

Somerset Council

Full Council  
- 26 July 2023



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## **Annual Report of the Executive Lead Member for Finance and Human Resources (to 31<sup>st</sup> March 2023) / Resources and Performance (from 1<sup>st</sup> April 2023)**

Executive Member: Councillor Liz Leyshon – Deputy Leader of Council and Lead Member for Resources and Performance

Local Members and Division: All

Lead Officers: Jason Vaughan – Executive Director – Resources and Corporate Services and Chris Squire – Service Director – Workforce

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### **1. Summary**

**1.1** This report highlights the key activities and achievements of the past year within my areas of responsibility, Finance & HR, to Vesting Day 1<sup>st</sup> April 2023. At Vesting my responsibilities moved to Resources & Performance.

Covid-19 still casts a long shadow on the activities, responsibilities and budget of the Council – Somerset County Council and now Somerset Council. Post-Covid pressures on people of all ages have had impacts on health, budgets and workloads across the whole country, and most of the world.

As well as increased demand on Adults and Children’s Services, the five predecessor Councils all had to deal with recruitment issues in areas such as Social Care, Planning and Legal. The uncertainty for staff in Somerset at the same time as a ‘hot’ labour market nationally added considerably to the challenges.

Having stepped up to support residents, businesses and communities through the lockdowns, implementation of vaccination programmes and distribution of Government grants, those same teams moved straight into the delivery of the One Somerset business case for Somerset.

The year to date continues to be a testing time for officers and members alike. It has been an unusual experience in local government reorganisation with the election having been held before Vesting, giving greater continuity for 2023 but

having created an exceptional workload throughout 2022/23, immediately after the global pandemic, with a new Administration and a new Executive Leadership Team to be appointed. The war in Ukraine and UK fiscal events, including the mini-budget in September 2022, led directly and quickly to much greater rates of inflation, higher interest rates and very significant financial challenges.

Every part of Local Government Reorganisation involved both the finance and human resources teams, across the County Council and all four District Councils. The move to one Council had considerable effect on the budget for 2022/23, as identified in the One Somerset business case, but that was predicted and planned. Inflation rapidly moving to double digits for the first time in decades, plus rapid rise in interest rates was neither expected nor planned.

The budget set in February 2022 was considered by the previous administration to be adequate for the social care services of Adults and Childrens in 2022/23, yet the additional funds were found to be inadequate by Month 3. Increases in energy costs, and a pay award that was more than double that allowed in the budget have contributed to a projected overspend for the year to 31<sup>st</sup> March 2023 in the region of £20million. We are currently awaiting the Statements of Accounts from all five predecessor Councils, some are published, others not yet. Early sight indicates surpluses from the former Districts, deficit from the former SCC.

It was always predicted that Covid-19 and lockdowns would affect District budgets first but that the long tail of the global pandemic would have a much longer lasting impact on the upper tier authorities with social care responsibilities. That prediction was correct.

Due to that effect, the work to set a balanced budget for 2023/24 with both greater pressures and need for savings was considerable and had to be moved at a rate not seen at SCC since 2017/18 financial year.

At the same time officers had to work on the harmonisation of Council Tax and changes in policy, in line with the new Administration. These were agreed at the November 2022 Full Council. Papers from SCC Full Council meetings can be found here:

<https://somerset.moderngov.co.uk/ieListMeetings.aspx?CId=589&Year=0>

The financial pressures on the new Somerset Council are in line with other upper tier authorities in the country, and the savings identified through LGR helped considerably in the budget setting. However, the need to explore fully those savings at such an early stage in the life of the new Council will make the following years more challenging, as we are already experiencing in the summer of 2023.

With Local Government Reorganisation being both made possible by the experienced staff of all five Councils and affecting all the same staff, it was inevitable that the challenge of LGR would put considerable pressure on all

officers – and much of that pressure remains relevant as transition and transformation have commenced and will encompass restructuring of the new Council directorates.

My responsibilities as Lead Member for Human Resources were taken on by Cllr Val Keitch, and now by Cllr Theo Butt Philip. I thank them both for their dedication to the responsibilities, knowing that they share my consideration and care for officers throughout the new Council.

## **2. Key Activities and Achievements**

### **2.1 2023/24 Revenue Budget**

The work on the first budget for Somerset Council brought together the five council budgets. Income and expenditure across the County and four District councils was aligned in order to enable the establishment of a baseline position for 2022/23, on which to base the 2023/24 budget.

Following the approval of the Medium Term Finance Strategy and Plan in July 2022, a Budget Working Group was established with Member representation from all five Councils and the LGR workstream leads. The fortnightly meetings explored every aspect of the present and future position of each Council's financial position: Revenue; Capital; Treasury Management; Commercial Investments.

Further full day meetings were held with all the Leaders, Chief Executives and Section 151 officers of the five Councils to explore in greater depth the combined approach to understanding the challenges of setting a balanced budget.

The resulting balanced budget, approved at Full Council in February 2023, commenced with the baseline position from 2022/23, included the Council Tax Reduction Scheme and Exception Hardship Scheme, and the Non Domestic Rates scheme approved in November 2022 and then combined the following:

- Additional financing requests across all the services of the former County Council, and the four District Councils
- Transformation, income and savings of £40million
- Special Expenses Rate
- Alignment of Fees and Charges
- Capital Strategy 2023 – 26
- Flexible Capital Receipts Strategy
- Existing and new Capital Schemes 2023/24
- Non Treasury Management Investment Strategy (commercial investments)
- Council Tax Setting
- Pay award based on the 2022/23 award as an average percentage

## **2.2 2023/24 Capital Programme**

A significant piece of work was completed in reviewing all the capital programmes of the former District Councils together with the former County Council's ongoing programme.

Officers also brought forward new Capital programmes for consideration, which were accepted or not through use of agreed criteria:

- Fully funded schemes
- Schemes that had health & safety considerations
- Schemes with highest priority

Externally funded Town Investment Plans for Glastonbury & Bridgwater, one Levelling Up Project in Bridgwater, and Future High Street Fund projects form an important part of the Capital Programme, with interdependencies particularly in Bridgwater.

All the capital programme in Somerset, as in the rest of the country, has been affected by inflation which has had a huge impact in the construction industry. Some of the proposed capital programme has been paused, to give time to review and consider Government priorities, and the programme will be further reviewed in 2023 following inevitable slippage and increasing costs.

Further increases in the cost of borrowing, and ensuring the Minimum Revenue Provisions meets our External Auditors' expectations, will further limit the size and scope of the Capital programme for 2024/25.

## **2.3 Revenues and Benefits**

The new Council is responsible for the Revenues and Benefits services that were previously undertaken by the four District councils, all on different systems. These services are critical to residents and businesses of Somerset and will continue on the district area systems while options for the future are explored.

The most critical date for Revs and Bens is October 2025, when the contract between Capita and the former Mendip District Council area of Somerset ends. A new system for all of Somerset must be in place before that date, and preferably before April 2025.

## **2.4 Fees and Charges**

Fees and charges were aligned across the five Councils, with the different approaches of the four Districts brought together on such varied, and essential, items as planning applications, taxi licences, burials, cremations and beach parking.

## **2.5 Reserves**

The reserves of all the five Councils will be combined and reviewed following the publication of all the Statement of Accounts for the 2022/23 financial year.

Government has been particularly interested in the level of reserves, both usable and non-usable, held by local authorities. It should always be noted that many of the earmarked reserves are held for other organisations and so are clearly unusable.

## **2.6 Commercial Investments**

As well as the usual Treasury Management, Somerset Council has a very significant portfolio of investments that are primarily for yield although many also include regeneration projects in Somerset towns. This portfolio review is currently underway, with considerable travel completed as investments are both within and without Somerset. Of course, the future of these investments overlaps with Treasury Management and particularly borrowing.

## **2.7 Housing Revenue Account**

The 2023/24 budget included the Housing Revenue Account for the new Council with housing stock owned and managed by two of the former Districts.

A 30 year Business Plan is part of the requirement of a HRA, bringing further opportunity and additional risk to the new Council. It is always essential to understand that the HRA funds are those of the tenants, not Council funds, and therefore totally separate.

An important decision lies ahead in how Somerset Council will continue with the HRA as we currently have two models including an ALMO (Arms Length Management Organisation) Homes In Sedgemoor.

## **2.8 New Finance System**

The new finance system, Microsoft Dynamics, went live on 1<sup>st</sup> April. The first months have been challenging, with useful comparisons developing as other local authorities have also implemented MSD.

It was always expected that the system would have huge potential for further functions such as payroll, revenues & benefits and many other interfaces as the

transformational work of the new Council proceeds. The implementation of new software also presents an opportunity for cultural change in an organisation.

In order to ensure that suppliers were paid promptly during the first months of the MSD implementation, bank to bank payments were made as well as payments through MSD and the finance team has had to work hard to ensure that all payments are fully recorded so that financial monitoring is accurate. A new Solver software is being implemented and will soon be working fully and creating dashboards for budget monitoring.

## **2.9 Internal Audit**

Throughout the year the Chief Internal Auditor (CIA) role has continued to be held by the South West Audit Partnership (SWAP) on behalf of the Council. Internal Audit will be of particular importance and interest during the first years of the new Somerset Council.

## **2.10 External Audit**

Grant Thornton has been the external auditor for three of the former Districts and the County Council, bringing continuity to the audit position of the new Somerset Council. The former Mendip District Council external auditor is EY. Fees for External Audit are expected to increase considerably for 2024/25 and future years, due to staffing pressures in that sector.

## **2.11 Risk Management, Scrutiny and Budget Monitoring**

Risk management is, and will continue to be, hugely important for Somerset Council. The risk registers from the five Councils have been combined with the LGR risk register and new strategic risks created such as the VCFSE sector funding and our reliance on the voluntary sector to help deliver services across the whole county.

The Audit Committee will take a renewed focus on Risk Management and the upgrade to JCAD software to create a new bespoke Somerset Council risk management system is to be commended.

Scrutiny and overview of Somerset Council's financial position and budget monitoring has moved to the new Resources and Corporate Services Scrutiny Committee together with the HRA and Assets.

Budget monitoring, like Performance monitoring, has been affected by the workload of Vesting Day and implementation of Microsoft Dynamics but continues in the background. Budget monitoring reports for Scrutiny and

Executive will look different in future months as software will generate a dashboard style of reporting with graphs and graphics designed to give clear indication of direction of travel on each part of the budget. Quarterly reports will continue to include further detail on Capital programme as well as revenue budget and reserves.

## **2.12 Finance Team appointments**

The appointment of Jason Vaughan to the role of Executive Director of Resources and Corporate Services role was followed by the appointment of Nicola Hix as Service Director for Finance and Procurement.

Interim working arrangements are in place for the many areas of the Finance Team, including Revs & Bens and Procurement.

My sincere thanks go to every officer of the Finance Teams across all five Councils. They have worked exceptionally hard to achieve a 'safe and legal' Somerset Council at the same time as working on the alignment and savings necessary for 2023/24.

My thanks also go to the Chairs and members of the former Scrutiny Committee for Policies & Place and the Audit Committee for their diligent and exacting work on all the papers that were approved at Full Councils in November 2022 and February 2023.

## **2.13 The Financial Challenge for 2023/24**

The scale of the challenge for the current financial year, and future years, is immense. As demand on our Adults and Childrens Services continues to grow, inflation continues at levels we have not seen for many years, and interest rates continue to rise we will see the scale of our challenge increase too.

At the same time, we are seeing house building restricted by the need for nutrient neutrality and affecting our Council Tax base; household budgets impacted by the cost-of-living crisis; and our need to step up with regard to inward investment to bring forward significant new employment opportunities.

The Medium Term Financial Strategy paper agreed by the Executive this month makes clear the range and scale of the work needed to address the challenge, and how it will encompass every directorate of our new Council.

As an Administration, our resolve and dedication to this huge task is undoubted; we will work together to deliver the best possible future for Somerset within considerable constraints.

## 2.14 Human Resources

The responsibility for Workforce and the chairing of the HR Committee will now be the responsibility of Cllr Theo Butt Philip, so this element of my report is from May 2022 to Vesting Day. The work of the Human Resources team since May 2022 has focussed on the following extensive list of priorities in preparation for Somerset Council:

- People Workstream progress including the appointment of Chief Executive, Executive Directors and Service Directors.
- Organisational Change Principles which underpinned all the work towards LGR
- Employment Policies and alignment across the County and District Council policies
- Culture Workshops across all five Councils
- Pension Policy and Processes
- The Dynamic Working Strategy for Somerset Council
- The Wellbeing Strategy for Somerset Council
- Pay Policy Statement
- Pay negotiations
- TUPE transfer of staff from four District Councils into the new Somerset Council
- Successful merger and integration of 5 payrolls, into the new council
- Common learning management system, greatly enhancing access to learning & development for staff in the new council
- Integration of different recruitment systems onto a single platform
- Procurement of a new top-tier agency, for the supply of temporary staff to Somerset Council

The HR team continued important work across the Council, outside of Local Government Reorganisation. This includes vital programmes of work within our Adults & Children's Services teams, for example, which have seen improvements in areas such as social worker recruitment and retention (including extending our approach to recruiting social workers from overseas), SEND leadership development, service restructuring and partnership working with other organisations including NHS.

Our HR Advisory, Learning & Development, Policy, Equalities, Wellbeing and Payroll teams continue to ensure that the Council remains a great place to work and for people to develop and thrive in their careers.

Our approach to the recruitment of young people into Somerset Council remains of paramount importance to the authority; as well as a core part of our workforce



strategy, this brings social and economic benefits to our County. Our work here has seen the continuation of our successful apprenticeship programmes (we were selected as a Government Top 100 employer in 2022-23 and received several local awards), including apprenticeships for young people with SEND and our degree apprenticeship programmes for Social Workers, and the development of our graduate scheme; these are a crucial part of our strategy to 'grow our own' and to offer our Young People in Somerset a meaningful and solid start to the world of work. Our Early Careers Strategy was recently approved by the Executive; this will also see the development of other initiatives for young people, including work experience, paid internships and T-levels.

I appreciate that Human Resources and Organisational Development officers of all the predecessor Councils, at all grades, have had an extremely demanding workload over the past few years. Their work is hugely appreciated and their exceptional work on the recruitment of Chief Executive, Executive Directors and Service Directors is worthy of special note. Thank you.

## **2.15 Internal, Outside Bodies and Partnerships**

As well as the work of the Finance and HR teams, another important task for Vesting Day was the amalgamation of all the Internal, Outside Bodies and Partnerships for all of Somerset.

Starting with approximately 250 organisations from across the five former councils, Democratic Services and I have worked to amalgamate, confirm or remove Bodies as necessary. The work will continue as we receive confirmation of any changes to responsibilities, and understand where more local representation might be more relevant, e.g. with the formation of Taunton Town Council and the work of the LCNs.

The next step is to survey the organisations and report back to Council. My thanks go to Democratic Services for their work on this complex task.