these, we can however pass on our increased costs due to inflation and again we have made an assumption that CPI will be applied to these charges. Finally, there are a number of fees and charges that are set nationally. We have no control over these and cannot exceed the charge set. Not all of these are known at this stage, but we have made some assumptions that form part of the modelling.

#### **2024/25 Budget Forecast**

45. Since the update last month there have been range of activities covering the following areas:
- A focus on reducing the in-year overspend by setting up control boards and strengthening placements panels.
  - Putting in place ‘mothballing’ arrangements for council offices in order to reduce in year costs.
  - Identification of a pipeline of future asset disposals.

- Carrying out 22 service challenge sessions with a focus on what actions they are taking in current year to help with the forecast overspend and what new savings options can they put forward.
- A deep dive into the Adults budget and reviewing the demand modelling assumptions using John Jackson, LGA national lead, and Newton Europe.
- Engaging Peopletoo to carry out a deep dive on Children’s Services. Reviewing and updating the demand modelling for children looked after.
- Reviewing and challenging all service pressures and their underlying assumptions.
- Reviewing the current capital programme and bids for new schemes in order to reduce borrow costs.

46. The impact of this activity has seen the budget gap reduce down to £87m.

**Table 1 – 2024/25 Budget Gap – as at 23 November 2023**

<b>MTFP gap</b>	<b>2024.25 £m</b>
Position in October 2023	100.2
Reductions in Pressures	(4.0)
New saving options	(12.0)
Changes in funding	2.4
Changes to Pay	2.5
Changes to Debt Costs	(2.1)
<b>Updated Budget Gap – November 2023</b>	<b>87.0</b>

47. In terms of services and funding this is summarised in **Table 2** below which sets out the 2023/24 budget, the October forecast, the November forecast, changes between the two forecasts and the change between the 2023/24 budget and the latest forecast.

**Table 2 - MTFP Updated – as at November 2023**

<b>2023/24 Budget £m</b>	<b>Latest Position @ Nov 23</b>	<b>Feb 23 Forecast 2024/25 Budget £m</b>	<b>Oct 23 Forecast 2024/25 Budget £m</b>	<b>Nov 23 Forecast 2024/25 Budget £m</b>
187	Adults Services	222	256	251
123	Children & Family Services	129	140	142
35	Community Services	35	40	33
87	Climate & Place	92	91	88
20	Strategy, Workforce & Localities	20	20	20
20	Resources & Corporate Services	22	20	21
1	Public Health	1	1	1
0	Local Government Reorganisation	(8)	(7)	(7)

6	Corporate Contingency	6	6	6
4	Accountable Bodies	4	4	4
	Corporate Areas			
15	- 23/24 & 24/25 Pay award	21	28	31
41	- Debt financing	50	55	53
10	- Other corporate cost	11	11	10
(56)	Special Grants	(65)	(66)	(66)
<b>493</b>	<b>Net Budget Requirement</b>	<b>540</b>	<b>599</b>	<b>587</b>
	<b>Financed by:</b>			
(8)	Revenue Support Grant	(9)	(9)	(9)
(4)	Flexible Use of Capital Receipts			
(122)	Business Rates	(130)	(130)	(132)
6	Business Rates Collection Deficit			
(7)	Council Tax Collection Surplus			
(295)	Council Tax	(307)	(307)	(307)
(40)	Council Tax Adult Social Care	(47)	(47)	(47)
(3)	Council Tax Somerset Rivers Authority	(3)	(3)	(3)
(20)	Earmarked Reserves	(2)	(2)	(2)
<b>(493)</b>	<b>Total Financing</b>	<b>(498)</b>	<b>(498)</b>	<b>(500)</b>
<b>0</b>	<b>Budget (Surplus) / Deficit</b>	<b>42</b>	<b>100</b>	<b>87</b>

48. The Local Government Reorganisation heading includes the staff savings from the LGR Business Case that have been previously agreed with £4m of savings built into the 2024/25 budget and a further £4.4m into the 2025/26 budget. These savings are currently held here but will be allocated against individual services. Included within the Corporate Area is the budget for the 2023/24 national pay award together with the estimate for 2024/25 and these will be allocated out to the individual services.

49. The key and most significant changes relate to:

- Adults – due to demand increases and significant increased placement costs.
- Childrens – increases in external placement costs and SEND transport.
- Corporate - impacts of the 2023/24 national pay award which was budgeted for at 5% and has been agreed at £1,925. It is estimated that this is equivalent to a 6.1% increase and increased interest rates and MRP costs impacting on debt financing costs.

50. **Table 3** provides analysis of the changes between the 2023/24 budget and the draft 2024/25 budget which is currently based on following key assumptions:

- Inflation – No general increases in inflation but use of specified indices within individual contracts.
- Demographic changes – changes built into demand models based upon ONS population forecasts.
- Interest rates – based upon current Bank of England base rates of 5.25%.
- National pay award – The assumption for 2024/25 is currently estimated to be 5%.

- Council tax – An increase of 0.5% in tax base and 2.99% in the council tax charge and a further 2% increase in the adult social care precept.
- Government Grants – Based upon the information provided in the 2023/24 finance settlement. With New Home Bonus remaining at £3.8m, minor increases in Service Grant, Rural Service Delivery Grant and Revenue Support Grant. The major changes are Markets Sustainability & Improvement Fund grant of £2.9m and Social Care Support Grant of £5.7m.
- Business Rates – based upon modelling & forecast to increase by £9.7m.
- Collection fund – no surplus or deficit on the business rates & council tax collections funds have been assumed at this stage. Figures will be calculated in January.

**Table 3 – Summary of changes to budgets**

Service	2023/24 Budget £m	Reversal for once off items £m	Base Budget £m	Finance, Pay & Funding Changes £m	Pressures £m	Savings £m	2024/24 Draft Budget £m
Adults Services	186.6	5.5	192.1	(2.2)	69.6	(8.7)	250.8
Children & Family Services	123.1	(0.7)	122.4	0.0	26.3	(6.3)	142.4
Community Services	35.2	0.0	35.2	0.0	1.5	(3.9)	32.8
Climate & Place	87.1	0.3	87.4	0.0	5.6	(5.1)	87.9
Strategy, Workforce & Localities	20.2	0.0	20.2	(0.3)	0.1	(0.5)	19.5
Resources & Corporate Services	20.5	0.0	20.5	0.0	3.8	(3.4)	20.9
Local Government Reorganisation	0.1	(3.1)	(3.0)	0.0	0.0	(4.0)	(7.0)
Public Health	1.2	0.0	1.2	0.0	0.0	0.0	1.2
Corporate Contingency	6.0	0.0	6.0	0.0	0.0	0.0	6.0
Accountable Bodies	3.7	0.0	3.7	(0.1)	0.0	0.0	3.6
Corporate Areas	66.1	0.0	66.1	26.3	1.4	0.5	94.3
Special Grants	(56.4)	0.0	(56.4)	(9.2)	0.0	0.0	(65.6)
<b>Total</b>	<b>493.4</b>	<b>2.0</b>	<b>495.4</b>	<b>14.5</b>	<b>108.3</b>	<b>(31.4)</b>	<b>586.8</b>

51. To close the projected gap for 2024/25 and ensure we can set a balanced budget there is a need to review the range and scope of the services that are delivered by the Council. The purpose of this section is to set out the areas of search where savings could be made by redesigning how a service is delivered, reducing the level of service offered or, potentially, ceasing the service entirely, subject to appropriate consultation. The key areas of potential savings included within the current forecast include:

- **Efficiency savings:** We will prioritise finding savings through efficiencies before reducing services. This includes reviewing our contracts and use of consultants, reducing the bills associated with managing our estate by reducing the number of buildings we operate, continuing to transform our IT infrastructure so that it reflects best practice and the size of our Council, removing all non-essential mobile phones,



making best use of grants and external funding to reduce revenue costs and reducing staff benefits including long service awards.

- **Elected Councillors and Democratic Function:** Savings could be made by reducing the number of Councillor meetings, reducing the number of Executive Lead Councillors and reducing the budget for training and conferences.
- **Harmonisation of service standards following LGR:** There are several services where there is still inconsistency across the County following Local Government Reorganisation. Currently there are grants paid to Parish Councils in the former Somerset West and Taunton area to maintain footpaths, playing fields and burial grounds. In addition there are several legacy grants, established by previous Councils, that are paid to support community groups. We currently have different approaches in different areas to providing facilities for events and charging for emptying bins. Savings could be made by moving to a consistent approach across Somerset.
- **Increasing fees and charges:** The council provides a diverse range of services and activities, some of which are chargeable. This includes parking, planning fees, harbour fees, registration ceremonies and collection of green waste. It is vital that these charges keep pace with rising costs caused by external influences such as inflation. Where these charges are set locally, we will look to consult with the public on proposals to increase fees to reflect the pressures created by these external factors.
- Changes to how services are delivered:
  - **Adult Services:** Many of these services are demand led with service levels set by statute. However, there is discretion on how the Council delivers some preventative services. To address the financial gap it may be necessary to reduce spend in these interventions. This could lead to additional budget pressures and a detrimental impact on service users. In addition, it is important to ensure that our fees and charges in this service area are reviewed to reflect the costs of the service.
  - **Children's Services:** Costs in Children's services are increasing nationally and often governed by legislation, setting the standards. As with adult social care services, there are discretionary elements where savings could be considered. These include reductions in elements of early help, careers support, how we support independence, educational psychology support and virtual school.
  - **Community Services:** Many of these services are discretionary and as a result Councils can determine the extent to which they support these activities. It is possible to consider reductions to our library services, reductions in the provision of leisure activities, and reduced support to theatres, visitor centres, tourism and heritage services. This could also include the reduction or cessation of CCTV provision and the management of beaches and parks where operated.
  - **Highways and public transport:** Somerset Council carries out a range of proactive and reactive highways maintenance services. Many of these are

mandatory but service levels could be reviewed to reduce costs. These include maintenance of ditches, grips, drains, gullies, grass and hedge cutting, weed treatments, road markings, signs and paths. Other discretionary transport-related services which could be reviewed include active travel, community-based highway safety interventions like school crossing patrols. We could also consider reducing funding for technical studies and partnerships, removing discretionary elements of the concessionary travel scheme, and reducing public bus subsidies, including support to park & ride.

- **Waste Management:** The collection and management of Somerset's waste represents a significant element of the of the Council's budget. While many parts of this service are statutory, savings could be made by reducing the number of household waste recycling centres, reducing the operating hours of the household waste recycling centres and, introducing permits to restrict waste collected at our recycling centres to Somerset residents.

## Finance Settlement

52. The Autumn Statement was delivered on 22 November 2023 with some the key headlines being:

- No further funding increases for local government beyond those that had been previously announced. Additional funding for the NHS and adult social care announced in the Autumn Statement 2022 has been "reaffirmed", as we expected.
- New powers to de-couple the business rates multipliers will be used from 2024-25. As we expected, the small business rates multiplier will be frozen, and the standard multiplier indexed (to 54.6p based on September CPI).
- 75% Retail, Hospitality and Leisure (RHL) discounts will continue for a further year.
- Local authorities will be "fully compensated for the loss of income from these business rates measures".
- Local Housing Allowance (LHA) rates will be raised to the 30% percentile of local market rents from April 2024. No direct impact on local authorities but this should indirectly reduce pressure on temporary accommodation.
- Resource DEL budgets will increase by 1.0% in real terms over the medium term, which imply real-terms cuts for unprotected local government services.
- Chancellor wants to improve productivity in the public sector (by 0.5% per year) and to reduce the size of the civil service (return it to its pre-pandemic levels). He wants a "more productive state not a larger state".
- Long-term freeze in capital investment in the public sector.
- Consolidation of local authority pension funds, with local government funds also required to allocate 10% of investments to private equity.
- National Living Wage will increase to £11.44 for workers 21 years and over (an increase of 9.8%).
- Funding Simplification Doctrine will come into force from January 2024, to simplify the "local government funding landscape, giving councils greater flexibility and freeing up resources for delivery".

53. The Local Government Finance Settlement is due in mid-December 2023 which will provide details of the government grant and council tax referendum limits.

### **The Capital Programme**

54. A revised General Fund Capital Programme and HRA Capital Programme was approved at Council in September 2023. This combined the Capital Programme approved in February 2023 and the slippage of the five legacy Councils with a revised budget of £391.6m set for the General Fund and £122.6m set for the HRA.
55. A review of these schemes has been undertaken with the following list of general fund schemes to be approved by the Executive.
56. In addition to the existing schemes there are a number of new bids put forward for Member approval for 2024/25 and onwards. The bids recommended for approval focus on utilising grants or ringfenced receipts that we hold or are guaranteed for 24/25 onwards.
57. There are a number of schemes that have mixed funding, this might include the use of capital receipts, reserves, or borrowing. These schemes are put forward for Member consideration as they enable the council to meet its statutory requirements or an urgent health and safety need.
58. The proposed schemes from 2024/25, if approved would deliver an additional capital programme value to £120.1m with a spend profile in 2024/25 of £45.0m. Of which the 2024/25 borrowing requirement would be £6.6m
59. There are a number of multi-year proposals that deliver property condition and compliance works. The organisation will be reviewing the number of property assets it retains and as such we would expect to see a reduction on condition and compliance needs in future years. Members are recommended to approve the 2024/25 requests for these schemes on an annual basis. Whilst not approving future years has no impact on the 2024/25 budget it sets an expectation that future bids will be needed and that they should reflect the changes in Council held assets.
60. The General Fund capital schemes requests have now been reviewed and the business cases are being updated accordingly. These will be presented to the Executive in January and will need full Council approval in February 2024.

**Table 3 – New schemes for the Capital Programme**

Type of Bid	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	TOTAL £'m
Fully Funded	36.9	41.2	8.4	8.4	8.4	103.3
Health & Safety	6.5					6.5

Funded through capital receipts	1.5	7.0	1.8			10.3
Save to Earn	0.1					0.1
<b>Total</b>	<b>45.0</b>	<b>48.2</b>	<b>10.2</b>	<b>8.4</b>	<b>8.4</b>	<b>120.2</b>

Funding Type	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m	2028/29 £'m	TOTAL £'m
Grant	36.9	41.2	8.4	8.4	8.4	103.3
Capital Receipts	1.5	7.0	1.8			10.3
Borrowing	6.6					6.6
<b>Total</b>	<b>45.0</b>	<b>48.2</b>	<b>10.2</b>	<b>8.4</b>	<b>8.4</b>	<b>120.2</b>

61. A further bid is anticipated in order to spend the recently awarded levelling up fund for the Tonedale Vision, this will be for £20m and is fully funded by government grant, the service will develop a detailed bid for inclusion in the final report to Full Council.

#### **Asset Disposal**

62. The generation of capital receipts from asset disposals is a key part of the financial strategy. The council has already agreed to the disposal of its commercial property investments and has developed a pipeline of future disposals of surplus assets. Capital receipts from asset disposals can be used to reduce debt, provide funding for transformational activities, fund any capitalisation directions or fund capital schemes.
63. Following on from the Executive decision to approve the disposal of the commercial investment portfolio at its meeting of 8<sup>th</sup> November, the appointment of external agents to support this work is nearly concluded. The Property and Investment Sub Committee will receive a full update report at its meeting on 21<sup>st</sup> December.
64. The Executive also tasked the Asset Management Group to bring forward asset disposals from assets held outside of the commercial investment portfolio, including council office rationalisation proposals, at its meeting of 8<sup>th</sup> November. The Asset Management Group is currently overseeing the disposal of 74 sites that have been declared surplus; 16 further sites have been sold to date during 2023/24. Whilst sales of a number of these sites are subject to planning agreements and options (and may, therefore, not be concluded until 2025/26 or beyond), a total value in the range of £15m-£20m is targeted to be achieved from the current pipeline of approved disposals during 2023/24 and 2024/25.
65. Work to review and rationalise Somerset Council's inherited office estate commenced prior to vesting day, and to date revenue savings in premises running costs totalling £1.4m have been identified and the savings have been factored into the Medium-Term Financial Plan. Funding for a joint project to review the wider public sector office estate in Somerset was secured from the One Public Estate programme in spring 2023, and following a joint

procurement exercise a project to develop a co-location strategy for NHS bodies, Avon and Somerset Police, Somerset Council and other public partners was launched in July. Analysis of existing gross and net operating costs, capital receipts, existing leases, maintenance liabilities and energy efficiency is being undertaken across a wide range of in-scope buildings across a number of public partners, and a number of opportunities for co-location have been identified. A pilot initiative to consolidate and reduce our office footprint at the County Hall and Shape Mendip sites to reduce heating costs over the winter period has been implemented, with two buildings at these sites due to be mothballed for a four month period from 1<sup>st</sup> December.

66. Asset Management Group will continue to identify further options for the rationalisation and disposal of assets with a view to declaring further groups of assets as surplus at its forthcoming meetings in December and January.

### **Reserves**

67. The council has already agreed a transfer between the Earmarked Reserves to General Reserves to bring them up to £49.8m. This is within the range of a minimum of £30m and maximum of £50m agreed by Council when the 2023/24 budget was set in February.
68. There has been review of the Earmarked Reserves from the five predecessor councils to identify reserves that can be repurposed to support to the MTFP and £36.8m has been identified.

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

69. Like many other councils, we are facing an extremely challenging financial position with the cost of delivering services increasing significantly faster than the income we receive. Our Council Plan was clear at the outset that our 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 our services has dramatically increased due to rising energy costs, rising interest rates, rising costs of care, and increasing numbers of people who need our support.
70. We knew that this would mean facing a period of difficult decisions to ensure we can keep supporting those Somerset people in greatest need. The current financial outlook means that we need to significantly accelerate the pace and broaden the scale of our transformation. We need to fundamentally rethink the way we work, the services we deliver, and the capabilities and competences that we will need to run our Council. Incremental changes to discrete parts of our organisation will be too slow and narrow to deliver on what is needed. We need to adopt a radically different way of working as a Council, operating with fewer staff, whilst increasing our influence and impact.
71. Our transition to a single council has identified substantial weaknesses which have been inherited from all five legacy councils. It is clear that some of our organisational approaches, including our cross-organisational responsibility for financial management, have not been good enough. We need to take collective ownership for our organisational priorities,

providing robust leadership throughout the organisation. We also need to challenge how things have always been done and strive for excellence in everything we do. We need to create a supportive environment where employees are encouraged to take thoughtful risks and not be afraid of making mistakes or learning from them.

72. The ambition of the council remains the same – we want the people of Somerset at the heart of everything we do; and we will be a council that will do our best to be there whenever our residents need us. However, we need to be clear that there will be things that we will have to stop doing, and the things that we do continue to deliver will need to be done in a way which is fundamentally different. We will need to continually evolve and innovate to meet the rapidly changing context and challenges we face as a council.
73. Our learning from other councils that have been on the journey before us is that we need to clearly articulate our vision for how the council will develop and transform and agree a set of robust design principles to guide us over the coming years.
74. 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.
75. 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.
76. 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.
77. 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. Our **design principles** that will support the delivery of this vision:
78. **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.
79. **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 less 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.
80. **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.
81. **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
82. **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.

### Department for Levelling Up, Housing & Communities (DLUHC)

83. The Council has been pro-active in writing to DLUHC outlining the financial challenges it faces and as result of this there have been a couple of meetings with them. These meetings have covered the budget overspending in the current financial year as well as the 2024/25 budget gap. They have also helped to explain the context of being a new council and the financial position and issues that it has inherited from the 5 predecessor councils. With the significant budget gap for the coming year, it is recommended that the council formally requests a capitalisation direction from DLUHC in order set a balanced budget for 2024/25.

### Future Years

84. The current focus is very much upon 2024/25 but it is important to look at the Council’s position over the medium term. The figures are based upon current assumption on funding and service costs but will continue to be updated with the latest available information. The current MTFP Forecast for the next three years is:

**Table 4 – MTFP forecast**

	<b>2024/25</b> <b>£’m</b>	<b>2025/26</b> <b>£’m</b>	<b>2026/27</b> <b>£’m</b>
Budget Gap	87.0	27.8	29.4
<b>Annual Gap before additional savings</b>	<b>87.0</b>	<b>114.8</b>	<b>144.2</b>

85. The assumptions for future years are based upon the current council tax referendum limits and government funding in line with the details set out in finance settlement. The underlying assumptions will continue to be reviewed and updated year
86. The annual budget gap increases as costs continue to increase faster than income. This can only be mitigated by ongoing additional savings. If the budget gap is not reduced in 2024/25



and £36.8m of reserves are used as a one-off there will be a requirement for a capitalisation direction of £50.2m.

87. If no additional savings were identified in future years a further capitalisation direction of £114.8m would be required in 2025/26 and £144.2m in 2026/27. Increasing Council Debt over the three years from this source by £309.2m with no additional assets to represent it. Although this scenario is unlikely ongoing interest and MRP on this amount would add approximately £40m pa to the gap identified above.
88. The capitalisation direction may also have to increase as a one-off in 2026/27 if the DSG High Needs Block deficit has to be funded by the Council once the statutory override finishes at 31.03.26, estimated at approximately £100m.
89. The capitalisation of revenue can be funded by asset disposals, although asset values of surplus council accommodation are not significant in Somerset. It will be beneficial to dispose of commercial properties and using the receipts to fund the capitalisation direction, however the MRP (or principal) and interest costs on the borrowing for these assets will remain and the income lost.

### **Budget Consultation & Engagement**

90. The arrangements for consultation and engagement on the budget proposals are:
  - To start the consultation and engagement process with the public, staff, trade unions, and partners on the savings proposals that have been identified to date and council tax increases.
  - Consult the Business sector at events across the county.
  - Consultation with the Corporate & Resources Scrutiny Committee, who have responsibility for scrutiny of the budget, on the draft budget proposals agreed by the Executive at their January 2024 meeting.
  - Audit Committee in January will consider the various accounting strategies and policies such as the Treasury Management Strategy, Capital Strategy, Minimum Revenue Provision (MRP) Policy, Flexible use of Capital Receipts and Non-Treasury Management Investment Strategy.
  - Continue to engage with members through all members monthly briefings and political group meetings.

### **Next Steps & Timetable**

91. The next steps in finalising the budget proposals are:
  - Review of pressures in the lights of the National Living Wage and latest inflation forecast which is expected to reduce to 2 % over the next two years.
  - Review the staffing establishment forecast following the agreement of 2023/24 national pay award and inflation forecasts.
  - Identify further savings options from all services based upon providing a statutory minimum service and making all discretionary services break even.

- Update the Children’s budget with the findings from the Peopletoo deep dive into the service.
- Review of the assumptions around residential dementia beds in the Adult’s budget.
- Further review of fees and charges to identify any options for new charges or further increases.
- Update funding figures for the finance settlement which is expected in December, the 2024/25 council tax base and collection fund figures.
- Review financing costs in the light of capital programme and future interest rate forecasts.
- Continue to review the Earmarked Reserves to identify reserves that can be repurposed to support the budget.
- Further review of the pipeline of asset disposals to identify the level of capital receipts available to support the budget.
- Understand the saving from the workforce transformation programme will be to balance the MTFP (if possible) ensuring that this doesn’t duplicate the saving already identified by services or the LGR business case and identify the implementation costs.
- Start the consultation and engagement process with the public, staff, trade unions, and partners on the savings that have been identified to date and on the workforce transformation programme.
- Formally request a capitalisation direction from DLUHC.
- Review the level of corporate contingency budget which is currently £6m in the light of emerging budget proposals, risks and level of reserves.
- January Executive - review of the updated 2024/25 Revenue Budget proposals and MTFP forecast, Housing Revenue Account and Capital Programme.
- January Audit Committee - review of various accounting strategies and policies such as the Treasury Management Strategy, Capital Strategy, Minimum Revenue Provision (MRP) Policy, Flexible use of Capital Receipts and Non-Treasury Management Investment Strategy.
- January Corporate & Resources Scrutiny Committee - scrutiny review of Executive draft budget proposals.
- February Executive - review of the latest draft budget proposals for the Revenue Budget, Housing Revenue Account and Capital Programme and the consultation feedback and make recommendations to Council on final budget proposals including the level of council tax.
- February Council - Agree the Revenue Budget, Housing Revenue Account and Capital Programme and level of council tax.

## Risk Update

92. The council has two strategic risks associated with its finances being ORG0057 concerning a sustainable MTFP and ORG0070 being the risk of a budget overspend in the current financial year. **Table 5** below sets out the strategic risks and will continue to be reviewed and updated during the budget setting process.

**Table 5 – Strategic Risks associate with the Budget**

JCAD Ref	Risk description	Inherent score		Mitigation	Residual score		Owner
		L	I		L	I	
ORG0057	Sustainable MTFP Cause: High inflation, high interest rates, HRA, capital programme, income not increasing sufficiently Consequence: Issue S114 notice	5	5	<ol style="list-style-type: none"> <li>1. MTFP updated 24/25 to 26/27</li> <li>2. Review of reserves</li> <li>3. MTFP board in place</li> <li>4. Establishment control, procurement and spending boards in place</li> <li>5. Regular budget monitoring</li> <li>6. Review of pressures 24/25</li> <li>7. Bright spark initiative in place</li> </ol>	5	5	Executive Director – Resources & Corporate Services
ORG0070	Budget overspend Cause: Rising interest rates impacts cost of borrowing; labour market (pay rises, recruitment difficulties) Consequence: service changes to reduce spend	5	5	<ol style="list-style-type: none"> <li>1. MTFP updated 24/25 to 26/27</li> <li>2. MTFP board in place</li> <li>3. Oversight boards in place – establishment, procurement and spend</li> <li>4. Regular budget monitoring</li> <li>5. Bright spark initiative in place</li> <li>6. Deep dive children and families</li> </ol>	5	5	Executive Director – Resources & Corporate Services
ORG0068	Workforce – inability to retain and recruit Cause: can't compete with private sector Consequences: Use of agency staff, staff wellbeing	5	5	<ol style="list-style-type: none"> <li>1. Workforce Strategy</li> <li>2. Review of Job Evaluation</li> <li>3. Maximise apprenticeships</li> <li>4. Staff comms and engagement</li> <li>5. Active staff networks</li> </ol>	4	5	Service Director – workforce
ORG0078	Failure to deliver a business case for workforce transformation Cause: unclear council direction, capacity	4	5	<ol style="list-style-type: none"> <li>1. Development of business case</li> <li>2. Consultation with Unions and staff</li> </ol>	3	5	Service Director Workforce

	Consequence: Not being able to determine impacts on budgets for 24/25 and beyond						
ORG0079	The risk that the Government will make further policy changes that affects future funding of social care Cause: Government policy change Consequences: Reduced funding impacting services that can be delivered	4	5	1. Ongoing review of policy announcements relating to social care	3	5	Executive Director – Adult Services
ORG0080	The risk of increasing demand on services and the impact this could have on services and budgets Cause: Cost of living crisis, impacts of high rents Consequence: Longer to provide services, increase budget for statutory services	4	5	1. Regular budget monitoring of service budgets 2. Regular reviews of service performance	3	5	Executive Director for Strategy, Workforce and Localities
ORG0081	The risk that the Government will reduce Local Government funding, impacting the sustainability of the service levels at current levels Cause: Government financial position Consequence: Reduced budgets, reduced service levels and staff	4	5	1. Ongoing discussions with Government 2. Monitoring policy changes for impacts across all service areas	3	5	Executive Director – Resources & Corporate Services

93. These risks will continue to be updated and reported to the Executive as part of the budget setting process.

### Background Papers

94. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council February 2023.

- 95. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023.
- 96. Somerset Council – Financial Sustainability report to October 2023 Audit Committee including Section 151 letter to DLUHC and External Auditor letter on Somerset Council Financial Sustainability.
- 97. Financial Strategy Update report to November 2023 Executive and Corporate & Resources Scrutiny Committee.
- 98. Monthly Budget Monitoring reports to Executive & Corporate & Resources Scrutiny Committee.

**Appendices**

Appendix 1 – Earmarked Reserves

**Report Sign-Off (if appropriate) (internal use only - not for publication)**

	Officer Name	Date Completed

Legal & Governance Implications	David Clark	24/11/2023
Communications	Peter Elliott	27/11/2023
Finance & Procurement	Nicola Hix	27/11/2023
Workforce	Dawn Bettridge	27/11/2023
Asset Management	Oliver Woodhams	Report sent 24/11/2023
Executive Director / Senior Manager	Jason Vaughan	27/11/2023
Strategy & Performance	Alyn Jones	27/11/2023
Executive Lead Member	Cllr Liz Leyshon	24/11/2023
Consulted:		
Local Division Members	All	
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	Report sent 24/11/2023
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	Report sent 24/11/2023

Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Reserve Balance after transfers '£000	Pre-Approved MTFP 23/24 Commitments '£000	New Balance '£000
1	Apprentices	Funding held to cover apprenticeship posts	Dawn Bettridge	338.2	0.0	<b>338.2</b>
2	Ash die back	To fund cost of ash dieback response	David Carter	643.1	0.0	<b>643.1</b>
3	Biodiversity	Ring Fenced funding from DEFRA for development of policy guidance	Kirsty Larkin	83.7	0.0	<b>83.7</b>
4	Blue Anchor Csum 60yr Covenant	Blue Anchor Commuted Sum (60 Year Covenant from 2022)	David Carter	93.9	0.0	<b>93.9</b>
5	Building Local Capacity	Strategic Partnership with Homes to Inspire to set up children's residential homes. This reserve is for the mobilisation and set up costs for Homes and Horizons residential homes, high needs fostering and theraputic education.	Richard Selwyn	1,670.5	0.0	<b>1,670.5</b>
6	Bus Capacity Grant	Government grant given to help towards the development of Enhanced Partnership Schemes	David Carter	143.6	0.0	<b>143.6</b>
7	Bus Service Improvement	Government grant given to improve bus services	David Carter	2,149.2	0.0	<b>2,149.2</b>
8	Business Incubation Space	Ringfenced government funding, plus match funding toward town deal project	Paul Hickson	329.7	0.0	<b>329.7</b>
9	Business Rates Retention - County Wide	For economic development initiatives	Paul Hickson	814.4	0.0	<b>814.4</b>
10	Business Support System (ERP)	To support local government reorganisation new systems	Andy Kennell	3,872.7	0.0	<b>3,872.7</b>
11	Capital	Revenue funds set aside to fund capital projects		5,358.0	0.0	<b>5,358.0</b>
12	Changing Places	Ringfenced grant to provide fully accessible toilets	Paul Hickson	63.5	0.0	<b>63.5</b>
13	Children and Learning Commissioning	Interest on schools balances to be used within education	Ameila Walker	424.5	0.0	<b>424.5</b>
14	Cleaner / Greener Mendip	Part of the programme agreed in autumn 2021	Kirsty Larkin	126.5	0.0	<b>126.5</b>
15	Climate Emergency	Pre-committed climate change costs	Kirsty Larkin	117.6	0.0	<b>117.6</b>
16	Collection Fund (TIG)	Tax Income Guarantee (TIG) cost spread over 3 years to mitigate business rate losses that have also been spread over 3 years	Nicola Hix	1,526.1	0.0	<b>1,526.1</b>
17	Community Development Fund	Funding held for development projects		513.0	0.0	<b>513.0</b>
18	Community Housing Fund		Chris Brown	18.0	0.0	<b>18.0</b>
19	Crewkerne Car Park	Agreed retainment of funds for car park project to safeguard project (previous SSDC decision).	Sarah Dowden	413.0	0.0	<b>413.0</b>
20	Domestic Abuse Statutory Duty	Grant given to fund the Council's statutory duty for domestic abuse	Trudi Grant	78.0	0.0	<b>78.0</b>
21	Economic Development	For economic development initiatives	Paul Hickson	898.6	0.0	<b>898.6</b>
22	Economic Recovery	Funds set aside for economic recovery programmes	Paul Hickson	1,654.6	0.0	<b>1,654.6</b>
23	Elections	Funds set aside to pay for future local elections	David Clark	670.0	0.0	<b>670.0</b>
24	Environmental Impact Funding	Ring Fenced funding from DEFRA for development of Policy guidance	Kirsty Larkin	98.9	0.0	<b>98.9</b>
25	Flexible Homelessness Support Grant	Balance of grant funding	Chris Brown	161.4	0.0	<b>161.4</b>
26	Flood Project - EA		Kirsty Larkin	83.3	0.0	<b>83.3</b>
27	Flood Project - SRA		Kirsty Larkin	35.2	0.0	<b>35.2</b>
28	Garden Village			699.8	0.0	<b>699.8</b>
29	Held for infrastructure developments	Interest on Hinkley Point C s106 monies - to be recycled	Paul Hickson	3,106.1	0.0	<b>3,106.1</b>
30	Homeless Reduction Act	Balance of grant funding	Chris Brown	135.5	0.0	<b>135.5</b>
31	Homelessness	Homeless initiatives	Chris Brown	1,225.1	0.0	<b>1,225.1</b>
32	Homes for Ukraine	Agreed funding for supporting Ukrainian Refugees into the County.	Chris Brown	276.2	0.0	<b>276.2</b>
33	Housing and Homelessness		Chris Brown	593.8	0.0	<b>593.8</b>
34	Housing Enabling Fund		Chris Brown	52.7	0.0	<b>52.7</b>
35	Insurance	Funds set aside for insurance claims made against the council	Nicola Hix	8,558.1	0.0	<b>8,558.1</b>

Number Reference	Somerset Council Reserve	Description of Reserve	Service Director	Reserve Balance after transfers '£000	Pre-Approved MTFP 23/24 Commitments '£000	New Balance '£000
36	Investment Property Risk Reserve	Mitigates budget risk for investment net income volatility	Ollie Woodhams	8,000.0	0.0	<b>8,000.0</b>
37	Kings of Wessex Pool	To fund pool maintenance on annual basis	Liz Dawson	199.8	0.0	<b>199.8</b>
38	Land Charges Rolling Fund			161.2	0.0	<b>161.2</b>
39	LG Cyber Security Fund Grant	Government grant to fund cyber security spend	Andy Kennell	100.0	0.0	<b>100.0</b>
40	Local Government Reform	Funds set aside for costs associated with local government reorganisation		3,161.0	0.0	<b>3,161.0</b>
41	Local Plan Development and Inspection Costs	Fund for preparation of statutory plans for site allocation	Paul Hickson	125.8	0.0	<b>125.8</b>
42	MTFP Support	Funds set aside to support shortfalls in the budget	Nicola Hix	47,754.7	-10,950.0	<b>36,804.7</b>
43	NDR Section 31		Nicola Hix	6,102.2	-6,102.2	<b>0.0</b>
44	NDR Volatility	Potential shortfall in business rates income	Nicola Hix	3,854.9	0.0	<b>3,854.9</b>
45	Neighbourhood Planning Grant	Government grant given to support neighbourhood developments	Chris Brown	62.2	0.0	<b>62.2</b>
46	Other Earmarked Reserves	Various small balances below £50k	Various	151.7	0.0	<b>151.7</b>
47	Parking Services	Surplus parking funds, ringfenced to parking, transport and Highways infrastructure	David Carter	996.8	0.0	<b>996.8</b>
48	Permitting - Traffic	Surplus Streetworks funds, ringfenced to Streetworks rolling fund	David Carter	1,017.8	0.0	<b>1,017.8</b>
49	Phosphate Management Strategy	Government grant from DLUHC for nutrient work	Paul Hickson	135.0	0.0	<b>135.0</b>
50	Planning Performance Agreements		Paul Hickson	181.3	0.0	<b>181.3</b>
51	Port of Bridgwater	Funding held to cover expenditure on the port in Bridgwater	Sarah Dowden	177.1	0.0	<b>177.1</b>
52	Private Finance Initiative (PFI)	Set aside to meet future contract costs of the authorities PFI schools in Bridgwater. The reserve has been put aside by previous years underspends.		9,265.4	0.0	<b>9,265.4</b>
53	Public Health	Ringfenced Public Health Grant funding	Trudi Grant	4,537.7	-1,700.0	<b>2,837.7</b>
54	Regeneration Fund	Fund to support regeneration projects in the local area	Paul Hickson	1,017.0	0.0	<b>1,017.0</b>
55	Rough Sleepers Initiative	Balance of grant funding	Chris Brown	329.6	0.0	<b>329.6</b>
56	Saxonvale	Covers any revenue costs of the site/scheme		150.0	0.0	<b>150.0</b>
57	School Academy Conversions	Held for deficits where schools become academies	Ameila Walker	1,000.0	0.0	<b>1,000.0</b>
58	Service Carry Forwards	Mostly Children's carry forwards agreed in 2022/23	Various	505.4	0.0	<b>505.4</b>
59	Social Care Transformation	Funds set aside for transformation projects for Adults and Childrens Services	Emily Fulbrook/	2,013.1	-1,013.0	<b>1,000.1</b>
60	Somerset Building Control Partnership	3 year rolling reserve for Building control	Paul Hickson	502.5	0.0	<b>502.5</b>
61	Somerset Works (non ESF)	To fund support to young people not in employment or training	Rob Hart	801.2	0.0	<b>801.2</b>
62	Special Expenses Rate (SER)	SER levied on parishes for work done by former Mendip District Council	Nicola Hix	125.6	0.0	<b>125.6</b>
63	Steam Coast Trail	Funds for use on Steam Coast Trail Project	Paul Hickson	134.1	0.0	<b>134.1</b>
64	Strategic Housing Market Area Assessment	A community led housing approach to enable affordable housing delivery within the former Somerset West and Taunton Council area	Chris Brown	457.6	0.0	<b>457.6</b>
65	Supported Bus Service	Department for Transport funding to support service improvements	David Carter	334.6	0.0	<b>334.6</b>
66	Taunton Town Council	Funds set aside for set-up costs of Taunton Town Council	David Clark	67.7	0.0	<b>67.7</b>
67	Tenancy Hardship fund	Balance of ringfenced grant	Chris Brown	53.2	0.0	<b>53.2</b>
68	Ticket Levy Income	Levy on each ticket sold for the Octagon for use on future repairs	Liz Dawson	413.6	0.0	<b>413.6</b>
69	Toneworks Heritage Site	Historic England funding for Heritage Projects	Liz Dawson	435.3	0.0	<b>435.3</b>
70	Total Transport Pilot Fund	Department for Transport Fund for delivery of new or improved schemes	David Carter	52.9	0.0	<b>52.9</b>
71	Trading accounts	Funds held for Dillington House expenditure	Kirsty Larkin	2,976.1	0.0	<b>2,976.1</b>
72	West Somerset Employment Hub	To fund West Somerset Employment hub which helps to support people towards work.		69.5	0.0	<b>69.5</b>
73	Workforce Reserve	To cover lone working devices	Dawn Bettridge	101.5	0.0	<b>101.5</b>
	<b>Total Somerset Council Earmarked Reserves</b>			<b>134,551.3</b>	<b>-19,765.2</b>	<b>114,786.1</b>



Number Reference	Reserves Held on Behalf of Others	Description of Reserve	Service Director	Reserve Balance after transfers '£000	Pre-Approved MTFP 23/24 Commitments '£000	New Balance '£000
74	Somerset Rivers Authority	Funds held on behalf of Somerset Rivers Authority	Kirsty Larkin	5,084.0	0.0	<b>5,084.0</b>
75	Local Enterprise Partnership	Funds held on behalf of the Local Enterprise Partnership	Paul Hickson	4,134.5	0.0	<b>4,134.5</b>
76	Connecting Devon and Somerset	Funds held on behalf of Connecting Devon and Somerset	Paul Hickson	538.9	-135.4	<b>403.5</b>
77	Somerset and South West Mutual Scheme	Funds held on behalf of Somerset and South West Mutual Scheme	Nicola Hix	181.3	0.0	<b>181.3</b>
78	Somerset Association of Primary Headteachers and Officers (SAPHTO)	Funds held on behalf of SAPHTO	Ameila Walker	29.6	0.0	<b>29.6</b>
79	S256 Funding	CCG funding for transforming care	Paul Coles	97,739.3	0.0	<b>97,739.3</b>
80	Local Enterprise Partnership - Governance	Funds held on behalf of the Local Enterprise Partnership	Paul Hickson	58.0	0.0	<b>58.0</b>
81	School's Carry Forward	Funds held on behalf of Schools	Ameila Walker	22,593.7	0.0	<b>22,593.7</b>
82	YWPC Crematorium Reserve	Funds held of behalf of Yeovil Without Parish Council (YWPC)		400.4	0.0	<b>400.4</b>
83	YWPC Replace Cremator Reserve	Funds held of behalf of Yeovil Without Parish Council (YWPC)		62.0	0.0	<b>62.0</b>
84	Cemetery Reserve			231.3	0.0	<b>231.3</b>
85	Dorcas House Funds			464.0	0.0	<b>464.0</b>
86	Chard Regeneration Reserve			34.7	0.0	<b>34.7</b>
87	Internal Capital Loans Reserve			1.0	0.0	<b>1.0</b>
	<b>Total Funds Held on Behalf of Others</b>			<b>131,552.6</b>	<b>-135.4</b>	<b>131,417.2</b>
	<b>Total All Earmarked Reserves</b>			<b>266,103.9</b>	<b>-19,900.6</b>	<b>246,203.3</b>

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Audit Committee  
Meeting Date – 14 December 2023



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## **Review of the Audit Committee Workplan**

Lead Member(s): Cllr Liz Leyson - Deputy Leader of the Council and Lead Member for Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan - Executive Director Resources and Corporate Services

## **Summary / Link to Council Plan**

1. The Audit Committee is a key component of the Council's governance framework. Its purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.

The Committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The Audit Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

2. For good governance to function well, an organisation must encourage and facilitate a high level of robust internal challenge. This will contribute to the financial sustainability of the organisation and evidence the right cultural approach.
3. The workplan details the forward of items currently on the Audit Committee workplan for consideration the period January – May 2024:

25 January 2024

28 March 2024

30 May 2024

## **Recommendations**

4. The Audit Committee are asked to consider:

4.1. the proposed work plan and whether the proposed workplan is adequate and appropriate

4.2. the content of the workplan and make any recommendations for improvement

## **Background Papers**

None.

<b>Audit Committee Work January – May 2024</b>		
<b>Meeting Date</b>	<b>Item</b>	<b>Description</b>
25 <sup>th</sup> January 2024	Internal Audit Progress Report for Somerset Council 2023/24	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified since the last report
	Climate Emergency: Governance Arrangements	Progress report from SWAP to establish the Council's governance arrangements in place to support Climate Change within its Climate Emergency Strategy.
	External Audit Progress Report for Somerset Council 2023/24	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
	External Audit Findings Report and Audit Conclusion for Somerset County Council 2022/23	To consider the external auditor's report on the planned scope and timing of the statutory audit for Somerset County Council 2022/23, and Statements of Accounts for those charged with governance
	External Audit Findings Report and Audit Conclusion for South Somerset District Council 2022/23	To consider the external auditor's report on the planned scope and timing of the statutory audit for South Somerset District Council 2022/23, and Statements of Accounts for those charged with governance
	External Audit Findings Report for Sedgemoor District Council 2022/23	To consider the external auditor's report on the planned scope and timing of the statutory audit for Sedgemoor 2022/23 Statement of Accounts for those charged with governance.

	External Audit Findings Report and Audit Conclusion for Mendip District Council 2022/23	To consider the external auditor's report on the planned scope and timing of the statutory audit for Mendip District Council 2022/23 Statement of Accounts for those charged with governance.
	Strategic Risk Management Update Report	To note the ongoing work to continue to develop the risk management function for Somerset Council since the last meeting
	Medium Term Financial Reports 2024/2025	The review the medium Term Financial Plan Reports for 24/25 including Treasury Management, Non-Treasury Management, Flexible Capital receipts, Capital Strategy, MRP Statement.
<b>28<sup>th</sup> March 2024</b>	Internal Audit Plan and Charter 2024-25	To review and approve the internal audit plan for 2024-25
	Internal Audit Progress Report for Somerset Council 2023/24	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified since the last report
	External Audit Findings Report for Somerset Council 2023/24	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
	Strategic Risk Management Update Report	To note the ongoing work to continue to develop the risk management function for Somerset Council since the last meeting

30 <sup>th</sup> May 2024	Annual Report to Council	To approve the Committee's Annual report to Full Council
	Anti-Money Laundering, Anti-Fraud and Corruption, Anti-Tax Evasion, and Anti-Bribery Policies	To review the Anti-Money Laundering, Anti-Fraud and Corruption, Anti-Tax Evasion, and Anti-Bribery Policies
	Internal Audit Progress Report for Somerset Council 2023/24	Progress report from SWAP on the status of the current Internal Audit Plan, noting any high risks identified since the last report
	External Audit Findings Report for Somerset Council 2023/24	To receive an update on the external audit timetable and audit work undertaken, and any initial findings
	Strategic Risk Management Update Report	To note the ongoing work to continue to develop the risk management function for Somerset Council since the last meeting

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