Somerset County Council – 2022/23 Outturn Report Appendix 1

1. Executive Summary

This report is the final report for the financial year 2022/23 and outlines the outturn position for revenue (including overall delivery on savings, transformation, and additional income plans), capital, and reserves.

a. Revenue Budget

After accounting for all service expenditure and contingencies the final outturn position is £408.0m against a net budget of £383.7m. This gives a £23.4m overspend which represents an unfavourable variance of 6.1%. This variance takes into account the carry forwards outlined in section 6. Overall, there has been a £0.3m adverse movement since the month ten position.

Table 1 provides a summary of budget, projections, and variances on a service-by-service basis with further detail and mitigations that were taken by the responsible director outlined in the body of the report.

The significant variances were:

- Adults Services has a £15.4m adverse variance against their budget (9.6% of service budget); an adverse movement of £3.5m from month ten. The adverse variance mainly relates to an increase in demand within the residential and nursing budget and care home closures.

- Children's Services has a £21.2m adverse variance against their budget (19.8% of service budget); a deterioration of £1.3m from month ten. The deterioration mainly relates to an increased number of children in unregistered care.

- Economic & Community Infrastructure (ECI) has a £3.7m favourable variance against their budget (4.9% of service budget); a strengthening in position of £2.9m from month ten. This underspend is largely due to some project delays and slippage as well as staff vacancies.

- Corporate Costs has a £5.1m favourable variance against budget, a £1.7m increase of the previously reported underspend at month 10. This favourable movement is due to increased special grant income, and investment income being higher than forecast.

- Corporate Contingency has a final remaining balance of £2.8m at outturn.

Of the £5.1m Transformation, Savings, and Income Generation plans approved in February 2022 61% (£3.1m) were achieved and 39% (£2m) were unachieved. A provision was made within the 2022/23 budget to reverse £0.2m of the unachievable savings.

b. Contingencies

At the start of the year a £6.0m budget was approved. Allocations of £3.2m have been made in 2022/23 leaving £2.8m. This has been included within the overall year end position**.**

c. Capital Programme

The capital programme is split between Somerset County Council's programme and Accountable bodies.

The year-end position of the SCC's capital programme saw expenditure of £89.7m against an overall budget of £130.0m, giving an in-year variance of £40.3m. £38.1m of this variance has been reprofiled into future years, with a £2.2m underspend projected.

The Capital Programme for Somerset Council was based on the predicted outturn as at quarter two for all Somerset Authorities. Table 19 outlines the 2022/23 budget with the final expenditure for 2022/23 shown against each project and a request if needed to carry forward some or all of the remaining budget into 2023/24 along with the financing requirement. Detail of the reasons behind the variances can be found within the capital programme section of this report.

The capital programme for Accountable Bodies saw expenditure of £21.5m against an overall budget of £44.1m, giving an in-year variance of £22.6m. The variance has been reprofiled into future years, with an on-budget position currently being forecast.

2. Background

Full Council approved the revenue budget of £378.7m for 2022/23 in February 2022. Budget monitoring is delegated to Executive and Scrutiny and revenue service reports have been presented regularly with a full overview of revenue and capital quarterly. This report outlines the final year-end position of services against the 2022/23 budget of £383.7m (the current budget includes carry forwards and reserve movements) as at the end of March 2023.

Revenue Budget

4. Final Outturn Position

Table 1 shows the final 2022/23 outturn position against the current budget.

2021/22 Outturn Variance £m	Service Area	Original Budget £m	Current Budget £m	Full Year Projection £m	Month 12 Variance £m	A/(F)	Movement From Month 10 £m	Direction From Month 10
(0.2)	Adult Services	159.7	160.7	176.1	15.4	A	3.5	↓
4.2	Children's Services	105.0	107.1	128.3	21.2	A	1.3	↓
0.0	Public Health	1.3	1.3	1.1	(0.2)	(F)	(0.2)	↑
(1.7)	Economic & Community Infrastructure	71.9	75.0	71.3	(3.7)	(F)	(2.9)	↑
2.3	**Direct Services Position**	**337.9**	**344.1**	**376.8**	**32.7**	**A**	**1.7**	↓
(0.2)	Customers, Digital & Workforce	16.9	17.7	17.3	(0.4)	(F)	(0.1)	↑
0.0	Finance and Governance	12.1	14.4	14.3	(0.1)	(F)	0.0	→
0.0	Accountable Bodies	4.3	4.5	4.5	0.0	-	0.0	→
(2.6)	Corporate Costs	1.5	0.2	(4.9)	(5.1)	(F)	(1.7)	↑
0.0	Trading Units	0.0	0.0	0.0	0.0	-	(0.2)	↑
(0.5)	**Total Service Position**	**372.7**	**380.9**	**408.0**	**27.1**	**A**	**(0.3)**	↑
(3.6)	Corporate Contingency	6.0	2.8	0.0	(2.8)	(F)	0.5	↓
(4.1)	**Total after Contingencies**	**378.7**	**383.7**	**408.0**	**24.3**	**A**	**0.2**	↓
0.0	Reserves	(8.3)	(13.3)	(13.3)	0.0	-	0.0	→
0.0	Council Tax	(279.9)	(279.9)	(279.9)	0.0	-	0.0	→
0.0	Business Rates	(84.1)	(84.1)	(85.0)	(0.9)	(F)	0.1	↓
0.0	Revenue Support Grant	(6.4)	(6.4)	(6.4)	0.0	-	0.0	→
(4.1)	**Total Month 12 Position**	**(0.0)**	**(0.0)**	**23.4**	**23.4**	**A**	**0.3**	↓

Arrows show forecast movement from the previous month:

↑ Favourable movement → No movement ↓ Adverse movement

5. Carry Forward Requests

To carry forward funds the following criteria must be met:

- The service must have an underspend greater than the carry forward request.
- There must be an adequate reason why the funds allocated to be spent during 2022/23 have not been utilised.
- The project is not a new project but is a continued priority of something not delivered in 2022/23.
- There must be a definable impact if funds are not carried forward.
- There must be operational capacity to complete the project in 2023/24.

Carry forwards are shown for transparency as they will be held in reserves in the first instance and will be allocated to services in 2023/24. The final outturn position of £23.4m includes carry forwards. If the carry forwards are not approved the overspend would reduce to £22.9m.

Due to the overspend position and new priorities of Somerset Council carry forward requests have been kept to a minimum. These carry forwards relate to grant money, which although there is no obligation to repay if it unspent, are being carried forward to be spent on the projects for which the funds were initially given.

Table 2: Carry Forward Requests

Directorate/ Director	Service	Value Requested £m	Summary
Children's Services/ Claire Winter	Early Help	0.388	Funding for the Data Accelerator Programme was allocated to Somerset during 2022/23. The programme is a collaboration between five local authorities and the Police, with the funds held by Somerset as the lead partner. This grant will be used to support greater partnership information sharing, improving data maturity and the use of analytical products.
	Commissioning	0.065	Funding was received from Government to support homelessness in Children and Young People aged 16+. This will be spent during 2023/24 to fund an intensive support worker and drug & alcohol worker in the Pathways to Independence Youth Homelessness service.
	Commissioning	0.026	Funding received from the Department for Education which will be used to upscale a study relating to foster carers.
Total Requested Carry Forwards		**0.479**	

6. Impact on General Fund Reserves

It is recommended that General Reserves are used to fund the overspend position (£23.4m including £0.5m carry forwards) for 2022/23. Although this will result in the General Reserve being at a sub-optimal level this will be rectified on 1st April 2023 when the district councils' balances are transferred to Somerset Council. A review of reserves will be completed as part of the first budget monitoring report for Somerset Council.

Table 3: Planned use of overspend 2022/23

General Fund Reserves	£m
Balance as at 01/04/2022	(27.1)
2022/23 Overspend	23.4
Balance as at 31/03/2023	**(3.7)**

7. Service Details of year end position

1. Adult Services

- 2022/23 net budget £160.7m, outturn adverse variance £15.4m, adverse movement £3.5m
- 2021/22 net budget £146.2m, outturn favourable variance £0.2m

Table 4: 2022/23 Adult Services as at the end of March 2023 (Month 12)

Service Area		Current Budget	Full Year Projection	Month 12 Variance	A/(F)	Movement From Month 10	Direction From Month 10
Adult Social Care - Physical Disability/Sensory Loss/65 Plus							
	Residential & Nursing	40.2	46.7	6.5	A	(0.2)	↑
	Home Care	24.8	24.5	(0.3)	(F)	0.1	↓
	Direct Payments	10.7	12.1	1.4	A	0.1	↓
	Staffing Costs	10.6	10.8	0.2	A	2.0	↓
	Transport, Daycare & Other	3.0	3.6	0.6	A	0.6	↓
	sub total	**89.3**	**97.7**	**8.4**	**A**	**2.6**	↓
Mental Health							
	Residential & Nursing	11.0	13.4	2.4	A	0.4	↓
	Home Care/Supported Living	4.5	5.4	0.9	A	0.1	↓
	Staffing/Deprivation of Liberty Safeguards	4.6	4.2	(0.4)	(F)	(0.4)	↑
	Direct Payments, Day Care & Other	1.0	1.4	0.4	A	0.0	→
	sub total	**21.1**	**24.4**	**3.3**	**A**	**0.1**	↓
Learning Disabilities							
	Residential & Nursing	20.6	22.6	2.0	A	0.4	↓
	Supported Living/Home Care	25.1	27.3	2.2	A	0.3	↓
	Direct Payments/In Control	9.1	9.5	0.4	A	(0.3)	↑
	Day Care	3.5	5.1	1.6	A	0.1	↓
	Discovery	29.8	27.8	(2.0)	(F)	(0.1)	↑
	Transport, Shared Lives & Other	8.2	8.8	0.6	A	0.1	↓
	sub total	**96.3**	**101.1**	**4.8**	**A**	**0.5**	↓
Commissioning							
	Commissioning	13.1	15.8	2.7	A	3.1	↓
	Better Care Fund	(34.7)	(37.4)	(2.7)	(F)	(2.7)	↑
	LD Pooled Budget Income	(24.4)	(25.5)	(1.1)	(F)	(0.1)	↑
	sub total	**(46.0)**	**(47.1)**	**(1.1)**	**(F)**	**0.3**	↓
Adult Services Total		**160.7**	**176.1**	**15.4**	**A**	**3.5**	↓

Adult Services - key explanations, actions, and mitigating controls

<u>Adult Social Care - Physical Disability/Sensory Loss/65 Plus</u>

Adult Social Care ended this year with an adverse variance of £8.4m. As has been reported throughout the year; more people have been receiving support through Residential and Nursing placements, as well as an increase in home care delivery compared to previous years. This has led to overspends of £6.5m against placements and £1.4m within direct payments.

Within the cost pressure against Residential and Nursing is £1.2m for home closures across Somerset due to difficult financial stability within the current market.

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 funded from the Intermediate Care budget but could have a longer-term impact on the social care budget.

Mental Health

The Mental Health budget continues to be an area of growth for the past few years, and this has continued in 2022/23 with an adverse variance of £3.3m. Residential and nursing continues to be a pressure for the service due to a combination of increasing numbers and high unit costs. This budget includes individuals who have a diagnosis of dementia.

Learning Disabilities

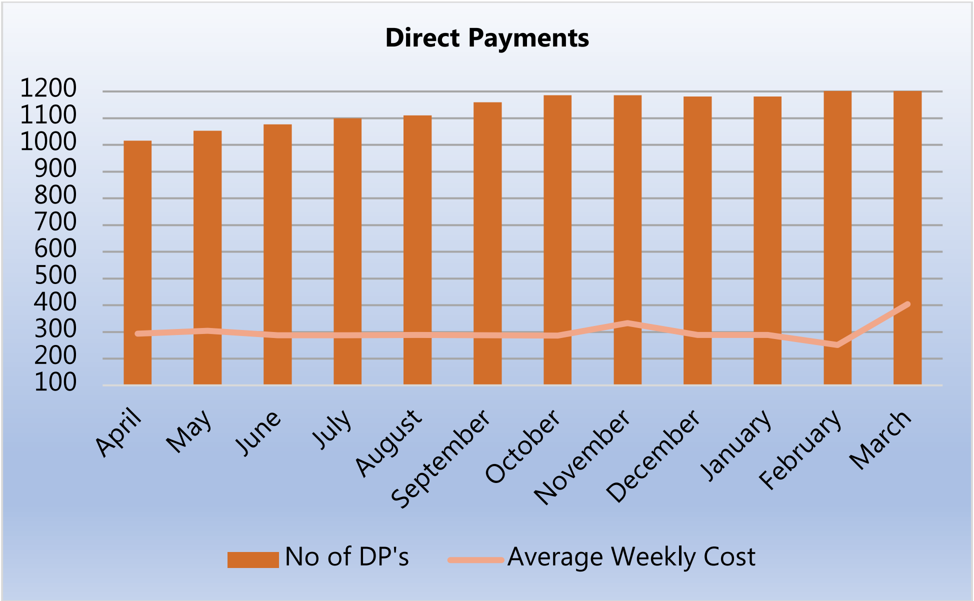
Overall, Learning Disabilities ended the year with an adverse variance of £4.8m. The four main pressure areas continue to be Residential £2m, Supported Living and Homecare £2.2m, and Day Care £1.6m due to market sustainability. Supported Living is in the best interest of people but is an area where unit costs can be high.

As families feel more self-assured of living with Covid they feel more confident of using day services as an option for a carer's break/respite. Consequently, we are seeing increased need and subsequent spend.

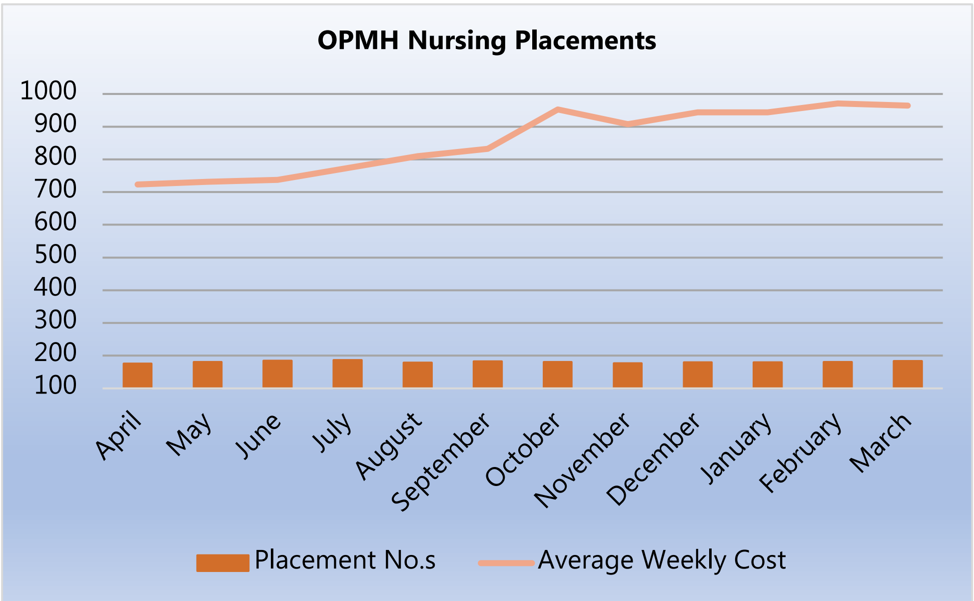
Medium Term Financial Plan (MTFP)

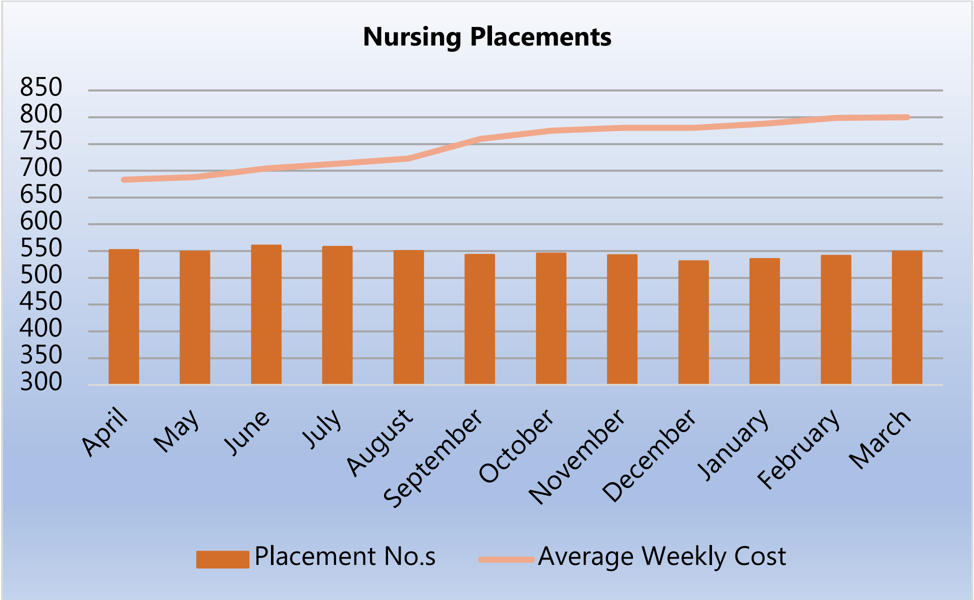
There were £0.6m of MTFP savings to be achieved during 2022/23. Whilst an element of these were achieved for this year £0.1m, due to continued efforts undertaken to deal with current demands it meant savings of £0.5m have not been achieved during this financial year.

Adult Services - key performance cost drivers



Since the beginning of the financial year, we have seen the number of people receiving a Direct Payment increase from 1,106 to 1,247 packages. The current weekly average cost of a Direct Payment is £404 per package, compared to £293 at the beginning of the financial year.





The number of Older People Mental Health (OPMH) Nursing placements has increased by eight placements in this financial year, from 176 to 184. The current weekly average cost for OPMH Nursing is £964 per placement, an increase of £116 during the year.

Nursing placements decreased by three since the beginning of the financial year from 552 to 549. The current weekly average cost for Nursing is £800 per placement, compared to £683 at the beginning of the financial year, an increase of 17%.

Adult Services - key risks, future issues, and opportunities

Adult Social Care (ASC) had £7.2m of one-off money last year, the budget therefore came in underspent. ASC has seen significant additional funding this year, however the inflation uplift, increase in demand post covid and the increased cost of living has resulted in this projection.

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 increase demand, the cost-of-living rise, particularly the increase in petrol, gas, electric, and food. Alongside this our neighbouring authorities, due to lack of supply in their areas, are wanting to purchase additional beds in Somerset at significantly higher cost than we currently purchase these beds.

When we consider the market spend on supporting people to remain independent at home, we need to take into consideration the spend on Home Care and Direct Payments you will see increase in both these areas.

2. Children's Services

- 2022/23 net budget £107.1m, outturn adverse variance £21.2m, adverse movement £1.3m
- 2021/22 net budget £101.8m, outturn adverse variance £4.2m

Table 5: 2022/23 Children's Services as at the end of March 2023 (Month 12)

Service Area		Current Budget £m	Full Year Projection £m	Month 12 Variance £m	A/(F)	Movement From Month 10	Direction From Month 10
Children's Social Care							
	Prevention	5.8	5.9	0.1	A	0.0	→
	Fostering & Permanence	12.9	12.6	(0.3)	(F)	0.2	↓
	External Placements	27.4	42.6	15.2	A	1.3	↓
	Fieldwork	9.1	10.4	1.3	A	(0.4)	↑
	Disabilities	3.6	4.0	0.4	A	(0.1)	↑
	Partnership, Audit & Quality	2.7	2.5	(0.2)	(F)	(0.1)	↑
	Safeguarding	0.0	0.0	0.0	-	0.0	→
	Children Looked After	4.5	5.6	1.1	A	0.2	↓
	Leaving Care	2.1	2.4	0.3	A	0.2	↓
	Residential Homes	2.4	1.8	(0.6)	(F)	(0.1)	↑
	Central	0.6	1.1	0.5	A	0.0	→
	sub total	**71.1**	**88.9**	**17.8**	**A**	**1.2**	↓
Commissioning							
	Commissioning Services	11.2	11.2	0.0	-	0.0	→
	Supporting Families	(0.4)	(0.6)	(0.2)	(F)	(0.2)	↑
	Central	0.6	0.6	0.0	-	0.0	→
	sub total	**11.4**	**11.2**	**(0.2)**	**(F)**	**(0.2)**	↑
Education Partnerships and Skills							
	School Improvement	0.1	0.1	0.0	-	0.0	→
	Education System Development	0.8	0.8	0.0	-	0.0	→
	Early Years	0.5	0.5	0.0	-	0.0	→
	Schools Statutory	0.0	0.0	0.0	-	0.0	→
	sub total	**1.4**	**1.4**	**0.0**	**-**	**0.0**	→
Inclusion							
	Inclusion Services	5.0	4.8	(0.2)	(F)	(0.4)	↑
	Home to School Transport	10.9	12.2	1.3	A	(0.3)	↑
	SEND Transport	6.6	9.1	2.5	A	1.0	↓
	sub total	**22.5**	**26.1**	**3.6**	**A**	**0.3**	↓
Children's Services Total		**106.4**	**127.6**	**21.2**	**A**	**1.3**	↓

Children's Services - key explanations, actions, and mitigating controls

Children’s Social Care

Children’s Social Care services have an adverse outturn variance of £17.8m. Much of this pressure is seen in the external placements budget (for children looked after) with an adverse position of £15.2m.

At the end of March 2023 there were 572 children in care (573 in month 10). This equates to a rate per 10,000 of 52.3 (51.5 in month 10). Of these 572 children, 46 were unaccompanied asylum seeker children (UASC) compared to 47 at month 10 and 8 at the same time last year. The rate for Somerset's statistical neighbours is 69.1 and the England average is 69.9. Somerset has a consistently low rate of children in care largely due to the effective early intervention and community services which work to keep children with their families whenever it is safe to do so.

<u>External Placements:</u>
The net pressure for external placements for last financial year (2021/22) was £1.6m which included £3.3m of one-off Covid funding to mitigate the overall pressure. The highest areas of spend are in residential and unregistered sectors, with the greatest pressure on this year's budget being the unregistered placements, which were not forecast at the time we set the 2022/23 budget this time last year.

There are currently 77 children (as at the end of March) in residential care (compared to 74 at the same point last financial year). The net cost of residential care this financial year is £10.5m compared to £13.2m at the same point last year. The main reason for the change between financial years is the increased contributions from the NHS and DSG. The impact of the pandemic has been that children entering the care system have had more complex needs and therefore their care needs are higher costs in their own right. The Medium-Term Financial Plan (MTFP) had already taken account of likely increases in residential care and these costs are approximately in line with our assumptions.

Most of the pressure we are seeing in this year's budget relates to the cost of 15 children who have been in unregistered care at various points during the financial year (compared to 13 up to the same point in the last financial year), with a net position of £11.6m. These children have such complex needs predominately in relation to self-harm and complex mental health presentations that no registered provider locally, regionally, or nationally, have offered to provide care despite often daily requests. 8 of these children receive partner contributions from the NHS and DSG, with the total NHS contribution projected at £3.5m and DSG of £0.5m (already included in the net projection of £11.6m).

These are national issues which have been highlighted by independent reports commissioned by central Government and published in 2022, from the Competition and Markets Authority and The Care Review.

Our strategic partnership with The Shaw Trust is mobilising well with the first two children's homes having opened in February 2023 and Homes 3 and 4 opening by April/May 2023. Cost avoidance of £0.5m for 2022/23 has been calculated based on the first 2 young people moving into homes 1 and 2.

Partnership funding is regularly agreed to offset costs of more complex children, as part of the Multi-Agency Complex Care Needs Panel (MACCNP). The total income from all partners (which includes the NHS, DSG High Needs Block and other Government grants specifically relating to UASC) is £13.9m in 2022/23 (this includes £3.5m of NHS income and £0.5m of DSG for the unregistered children already mentioned above).

The service continues to work with individual children and their families to identify the best long-term home for them. Our Step Forward scheme helps children living in residential care to move to a foster home where this is in their best interest and a suitable foster home is available. This scheme also reduces costs within the external placements budget.

The other areas of unanticipated pressure are:

- semi-independent placements for 16–17-year-olds (£3.2m pressure); and
- the extension of timescales for care placements during care proceedings due to backlogs in the Family Proceedings Court (£0.6m pressure).

Fieldwork:

Several support packages have been in place across the county to provide 24/7 support to families at home, reducing the need for children to come into care. This has resulted in a pressure of £1.3m. Court delays have extended the period of support; however current costs will be less than if those individuals were brought into care.

Children Looked After

Additional costs relating to preadoption support as a result of court delays within the CLA budget have contributed to an overspend of £0.7m.

Transport costs across Children's Social Care for families and children looked after has an overspend of £0.4m. This is mainly due to the increased reliance on external providers since the COVID-19 pandemic, following a reduction in the availability of volunteer drivers (50% in 2018/19 compared to 17% in 2022/23). The current national cost of living crisis will also be contributing to these pressures, with providers raising costs to cover the increase in wages. The increased complexity of children coming into care, as mentioned above, is also resulting in the reduction of suitable volunteer drivers, with many children requiring specialist assistants to accompany along the route.

Commissioning and Early Help

Funding of £0.4m for the Data Accelerator Programme, a collaboration between five local authorities and the Police, is being held by Somerset as the lead partner and will be requested as a carry forward into 2023/24. This grant will be used as a national leading pilot to support greater partnership information sharing, improving data maturity and the use of analytical products.

Earmarked funds of £0.2m within the Supporting Families grant is to support the Team Around the School element of the Family Connections model in 2023/24 and will be requested as a carry forward for the investment in early help transformation.

Inclusion

Home To School Transport

The cost of transporting children and young people to their place of education continued to be an area of pressure in 2022/23 with a total adverse outturn variance of £3.8m across Home to School and Special Educational Needs and Disability (SEND) transport.

Contractual inflation of 5% was built into the 2022/23 budget, however, following rising fuel costs, driver hourly rates and other related costs, some contracts have been retendered at significantly higher contract rates.

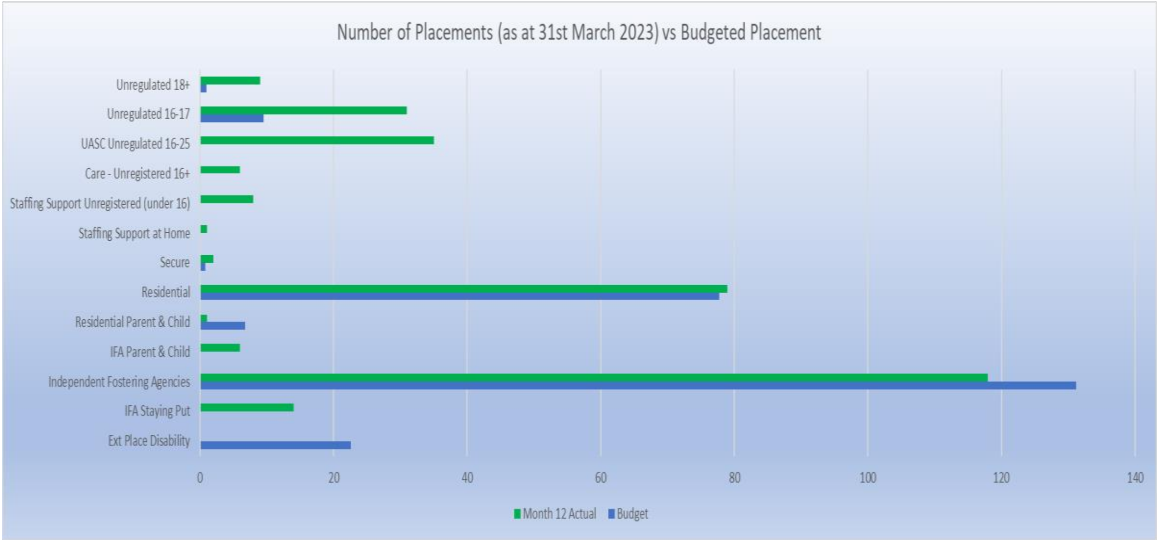
In addition, the increase in the number of children and young people with Education, Health, and Care Plans (EHCPs) who require transport has contributed to the overspend.

The service has robust cost control policies in place that only provide the basic statutory transport entitlement. Following an internal audit of Home to School Transport, a programme of work is underway to address the findings and improve assurance around the practices and commissioning of transport. A consultancy, Edge Public Solutions, has recently been engaged jointly by ECI and Children's Services, to review home to school transport policy and practice with the aim of both reducing costs and improving journey predictability.

Inclusion Services

The favourable outturn variance in Inclusion Services of £0.2m has arisen from an underspend in the Educational Psychology service where it has proven extremely challenging to recruit sufficient staff during 2022/23.

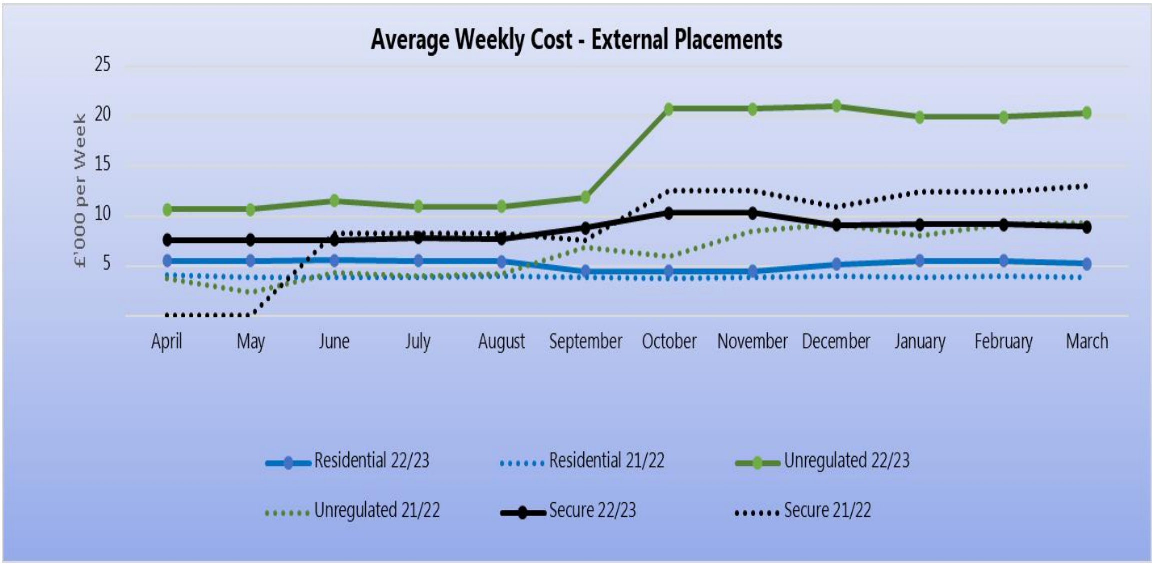
Children's Services - key performance cost drivers



Most of the external placements are in Independent Fostering Agencies (118), Residential (79), Semi-Independent 16/17 (31) and IFA Staying Put (14).

The current level of demand is 66 more than was built into the budget for the year, the most obvious variance being in Semi-Independent 16-17 (21 more than assumed).

The number of placement days projected to be provided for the year is higher than at any point in 2021/22, currently at 112,542. Demand is 29.4% higher than the level estimated in the budget. This is largely due to longer than expected parent and child assessment placements and fostering and residential placements, for children in care proceedings due to a backlog in the family court system.



Average weekly costs across external placements remain high – see narrative above for details.

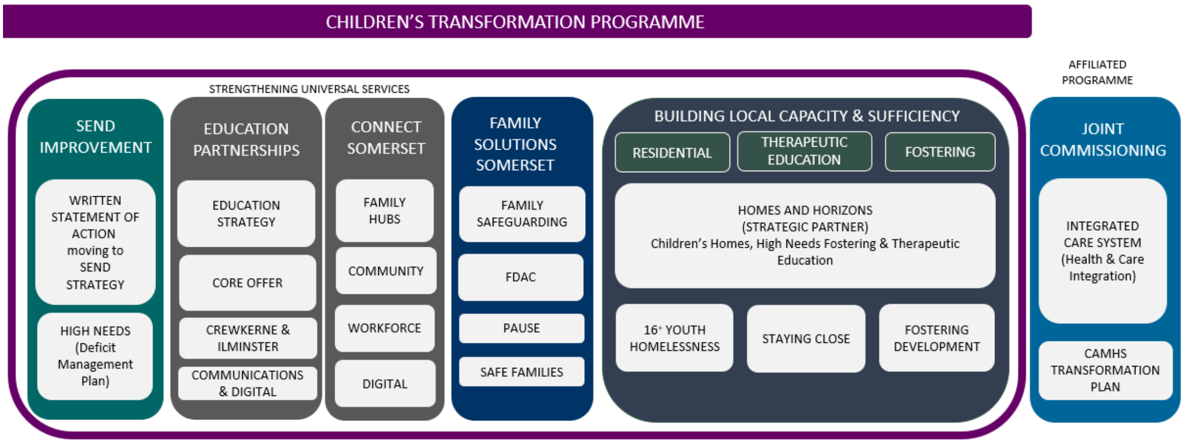
Demand for Children's Services, especially those with complex needs, has significantly increased over the last two years. This volume is now starting to level off, although not reduce, with a sustained level of complexity of need. There remain increased levels of poverty amongst Somerset families, high levels of poor emotional and mental health for children, and continuing child criminal exploitation issues. The corporate performance report demonstrates the continued demand on early help services.

Compared to other local authorities, nationally, regionally and amongst our statistical neighbours, overall need for social work intervention and care placements are significantly lower, due in part to the Council's investment in Family Safeguarding and the Family Intervention Service (SCCs Early Help Service) as part of the service's model of preventative and proportionate intervention.

However, the increasing number of children with complex needs is putting a significant capacity and resource strain on the service. This is due in part to increased and multiplying needs but also the impact of national and local issues.

- Regulations which came into force in Autumn 2021 prohibiting the use of unregulated (i.e., not registered with Ofsted) provision for under 16s – this had unintended (but predictable) consequences of putting even more pressure on an already saturated residential care market.
- Insufficient secure accommodation in both the residential and mental health sector for children, which supports children to recover.
- Staffing – longstanding recruitment and retention issues in the residential and early help sectors have further deteriorated post pandemic. The availability of qualified social workers if becoming an issue nationally as fewer people want to join the profession.

The Children's Transformation Programme continues at pace; working with families to deliver sustainable change, enabling them to reduce reliance on statutory services and to achieve excellent outcomes.



Building Local Capacity & Sufficiency

- Homes and Horizons:
    - The first two children's homes opened in January/February 2023 with Homes three and four opening in May 2023. £1.85m capital funding has been secured from the DfE for the next wave of homes.
    - Development of the High Needs Fostering Service continues to progress well with the first four carer households due to be approved in June/July 2023
    - Discussions are continuing with the DfE around the delivery model for therapeutic education. The go live date has moved back to January 2024, as DfE Regions colleagues adapt their processes to a new way of working.
- 16+ Homelessness – the new tender is now out with providers and includes commitment from Housing colleagues to support for vulnerable non- care experienced young people aged 18 to 25.

Education Partnerships

The redesign of Education, Partnership & Skills is now complete with the majority of posts filled.

The new Education for Life Strategy was launched during March 2023 and work continues to implement the 'LA Maintained Core Offer' following Executive approval of the Full Business Case in December.

SEND Improvement

The revisit inspection for the Somerset Written Statement of Action closed on 1st December 2022. Inspectors judged that the area had made sufficient progress in addressing seven of the nine areas of significant weakness. An accelerated progress plan that will address the remaining two areas of significant weakness, will be monitored by the DfE. SEND improvement governance has been reviewed and updated to align with the end of the written statement of action, SEND revisit, ICS, and new SEND strategy.

The Inclusion service has restructured over the last quarter. Following on from this, new strategic managers are working to develop to a new operating model, enabling improved integration for the service and for families.

The Deficit Management Plan has been superseded by the DfE commissioned "Delivering Better Value" (DBV) programme. Our application for a £1m DBV grant was successful. This will support an 18-month transformation programme to mitigate increasing cost pressures on high needs expenditure.

Emerging Programmes of Work

- Somerset Connect (Early Help) - work is progressing to develop a model to support families in communities and thus reduce statutory demand with the detailed implementation plan in line with wider County-wide initiatives.
- Staying Close - continued early scoping work in collaboration with CAMHS for the provision of our 'Staying Close' model (for young people leaving care who need additional support), supported by £1.4m of DfE revenue funding.

Diagnostic Work

- Work has recently commenced with Impower to help us better understand the high cost and overspend in external placements with recommendations for potential future savings by increasing the number of children that step down from residential to foster care and increasing capacity in our in-house foster provision.
- Work with Edge Public Solutions who have been commissioned to assess education transport costs and any transformation that can be undertaken to inform school transport planning and costs going forward, is nearing completion.

3. Dedicated Schools Grant (DSG)

- 2022/23 total revised DSG allocation is £468.0m before recoupment and deductions.
- 2022/23 allocation after recoupment and deductions, and excluding individual school budgets, is £104.0m, outturn adverse variance £3.3m (Table 6).
- 2021/22 allocation after recoupment and deductions, and excluding individual school budgets, was £93.4m, outturn adverse variance £4.3m.
- DSG cumulative deficit as at 31 March 2023 was £23.4m (31 March 2022: £20.1m)

Table 6: 2022/23 Revised DSG Allocation

DSG Block	Allocation (before recoupment and deductions)	Recoupment and Deductions (Academy)	Allocation (after recoupment and deductions)
High Needs Block (HNB)	76.3	8.8	67.5
Central School Services Block (CSSB	5.6	0.0	5.6
Early Years (EYB)	29.1	0.0	29.1
Schools Block (SB) *	357.0	233.3	123.7
Total DSG	**468.0**	**242.1**	**225.9**

* The Schools Block allocation after recoupment and deductions is £123.7m which is then delegated to Local Authority (LA) maintained individual school budgets and to the growth fund for new and growing schools. £1.8m is then de-delegated back to the LA for services that are delivered by the LA to our LA Maintained Schools – this can be seen in Table 6.

Table 7: 2022/23 DSG as at the end of March 2023 (Month 12)

DSG Block	Current Budget (£m)	Full Year Outturn (£m)	Outturn variance (£m)	A/(F)	Movement from Month 10	Direction from Month 10
High Needs Block (HNB)	67.5	71.4	3.9	A	(1.3)	↑
Central Schools Block (CSB)	5.6	5.4	(0.2)	(F)	(0.1)	↑
Early Years (EYB)	29.1	28.6	(0.5)	(F)	(0.7)	↑
De-delegated	1.8	1.9	0.1	A	0.0	→
Total	**104.0**	**107.3**	**3.3**	**A**	**(2.2)**	↑

DSG - key explanations, actions, and mitigating controls

The main areas contributing to the £3.9m adverse variance in the High Needs Block are:

1. Independent & Non-Maintained Schools (INMS) (£2.2m adverse variance) The effect of the significant increase in new INMS placements agreed through the LA's Placement and Travel Panel or ordered by the SEND Tribunal continued throughout 2022/23. In part, this has been due to insufficient availability of maintained specialist provision for pupils with social, emotional, and mental health needs.
2. Children Looked After (CLA) (£1.7m adverse variance)
   The adverse variance in the High Needs Block contribution to the costs of placements for CLA is directly linked to the 17% increase in the number of relevant CLA during 2022/23 and the increase of 11% in the average High Needs Block placement contribution.
3. Mainstream Maintained Schools & Academies (£1.1m adverse variance)
   Increases in the number and cost of new and extended Education, Health, and Care Plans (EHCPs) and related costed packages was not anticipated within the budget. The service continuously reviews such packages to limit the overspend.
4. Direct Payments (£0.3m adverse variance)
   An increase in the number of Direct Payment recipients in the second half of 2021/22 was not incorporated into the budget for 2022/23 because it was assumed that the increase was temporary. This has not been the case and numbers have remained higher than expected throughout 2022/23.
5. Pupil Referral Units (£0.7m adverse variance)
   The outturn reflects the lower than anticipated level of income received from schools which has resulted from a high number of exclusions and corresponding reduction in the number of places available for recharge to schools.

The £0.5m favourable outturn variance in Early Years has arisen because the payments for hours provided for 3-4-year-olds has been significantly lower than budgeted. The Early Years final adjustment for 2022/23 will only be known in July 2023 when the annual reconciliation process is completed.

DSG - key risks, future issues, and opportunities

There has been a longstanding in-year deficit for the DSG High Needs Block. The size of the in-year deficit has reduced in absolute and relative terms in 2020/21 and 2021/22 – a trend that continued in 2022/23. However, the result of the ongoing cumulative overspend was an overall DSG deficit of £23.4m at the end of the 2022/23 financial year.

There have been two key programmes of work to address this challenge. The specialist capital programme has been a four-year programme of work, supported by investment from the Council, 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.

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 we worked with Newton Consulting 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 £1.05m benefit by the end of 2024/25, and a cumulative benefit of £7.93m by the end of 2027/28. However, based on Newton's model, it is still expected that the cumulative deficit will continue to grow each year, unless there were to be significant changes to SEND policy or funding at a national level. Newton have reported that in each of the local authorities they have worked with, they are projecting that deficits will continue to grow, so Somerset is in line with other areas in this respect.

The service has identified three key risks:

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

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 4.0%, is now just above the national average of 3.9% (2021/22 figures). Increasing numbers of EHC plans is resulting in a gradual movement of children from mainstream settings into specialist settings, with demand for places exceeding the growth in specialist provision. There is further work to implement a £10.1m programme of capital investment, as well as a bid for another special free school to address the sufficiency challenge, in addition to improving interventions and support at an early stage to prevent the need for so many EHC plans.

2. 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 until September 2024. These issues result in SEMH needs being met by higher cost INMS providers.

3. Proposed removal of the statutory override for DSG deficits

In 2020, the Department for Levelling Up, Housing and Communities (DLUHC) introduced a statutory override that separated DSG deficits from local authorities' wider finances. This statutory override was due to conclude at the end of the 2022-23 financial year but has now been extended for a further three years and it is proposed that this will now cease at the end of the 2025-26 financial year.

4. Public Health

- 2022/23 net budget £1.3m, outturn favourable variance £0.2m, favourable movement £0.2m
- 2021/22 net budget £1.4m, no variance at outturn

Table 8: 2022/23 Public Health as at the end of March 2023 (Month 12)

Service Area	Current Budget £m	Full Year Projection £m	Month 12 Variance £m	A/(F)	Movement From Month 10	Direction From Month 10
Public Health Grant	21.9	21.9	0.0	-	0.0	
S.C.C Budget	1.3	1.1	(0.2)	(F)	(0.2)	
Grant Income	(21.9)	(21.9)	0.0	-	0.0	
Public Health Total	**1.3**	**1.1**	**(0.2)**	**(F)**	**(0.2)**	

Public Health - key explanations, actions, and mitigating controls

The Public Health budget finished the year on budget for the public health grant with a small underspend against the LA budget from within volunteering services.

There were £0.1m of MTFP savings to be achieved during 2022/23, which were all achieved.

Public Health - key risks, future issues, and opportunities

There are ongoing significant pressures on this budget due to contract and pay inflationary increases. 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.

There is a systemic underfunding of public health in Somerset. The Public Health Grant is significantly below the national average being 141st out of 152 local authorities nationally. The grant would increase by £13.2m if it was funded in line with the average local authority in England.

5. **Economic & Community Infrastructure**

- 2022/23 net budget £75.0m, outturn favourable variance £3.7m, favourable movement £2.9m
- 2021/22 net budget £76.6m, outturn favourable variance £1.7m

Table 9: 2022/23 Economic & Community Infrastructure as at the end of March 2023 (Month 12)

Service Area	Current Budget £m	Full Year Projection £m	Month 12 Variance £m	A/(F)	Movement From Month 10	Direction From Month 10
Economy & Planning	2.5	2.1	(0.4)	(F)	(0.4)	↑
Highways & Transport Commissioning	1.9	2.1	0.2	A	0.1	↓
Community Infrastructure Commissioning	1.2	0.9	(0.3)	(F)	(0.1)	↑
Civil Contingencies	(0.4)	(0.5)	(0.1)	(F)	(0.1)	↑
ECI Management	0.4	0.4	0.0	-	0.0	→
Transporting Somerset	9.3	9.1	(0.2)	(F)	0.0	→
Registration Service	(0.1)	(0.4)	(0.3)	(F)	(0.1)	↑
Library Service	4.4	3.8	(0.6)	(F)	(0.6)	↑
Infrastructure Programme Group	0.4	0.4	0.0	-	(0.1)	↑
Highway Operations	13.0	14.6	1.6	A	0.2	↓
Business Support	0.9	0.8	(0.1)	(F)	0.0	→
Heritage Service	1.6	1.6	0.0	-	0.0	→
Traffic Management	1.4	1.0	(0.4)	(F)	0.2	↓
Somerset Waste Partnership	31.9	29.0	(2.9)	(F)	(1.6)	↑
SCC Waste	0.1	0.0	(0.1)	(F)	(0.1)	↑
Strategic Property	6.4	6.3	(0.1)	(F)	(0.3)	↑
Commissioning Development	0.1	0.1	0.0	-	0.0	→
Economic & Community Infrastructure Total	**75.0**	**71.3**	**(3.7)**	**(F)**	**(2.9)**	↑

Economic & Community Infrastructure - key explanations, actions, and mitigating controls.

Economic & Community Infrastructure had a favourable variance of £3.7m at outturn, the main reasons for the underspend can be explained as per the below:

Recharging of staff time within Economy and Planning was higher than anticipated, allowing £0.3m of cost to be transferred to capital schemes for the Business Performance team. Throughout the year the Planning team had a number of staff vacancies which accounted for an underspend of £0.1m. This gave the service a total favourable variance of £0.4m at outturn.

Reduced and postponed climate activities lead to an underspend of £0.3m with in Community Infrastructure, Commissioning and Commissioning development.

Staff vacancies and higher than anticipated income received with in Transporting Somerset meant that at outturn a favourable variance of £0.2m was recorded against the budget.

Registration Services have received more than anticipated income throughout the year, and this has provided a favourable variance of £0.3m at outturn.

The library service has a favourable variance of £0.6m at outturn. This is due to expenditure on stock, supplies and services being lower than anticipated throughout the year.

Traffic Management held a number of vacancies throughout 2022/23, this alongside higher than anticipated income in NRSWA provided a favourable variance of £0.4m at outturn.

It was anticipated that during 2022/23 the Recycle More projects would break even and achieve a part year saving. However, breakeven happened much earlier than anticipated and was achieved in 2021/22 which brought larger savings than anticipated, this provided an underspend of £1.3m at outturn. In addition to these savings a further £0.6m was achieved from 20% of materials income not being recognised in the accounts after it was agreed that a risk reserve in relation to fluctuating recycling income would be managed from the general reserve. Similarly, £1m risk contingency had been held due to a number of commercial risks. This has been released as the criteria for a formal reserve has not been met, though it is acknowledged by the s151 officer that the risks are ongoing and may materialise in 2023/24.

Highways reported an adverse variance of £1.6m at outturn. Additional costs within the service were due to a number of factors and can be explained as follows:

- Compensation events due to legislation changes - £0.3m additional costs
- Increase in energy costs - £0.3m additional cost.
- Increase in Safety Defects - £0.9m additional costs.
- Increase in Salt usage due to adverse weather - £0.3m additional costs.
- Emergency works undertaken due to adverse weather - £0.1m additional costs.

The above costs were offset slightly by the service holding vacancies across the service, receiving a rebate payment and higher than anticipated income. This provided a reduction in the overall overspend of £0.4m.

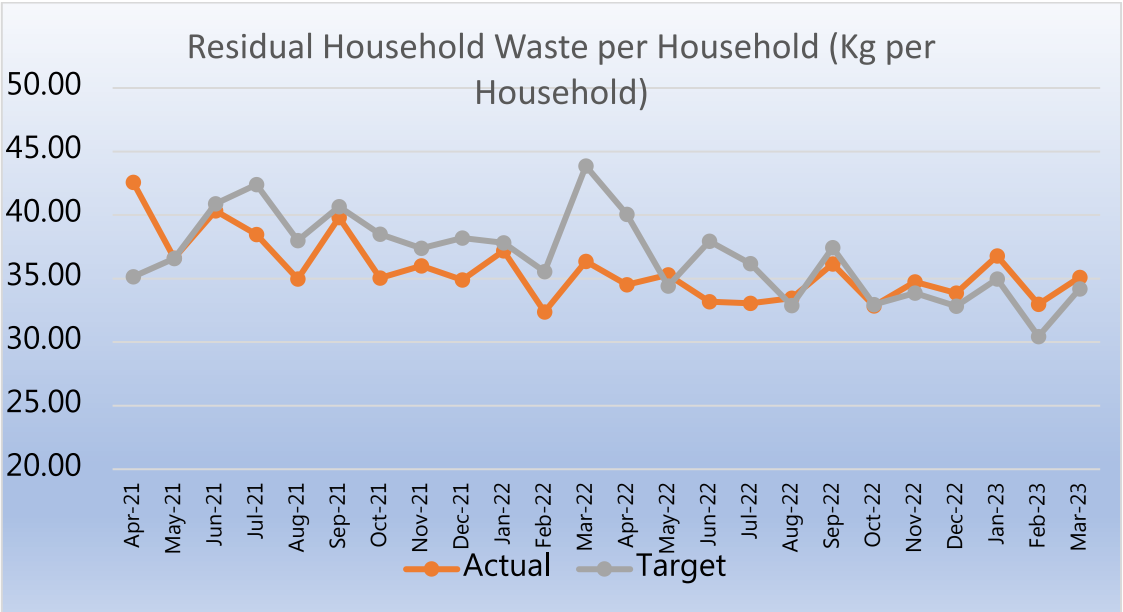
During 2022/23 Economic and Community infrastructure had MTFP savings totalling £1.2m. Most savings were achieved in year and pose no risk to the service. However, it is important to note that one of the savings was only achieved in part due to rental income not being as high as anticipated, a further saving was not achieved at all and was covered by the overall underspend within the service. This saving related to The Saltlands Energy Park, which is currently at risk. It is possible that this saving will no longer be achievable in future years.

Economic & Community Infrastructure - key performance cost drivers

Waste

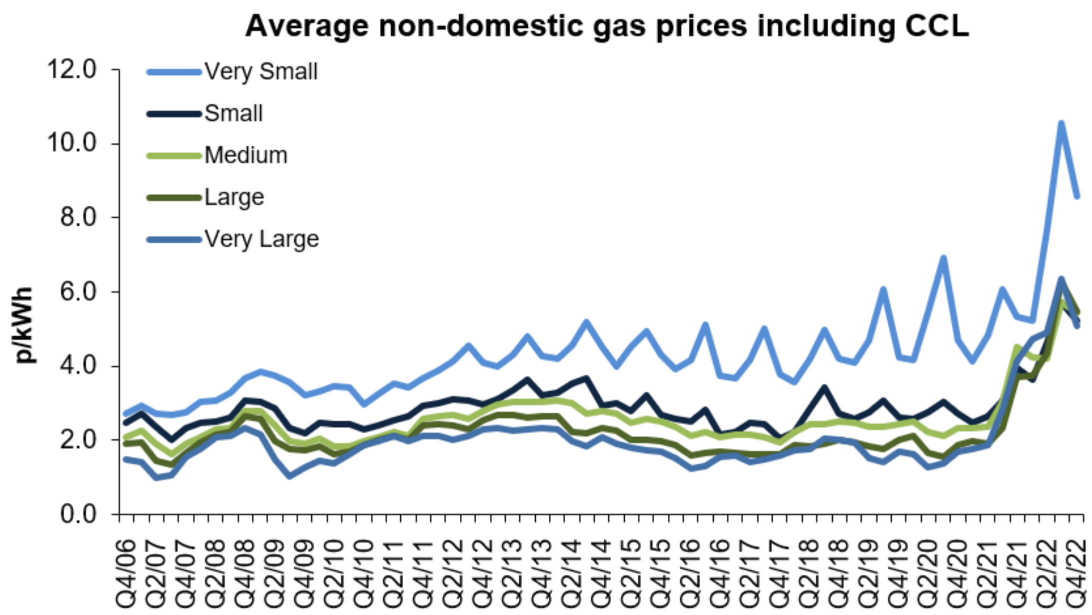
The graph below shows residual household waste (kg per household), with the target trend calculated using a formula based on the results for the previous year. With all Districts now on Recycle More 3-weekly refuse collections, the positive results can be seen, with residual waste continuing to fall.

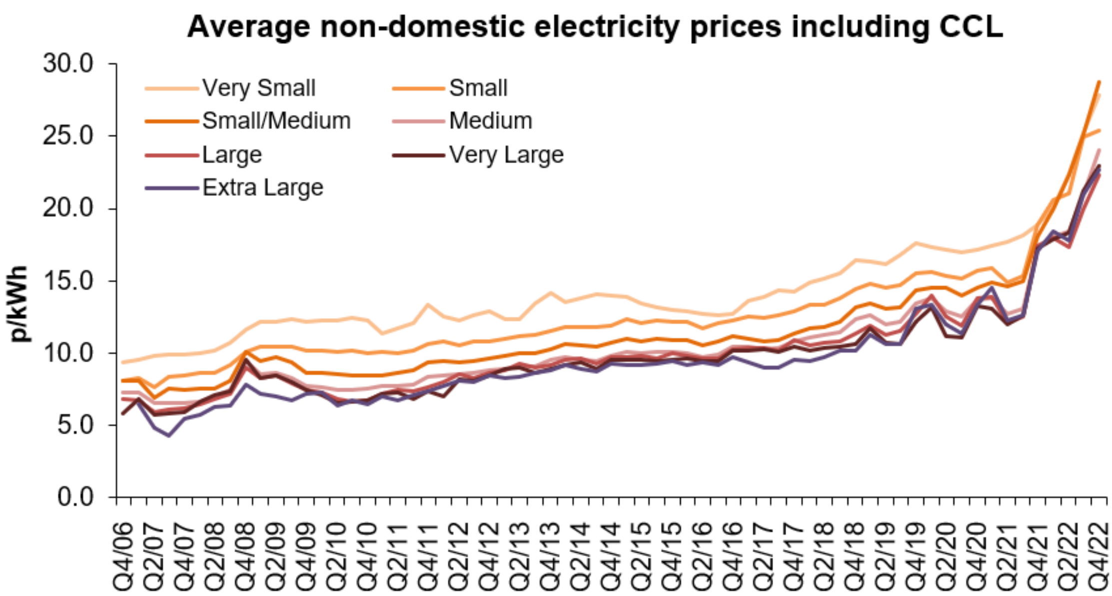
Although, as the target is linked to historical performance, we are now beginning to see actuals mirroring the target.



Energy
Energy for the Council is procured centrally, and costs are recharged to services to allow each service to manage usage appropriately. Energy is purchased in advance of delivery over several tranches and volumes are aggregated with other public sector consumers. This approach provides best value and mitigates risk in a volatile market.

The graphs below have been taken from a report published by Department for Business, Energy, and Industrial Strategy (BEIS) which shows the continuing increase of gas and electricity costs purchased by non-domestic consumers in the UK. The source information can be found via the link below.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1146323/quarterly-energy-prices-march-2023.pdf





Graph data can be found via the following link: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1146311/table_341.xlsx

Economic & Community Infrastructure - key risks, future issues, and opportunities

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

- **Energy Costs** continue to rise, and with another increase anticipated due to a further increase to the price cap it is possible that the current projected spend will increase further. It is important to note that some services are currently projecting to be able to absorb the energy increases however this is reliant on other external factors beyond the control of the service. External contractors have also raised concerns with regards to the pressures this is causing on them and the impact it may have on scheme delivery.

- **Fuel costs** - it is currently difficult to forecast increases in spend on fuel due to the continuing fluctuation in fuel costs. This is having an impact on internal and external transport operators. At present Transporting Somerset is supporting operators with a minor increase to contract payments, however, as increases in fuel continues this may not be enough to stop operators handing back contracts as they are no longer financially viable.

- **Scheme delivery** is also impacted by the cost and supply issue of raw materials. Costs are increasing significantly, with a recent article in CIPFA's Public Finance suggesting increases of 89% for sawn wood, 73% for structural steel, 21% plastic doors and windows, and 18% for paint over the last year. Economic and Community Infrastructure will aim to absorb this increase within existing budgets, however it may be viable to delay projects or non-statutory services to be able to do this.

- **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.

- **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.** Staff vacancies and difficulties in recruitment across ECI continue to impact on the ability to deliver services.

- **Winter Pressures.** With the colder weather Highways Operations have seen an increased demand for services. With the icy conditions there has been a need to continue to grit both primary and secondary routes up to three times a day. The weather has also had an impact on road surfaces which has meant that an increase in safety defects to investigate and repair potholes. If the wintry weather continues it is possible that Highways services will see further increases in expenditure due to trying to maintain a usable road network.

- **Flooding.** As well as the wintry weather the county has experienced a significant amount of rain fall over the last month leading to flooding across the levels. This has meant that services have helped with emergency planning and traffic management – for example road closures and diversion routes. Although water levels are starting to fall it is important to note that the levels are saturated with water, and it is possible that flooding will return with any further rain fall.

Economic & Community Infrastructure continued to work within budget constraints to provide services effectively. Work will continue across the service areas to look at new ways of working and plans revised to ensure a balanced budget is achieved in 2023/24.

6. Customers, Digital & Workforce

- 2022/23 net budget £17.7m, outturn favourable variance £0.4m, favourable movement £0.1m
- 2021/22 net Budget £16.7m, outturn favourable variance £0.2m

Table 10: 2022/23 Customers, Digital & Workforce as at the end of March 2023 (Month 12)

Service Area	Current Budget £m	Full Year Projection £m	Month 12 Variance £m	A/(F)	Movement From Month 10	Direction From Month 10
Communications	0.5	0.4	(0.1)	(F)	0.0	→
Customers & Communities	3.7	3.7	0.0	-	0.0	→
ICT	8.8	8.8	0.0	-	0.0	→
Transformation & Change	1.6	1.4	(0.2)	(F)	0.0	→
Human Resources	3.1	3.0	(0.1)	(F)	(0.1)	↑
Customers, Digital & Workforce Total	**17.7**	**17.3**	**(0.4)**	**(F)**	**(0.1)**	↑

Customers, Digital & Workforce - Revenue Summary - Key explanations, actions, and mitigating controls

Customers, Digital & Workforce have a favourable variance of £0.4m at outturn. The favourable variance can be broken down as follows:

- Communications - £0.1m
- Transformation & Change – £0.2m
- Human Resources - £0.1m

These favourable variances are due to staffing underspends.

MTFP savings assigned to Customers, Digital and Workforce 2022/23 have been mostly achieved. However, the saving against HRAP for income generation has only been achieved in part due to pressure on new business, caused by academy conversions, competition, and focus from senior staff on Local Government Reorganisation.

Customers, Digital & Workforce - key risks, future issues, and opportunities

There is a key risk around the recruitment of some specialist roles due to higher salaries paid elsewhere. This may lead to some interim staff recruited at a higher cost.

A number of academies are moving to multi academy trust status which could have a negative impact on the income received for payroll services.

There is a potential pressure within Communications in future years regards the funding of the then Head of Communications position.

7. Finance & Governance

- 2022/23 net budget £14.4m, outturn favourable variance £0.1m, no movement
- 2021/22 net Budget £9.8m, no variance at outturn

Table 11: 2022/23 Finance and Governance as at the end of March 2023 (Month 12)

Service Area	Current Budget £m	Full Year Projection £m	Month 12 Variance £m	A/(F)	Movement From Month 10	Direction From Month 10
Democratic Services	4.0	3.8	(0.2)	(F)	(0.1)	⇧
Legal Services	5.4	5.5	0.1	A	0.1	⇩
Finance	3.6	3.6	0.0	-	0.0	⇨
Commercial and Procurement	1.4	1.4	0.0	-	0.0	⇨
Finance and Governance Total	**14.4**	**14.3**	**(0.1)**	**(F)**	**(0.0)**	⇨

Finance & Governance revenue summary - key explanations, actions, and mitigating controls

Finance and Governance are reporting a favourable position of £0.1m at outturn. This has been achieved due to the following:

Democratic Services reported a favourable position of £0.2m at outturn due to a reduction in staff costs.

The underspend within Democratic Services has been offset by an overspend within the Legal Services budget of £0.1m. This service has been under pressure all year with additional allocations of funding being agreed to cover the increased staffing costs.

Within 2022/23 Finance and Governance had £0.1m worth of MTFP savings attributed to the budget. All of the savings have been achieved in year.

Finance & Governance key risks, future issues, and opportunities

Capacity across all areas is currently stretched and LGR will further impact on this going forward.

The increased service demands and recruitment issues within Legal Services supporting Children's Services is a significant risk and actions are being taken to try and recruit staff to help address this, but this is a common pattern across local government.

8. Accountable Bodies

- 2022/23 net budget £4.5m, no variance at outturn, no movement
- 2021/22 net budget £7.4m, no variance at outturn

Table 12: 2022/23 Accountable Bodies as at the end of March 2023 (Month 12)

Service Area	Current Budget £m	Full Year Projection £m	Month 12 Variance £m	A/(F)	Movement From Month 10	Direction From Month 10
Somerset Rivers Authority	2.6	2.6	0.0	-	0.0	⇨
Local Enterprise Partnership	1.1	1.1	0.0	-	0.0	⇨
Connecting Devon & Somerset	0.8	0.8	0.0	-	0.0	⇨
Accountable Bodies Total	**4.5**	**4.5**	**0.0**	**-**	**0.0**	⇨

Accountable Bodies - key explanations, actions, and mitigating controls

Somerset Rivers Authority (SRA) spend at the end of 2022/23 totalled £5.5m, this resulted in a draw on reserves for the value of £2.9m to balance the budget.
The Heart of the Southwest Local Enterprise Partnership had an underspend of £1.5m at outturn, the underspend has been transferred back to the reserve.

Connecting Devon & Somerset (CDS) achieved an underspend of £0.3m at outturn. The underspend of £0.3m has been transferred to reserves. A review of budgets and works within CDS has avoided the need to make an additional funding request through the MTFP process for 2023/24. Due to movement in project timelines, the expenditure savings that have been made and transferred to the reserve will be realised at a later date than originally planned.

Accountable Bodies - key risks, future issues, and opportunities

Somerset Council (SC) acts as the accountable body for the Heart of the Southwest Local Enterprise Partnership (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 SC works closely with the LEP core team and the services SC provides are specified and resourced via a service level agreement between the LEP and SC.

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 SC's accountable body services to the LEP.

LEPs are being reviewed by Government and in March 2023 the Chancellor indicated that the Government is minded ceasing funding them post 2023/24.

Detailed outcomes of this review are planned this summer with the likely outcome of LEP integration into local authorities including SC. Somerset Council is working with the LEP and partner Local Authorities to seek advice about the treatment of LEP assets remaining at this point.

9. Corporate Costs

- 2022/23 net budget £0.2m, outturn favourable variance £5.1m, favourable movement £1.7m
- 2021/22 net budget (£5.2m), outturn favourable variance £2.6m

Table 13: 2022/23 Corporate Costs as at the end of March 2023 (Month 12)

Service Area	Current Budget	Full Year Projection	Month 12 Variance	A/(F)	Movement From Month 10	Direction From Month 10
Local Government Reform	6.9	6.9	0.0	-	0.0	⇨
Contributions	0.9	0.9	0.0	-	0.0	⇨
Corporate Costs	9.8	8.9	(0.9)	(F)	(0.3)	⇧
Financing Transactions	18.5	14.6	(3.9)	(F)	(1.4)	⇧
Special Grants	(35.9)	(36.2)	(0.3)	(F)	0.0	⇨
Corporate Costs Total	**0.2**	**(4.9)**	**(5.1)**	**(F)**	**(1.7)**	⇧

Corporate Costs - key explanations, actions, and mitigating controls.

Corporate Costs
The outturn favourable variance of £0.9m mostly relates to the Resilience for Business-as-Usual (BAU) budget which was available to ensure business continuity is maintained whilst delivering LGR and the implementation of the new Business Support System. After various allocations of this budget to other services throughout the year, there is a residual balance of £0.6m at outturn.

The forecast also includes the following favourable variances:

A favourable variance of £0.1m within the Discontinued Services budget, due to reduced costs within the Teachers Pensions element of the Discontinued Services budget.

A favourable variance of £0.1m within the Audit Fee budget due to scale fee increases, new issues and fee variations estimates, plus the year-end substantiation of the Redmond Review Audit Grant sum.

A favourable variance of £0.2m within the Corporate Democratic Core/Non-Distributed Costs budget (CDC/NDC) due to historic unallocated income that cannot be attributed to a service and has therefore been coded to the CDC/NDC budget.

These favourable variances have been offset by a £0.1m adverse variance which relates to a redundancy, including pensions strain costs, attributable to the Central Redundancies budget.

Financing Transactions
The favourable variance of £3.9m for Financing Transactions relates to an increase in income from strategic and extended deposit investments, with interest rates achieved higher than budgeted and funds invested remaining higher than anticipated. An

element of this also relates to an underspend against interest on debt charges for new external borrowing.

Special Grants
The favourable variance of £0.3m for Special Grants is due to receiving more of the Extended Right to Free Travel grant than originally budgeted. This is because the grant determination was received after the budget setting process.

Corporate Costs - key risks, future issues, and opportunities

A key risk is the ability to accurately forecast interest rates. The newly announced base rate increase to 4.5% will be incorporated in the forecasting for the 2024-25 budget.

The opportunity to this budget is maximising returns through strategic investments.

10. Trading Units

Trading units are required to set a net nil budget with full costs offset by income generated.

Table 14: 2022/23 Trading Units as at the end of March 2023 (Month 12)

Service Area	Current Budget £m	Full Year Projection £m	Month 12 Variance £m	A/(F)	Movement From Month 10	Direction From Month 10
Dillington	0.0	0.0	0.0	-	(0.2)	
Support Services for Education	0.0	0.0	0.0	-	0.0	
Trading Units Total	**0.0**	**0.0**	**0.0**	**-**	**(0.2)**	

Trading Units - key explanations, actions, and mitigating controls

Trading units are required to set a net nil budget with full costs offset by income generated. Any over/underspends at year-end will be transferred to the services reserve. The pandemic has negatively impacted both services this year. Where possible these impacts have been mitigated by reducing costs, using the Government's furlough scheme, and utilising the available Government grants.

Support Services for Education
Support Services for Education (SSE) finished the year with an £0.6m adverse variance at outturn.

The adverse variance has been caused by a shortfall in traded income across several services, as well as the impact of inflation. Work is underway to mitigate these issues for 2023/24. The £0.6m adverse variance will be offset against the SSE trading reserve.

Dillington

Dillington House's deficit for the year was of £0.692m, of which £0.170m was due to costs relating to the closure of Dillington in 2023/24.

The operating deficit of £0.522m was due to operating costs continuing to increase, particularly food, drink, and utility bills. Salary costs have also increased significantly, with the 2022/23 pay award exceeding what was budgeted. Market rates across the hospitality sector have significantly increased since the pandemic and Dillington's staff costs have had to increase to ensure we can recruit and retain staff needed to carry out weddings, adult education courses and conferences.

Income levels across some activity areas were lower than forecast for the first six months, due to the ongoing impact from Covid and financial pressures on customers. We experienced some recovery for a few months but have now experienced the impact from the cost-of-living increases.

11. Core Revenue Funding

- 2022/23 net budget (£370.4m) outturn favourable variance £0.9m, adverse movement £0.1m
- 2021/22 net budget (£332.5m) no variance at outturn

Table 15: 2022/23 Core Revenue Funding as at the end of March 2023 (Month 12)

Service Area	Original Budget £m	Current Budget £m	Full Year Projection £m	Month 12 Variance £m	A/(F)	Movement From Month 10	Direction From Month 10
Council Tax	(279.9)	(279.9)	(279.9)	0.0	-	0.0	
Business Rates	(84.1)	(84.1)	(85.0)	(0.9)	(F)	0.1	
Revenue Support Grant	(6.4)	(6.4)	(6.4)	0.0	-	0.0	
Core Revenue Funding Total	**(370.4)**	**(370.4)**	**(371.3)**	**(0.9)**	**(F)**	**0.1**	

Core Revenue Funding - key explanations, actions, and mitigating controls

The outturn favourable variance of £0.9m against business rates relates to an additional financial benefit of being in the business rates pool for 2022/23.

9. Contingencies

- 2022/23 allocation of £6m, approved use of £3.2m utilised, leaving £2.8m unallocated at outturn.
- 2021/22 allocation of £16.8m, approved use of £13.2m utilised, leaving £3.6m unallocated at outturn (this includes contingency funding relating to Covid-19).

Table 16: 2022/23 Contingencies as at the end of March 2023 (Month 12)

Service Area	Original Budget £m	Contingency movements £m	Current Budget £m	Full Year Projection £m	Month 12 Variance £m	A/(F)	Movement From Month 10	Direction From Month 10
Corporate Contingency	6.0	(3.2)	2.8	0.0	(2.8)	(F)	0.5	
Contingencies Total	**6.0**	**(3.2)**	**2.8**	**0.0**	**(2.8)**	**(F)**	**0.5**	

Contingencies – key explanations, actions, and mitigating controls

When setting the 2022/23 budget, it was clear that there were significant uncertainties and to mitigate against this a Corporate Contingency budget of £6m was approved. The 2022/23 budget assumed a pay award of 2.5% but the final agreed offer of £1,925 is the equivalent to a 5.5% increase. The forecast also includes the announcement for the reversal of the Social Care National Insurance percentage. The uncommitted contingency balance at outturn is £2.8m.

Table 17: Allocation of Contingency during 2022/23

Corporate Contingencies 2022/23	£m
Original Budget	6.0
2022/23 Pay Award	(3.2)
Remaining Balance	**2.8**

10. Reserves Outturn Position

The Council holds reserves in two forms:

- The General Fund to mitigate against unforeseen spends or major unexpected events.
- Earmarked Reserves held for specific purposes and to mitigate against future know or predicted liabilities and resilience.

Somerset County Council further broke down earmarked reserves:

- Resilience reserves are held to mitigate against future known or predicted liabilities and resilience.
- Other earmarked reserves are held for specific purposes. This may be purposes agreed by the Council or grants which have no return conditions and where expenditure has yet to take place.
- Funds held by other bodies do not have SCC as the lead decision making. An example of this reserve are funds held by the Somerset Rivers Authority.

Table 18: Reserves Position

Reserve Balance	General Fund Reserves	Earmarked Resilience Reserves	Other Earmarked Reserves	Total Reserves Held by SCC	Funds Held by Other Bodies
	£m	£m	£m	£m	£m
Balance as at 01/04/2022	(27.1)	(34.6)	(58.8)	(120.5)	(86.3)
Additional Movements Approved In-year	0.0	12.6	(1.7)	10.9	(44.9)
Balance as at 31/03/2023	**(27.1)**	**(22.0)**	**(60.5)**	**(109.6)**	**(131.2)**
Draw from Reserves to Fund Overspend	23.4	0.0	0.0	23.4	0.0
Balance as at 01/04/2023	**(3.7)**	**(22.0)**	**(60.5)**	**(86.2)**	**(131.2)**

The final outturn overspend of £23.4m is recommended to be allocated to the General Fund Reserve and the service carry forwards totalling £0.5m has been contributed to other earmarked reserves to be drawn down for use in 2022/23.

If Members approve the contribution approved legacy General Fund Reserves to be carried forward to Somerset Council will be £3.7m for 2023/24. This level of General Fund Reserves is well below the recommended amount and will increase when the district balances are transferred to Somerset Council.

A summary of the overall position has been outlined in the overview report. The position of all Earmarked Reserves is outlined in Appendix 6.

11. Capital Outturn Position

Services have provided forecasts for their overall programmes, as well as the actual outturn position for 2022/23. These can be found in **Table 19** below.

Initial forecasts suggested that £174.1m would be spent in 2022/23 across the SCC programme and Accountable Bodies. The actual expenditure for the year was £111.2m. This is £62.9m less than originally budgeted (£40.3m less within the SCC programme and £22.6m less within the Accountable Bodies).

It is also £31.4m less than the reported position at month 9. The majority of this is due to slippage in the forecasts, details of which can be found further down in the report.

Overall, the capital programme remains within budget, with a projected underspend of £2.2m over the life of the current programme.

The below chart provides an overview of the current SCC capital programme budgets by service area, totalling £209.7m.

Capital Programme Budgets by Service Area

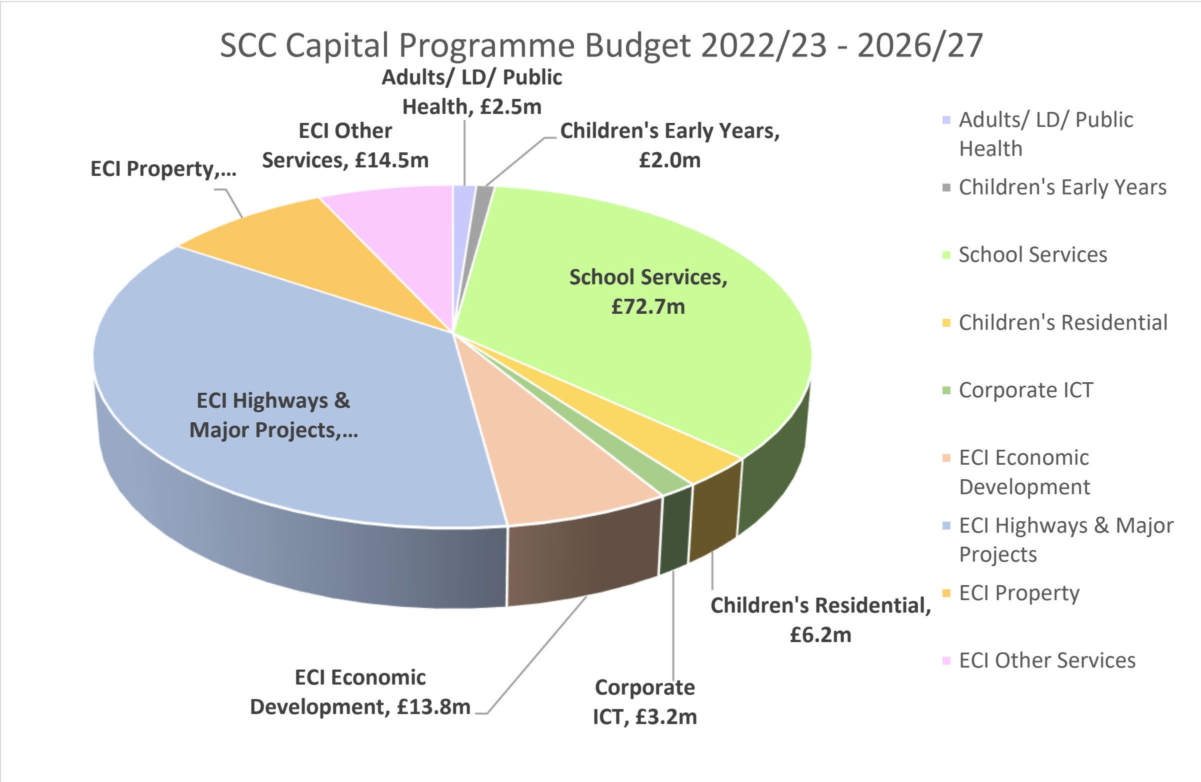


Table 19: Capital Programme Forecasts and Projected 2022/23 Outturn Position

Scheme	Current Year Budget			Overall Scheme Budget		
	2022/23 Budget	Actual Outturn for 2022/23	Year End Variance	Total Scheme Budget	Predicted Total Expenditure	Estimated Scheme Variance
	£m	£m	£m	£m	£m	£m
Adult Services, Learning Disabilities and Public Health						
Adult Social Care		0.1	0.1	2.1	2.0	(0.1)
Learning Disabilities	0.3	0.2	(0.1)	0.4	0.4	
Children and Young People						
Childrens Residential	3.3	3.6	0.3	6.0	6.0	
Special Education Needs	0.2	0.4	0.2	4.8	4.7	(0.1)
Schools Access Initiative	0.6	0.7	0.1	1.3	1.3	
Community Services	0.1	0.1		0.2	0.1	(0.1)
Early Years	0.9	0.2	(0.7)	2.0	1.2	(0.8)
Schools Services	30.1	21.3	(8.8)	66.6	66.5	(0.1)
Corporate and Support Services						
Corporate ICT Investment	2.8	2.0	(0.8)	3.2	3.1	(0.1)
Economic and Community Infrastructure - Economic Development						
Business Growth Fund	1.7		(1.7)	3.5	3.5	
iAero Centre		0.3	0.3	0.3	0.4	0.1
Taunton Digital Innovation Centre	5.7	6.3	0.6	8.2	8.2	
Bruton Enterprise Centre	(1.2)		1.2	(1.2)	(1.2)	
Chard Grow On Spaces	2.5	3.4	0.9	2.5	2.5	
Other Schemes	(0.1)		0.1	0.5		(0.5)
Economic and Community Infrastructure - Highways						
Bridge Structures	3.6	2.1	(1.5)	6.7	6.7	
Road Structures	28.8	23.7	(5.1)	31.4	31.2	(0.2)
Traffic Control	5.4	5.0	(0.4)	6.6	6.6	
Traffic Management	0.7	0.3	(0.4)	0.3	0.3	
Active Travel	0.4	0.2	(0.2)	1.5	1.5	
Integrated Transport	3.2	3.3	0.1	6.1	6.3	0.2
Small Improvement Schemes	3.5	2.1	(1.4)	3.5	3.7	0.2
Highway Lighting	0.6	0.7	0.1	0.6	0.8	0.2
Rights of Way	1.4	0.9	(0.5)	1.4	1.4	
Economic and Community Infrastructure - Highway Major Projects						
M5 Junction 25 Improvements	2.3	0.5	(1.8)	2.4	1.4	(1.0)
Toneway Corridor Capacity Improvements	5.3	3.0	(2.3)	5.3	5.3	
Trenchard Way Residual Works	0.8	0.6	(0.2)	0.8	0.8	
Major Road Network	1.7	0.1	(1.6)	2.1	2.1	
A38 Chelston Link	5.7	0.6	(5.1)	5.7	5.7	
Various Other Schemes	0.2	0.6	0.4	2.2	2.3	0.1
Economic and Community Infrastructure - Property						
Property Services	12.6	5.8	(6.8)	18.2	18.2	
Economic and Community Infrastructure - Other Services						
Countryside and Canals	0.0	0.0	0.0	0.0	0.0	
Fleet Management	3.8	0.4	(3.4)	4.0	4.0	
Bus Service Improvement Programme				8.2	8.2	
Heritage Services	0.1		(0.1)	0.1	0.1	
Library Services	0.5	0.2	(0.3)	0.9	0.9	
Somerset Waste Partnership	2.5	1.0	(1.5)	1.3	1.3	
Total SCC Capital Programme	**130.0**	**89.7**	**(40.3)**	**209.7**	**207.5**	**(2.2)**
SCC Accountable Body Status						
Broadband Project (CDS)	6.0	12.3	6.3	25.6	25.6	
HoTSW Local Enterprise Partnership	37.8	6.4	(31.4)	32.4	32.4	
Somerset Rivers Authority	0.3	2.8	2.5	3.1	3.1	
SCC Accountable Body Status Total	**44.1**	**21.5**	**(22.6)**	**61.1**	**61.1**	
Total Capital Programme	**174.1**	**111.2**	**(62.9)**	**270.8**	**268.6**	**(2.2)**

Capital Programme – key explanations, actions & mitigating controls.

The following narrative has been provided to explain any variances within the 2022/23 budget position. It also details any opportunities that have arisen and will highlight achievements, such as completed schemes, as we progress through the year.

Adult Social Care

Originally forecast for no spend during 2022/23, £0.116m expenditure has been incurred following the early progression of one project within the Adult's Residential Placements programme.

Children's Residential

Two new Homes for Children were purchased and refurbished as part of the ongoing children's residential programme.

Schools Services

Start on the site of the new Orchard Grove Primary School has been delayed due to the requirement for the developer to drop overhead power cables before construction starts on the school. This has led to £2.1m of expenditure slipping back to 2023/24.

As well as the delay in construction, the project has also been hit by the global price increases in materials, utilities, and labour resulting in a significant increase in costs. The original budget set for this project was £10.5m. However, the latest tender packages have estimated a budget of £12.3m will be required. Officers have explored options to mitigate this, including a redesign to a standard build without the Passivhaus elements. This, however, was deemed unlikely as it would also lead to increased costs through redesign as well as a revenue burden through abandoned design costs. Following consultation with the various lead members, the section 151 officer, and other directors, the following recommendation has been put forward.

Recommendation (2c) is for members to approve the budget uplift for Orchard Grove Primary School by £1.8m, taking it from £10.5m to £12.3m. This will be funded as follows:

- £1.200m from the 2022/23 DfE Basic Need grant that forms part of the overall Schools programme but has yet to be allocated to individual projects.
- £0.600m from the Schools Basic Need programme contingency budget.

Several projects have been completed this year, a list of which can be found below:

- Robert Blake College, Bridgwater – expansion to accommodate 300 additional places.

- Sky College, Taunton – 6 class expansion.
- Hazelbrook School, Taunton – new Hydrotherapy Pool.

Also, the refurbishment of the following schools within the Crewkerne and Ilminster transition to two tier schools:

- Wadham School
- Ashlands Primary School
- Herne View, Ilminster (formerly Swanmead School)
- Maiden Beech School

Early Years

Final costs for part of the Early Years condition programme have now been confirmed, resulting in an underspend of £0.8m. These funds are currently surplus to requirements. An action was taken at the last Learning Infrastructure Board meeting to assess potential options for this funding from, repurposing it to other projects to possibly handing it back.

Highways and Traffic Management

The Bridge Structures team are forecasting slippage of £1.5m into next year. This is due to a large and complex programme, including three major projects. Additional staffing resource has been recruited to help mitigate this.

The Traffic Signals Recovery Programme is a complex programme of individual projects across Somerset. The start dates of some schemes have changed since the last report, resulting in slippage of £0.4m into 2023/24. Several projects have been completed so far this year. These include:

- Chestnut Drive, Taunton
- South Road/ Calway Road, Taunton
- Ilchester Road, Sherbourne Road and Lyde Road (Lidl), Yeovil
- Lysander Road/ Pine Tree Avenue, Yeovil
- Mountery Road/ Milton Hill, Wells

Highway Lighting are reporting an overspend of £0.2m on their capital programme. Funding for this has been found within the overall Highway capital approvals, with Road Structures currently forecasting a £0.2m underspend.

Integrated Transport and Small Improvements Schemes

It is anticipated that Safety schemes within the Small Improvements programme will not commence until the end of this financial year, with the bulk of works to be carried out in 2023/24.

Two schemes are currently reporting a projected overspend.

The Minehead to Carhampton cycleway has seen the programme lengthened to accommodate a revised Traffic management plan in reaction to local concerns around traffic delays. This will lead to an increase in costs, although it is hoped that some savings in the construction methodology can be realised too. Additional Active Travel funding has been allocated to the scheme to cover the initial shortfall. The current shortfall is estimated to be around £0.150m.

The Active Travel scheme at Bretenoux Road, Glastonbury is nearing completion. However, the outturn costs will exceed the available Active Travel budget by an estimated £0.2m. This is due to additional works being required because of the condition of the existing carriageway.

The service is actively looking at the options available to them to fund these overspends.

Major Highway Engineering Projects

The M5 Junction 25 Improvement project has been completed. However, some post construction costs remain which will filter into the next financial year.

The Toneway Corridor Improvements scheme is due for completion in Autumn 2022. Although some of the post construction costs are likely to slip into 2023/24.

The A38 Chelston Link project, which aims to replace the old concrete road between the M5 and Chelston Roundabout, is due to commence later this year. The majority of the works are programmed for 2023/24, which has resulted in slippage of £5.1m from the original forecast.

Property Services

The Saltlands Solar Park has seen a shift in the forecast of £3.1m from 2022/23 into 2023/24 due to delays caused by commercial negotiations and applications for grid connections. As a result of this, the window for construction has slipped to Spring/ Summer 2023. Although, this is subject to further review.

Due to delays experienced within the B Block Decarbonisation programme, additional works to the ground floor of B Block, County Hall have been delayed until next year. This has resulted in slippage of £0.1m from 2022/23 into 2023/24.

The scheme to deliver a new transport depot at Somerton (which will replace two existing depots in Yeovil and Glastonbury) was delayed during 2022 because the market response to the initial tender exercise did not deliver best value. The depot will be completed in the early part of 2023/24, resulting in slippage of £0.339m into 2023/24.

Delivery of condition programme works has been delayed by inadequate officer capacity; the former SCC property team has been actively recruiting to fill a vacancy in the corporate building surveying team, but during 2022/23 was unable to attract suitably experienced candidates in a very competitive labour market, resulting in slippage of £0.200m.

The Outdoor Education Centre Condition Programme has been amalgamated into a larger scheme which is still in development, compounded by the resourcing issues outlined above. This means £0.120m of expenditure has slipped into 2023/24.

Several Property Services led projects have been completed in year. A list of examples can be found below.

- Minehead Library major refurbishment and energy efficiency improvement projects (£0.850m).
- Taunton Library and County Hall B Block decarbonisation projects (£7.500m).
- Estate Decarbonisation projects – several decarbonisation projects have been completed in year. Works included replacing gas heating with Air Source Heat Pumps, installation of PV Solar Panels, LED Lighting, better insulation, and new windows (£1.932m).
- Wookey Primary School condition works and decarbonisation projects (£0.434m).

Fleet Management

Following the delays to the procurement of new vehicles as part of the 2021/22 programme, the 2022/23 programme has suffered from similar issues. This has resulted in slippage of £3.4m from the original forecast. The 2022/23 programme also includes the purchase of electric vehicles and their associated infrastructure, which will take longer to plan and implement.

Somerset Waste Partnership

Depot improvement works at Bridgwater and Williton have been undertaken this year, resulting in £1m of expenditure. Once completed, the programme will be reviewed, and any remaining budget is likely to be offered back.

Capital Programme - key risks, future issues & opportunities.

Forecasting capital programme expenditure can be difficult, with reliance on contractor activity, impact from adverse weather and capacity within the Council's providers to design and support the programme. The detail within the programme is fully developed as individual projects are finalised and specifically programmed from the generic programmes. It is at this stage that a more accurate estimate of the profile and timing of expenditure is made.

There are two key risks to the capital programme. Firstly, a shortage of materials within the construction industry (cement, steel, timber, etc.) which, not only has an impact on timescales for projects, but also has the potential to increase costs. Secondly, the rise in inflation brought on by the demand for materials along with current economic conditions.

Projects currently underway all have contingency built into their budgets to deal with unforeseen costs, but the Council needs to carefully look at projects currently being commissioned to ensure they remain affordable and can be delivered on time.

The financial regulations for the new Somerset Council have been updated to take account of the continuing issues capital projects face with escalating costs and use of contingency budgets. The key points are listed below for reference:

- Council will approve a central contingency sum that is to be ser aside to reflect the overall risk from capital projects it has approved.
- Contingency sums included within capital schemes must request the approval of the Service Director – Finance and Procurement (or nominated officer) before being utilised. These will be reported as part of the regular budget monitoring process to the Executive Committee.

Changes to the Capital Programme Approvals in Quarter Four

Recommendation (2c) is for members to approve the addition of funding to the capital programme approvals since quarter three:

- £2.792m of revenue (reserve) funding for Somerset Rivers Authority.
- £2.205m of Levelling Up grant funding towards Bridgwater Transport Improvement schemes.
- £1.617m of Department for Education grant funding towards School's Energy Efficiency projects.
- £0.708m of leasing funding towards the Building Schools for the Future Lifecycle costs.
- £0.650m of S106 contribution funding for J23 Dunball Junction Improvements.
- £0.619m of S106 contribution funding towards the new King Ina Primary School, Somerton.
- £0.586m of revenue (reserve) funding for the Bridgwater VMS projects.
- £0.500m of revenue funding for the Taunton Digital Innovation Centre.

- £0.248m of revenue (reserve) funding towards Highway Structural Maintenance schemes.
- £0.210m of contribution funding towards the Sherford Cycle Route.
- £0.201m of grant funding for Economic Development's Inward Investment project.
- £0.130m of grant funding towards J23 Dunball Junction Improvements.
- £0.100m of revenue funding towards School projects.
- £0.072m of revenue (reserve) funding for Bridges & Structures.
- £0.048m of revenue funding towards Cannington Traffic Calming scheme.
- £0.046m of contribution funding towards the Housing Technology programme.
- £0.034m of revenue funding towards Traffic Signals Recovery Programme.
- £0.021m of revenue funding towards Library Service Public Access Printing project.
- £0.020m of S106 contribution funding towards Chelston Roundabout Capacity Study.
- £0.014m of revenue funding for Public Rights of Way projects.

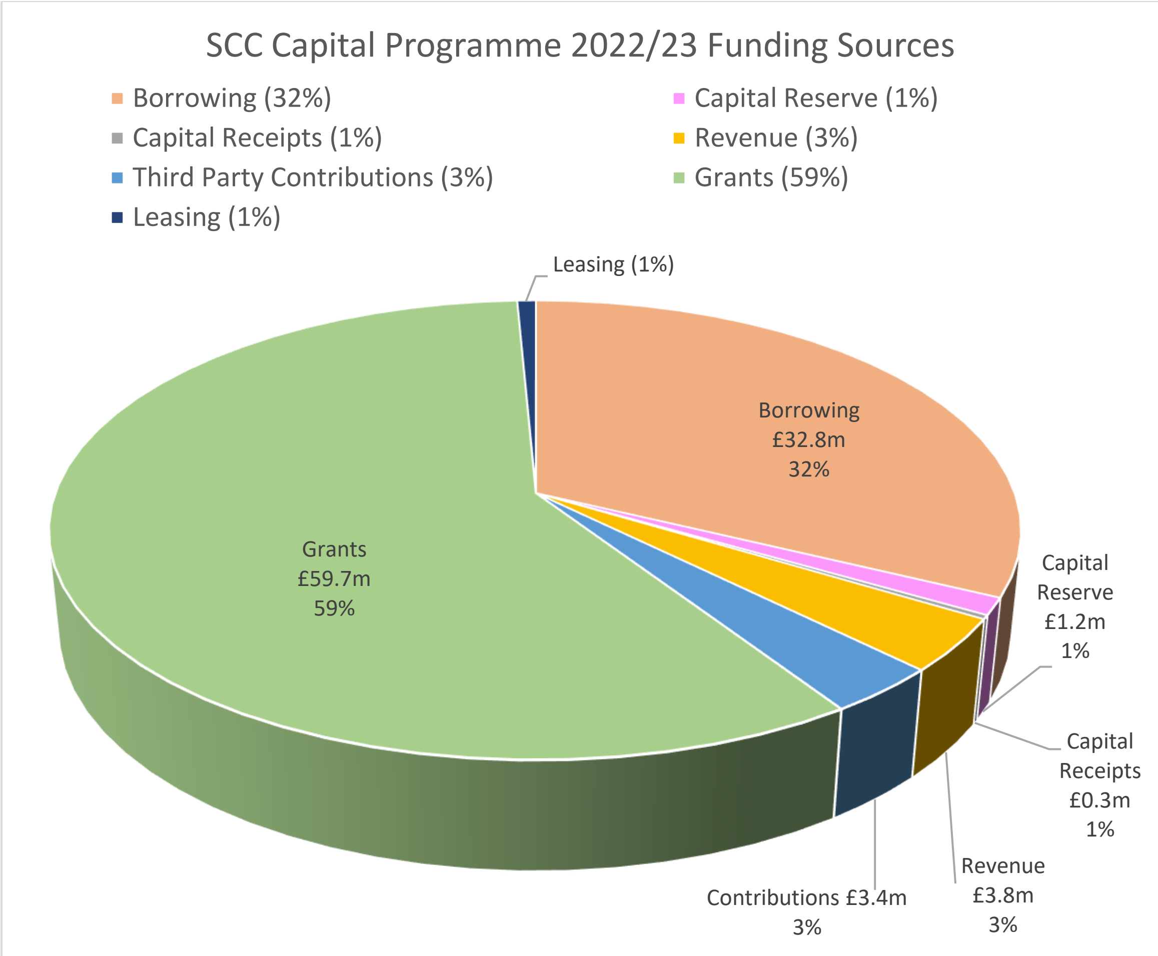
Several virements (budget transfers) have also been processed in the quarter. Virements are the movement of approvals between budget lines. Virements are examined to identify their purpose; they do not require formal ratification by members as they are classed as technical changes. Virements are undertaken to enable the effective management of generic approvals by creating individual projects as detailed proposals are developed and cost estimates become available.

All cross service virements relate to the funding of claims made to the Local Enterprise Partnership from SCC projects.

Capital Programme – Funding Sources

The capital programme is funded by a variety of sources. Where possible external funds, such as grants and contributions, are utilised to limit any additional revenue costs as result of borrowing requirements to complete the programme. The chart below details the funding sources for the 2022/23 capital expenditure.

SCC Capital Programme Funding sources for 2022/23 Expenditure



Borrowing for the Capital Programme

The capital programme is approved and fully funded. This means that the Council have approved the use of borrowing to ensure that resources are available to enable delivery of the capital programme. The timing of taking borrowing from the external market is part of the Treasury Management activity.

Within the £32.8m of borrowing required to fund the 2022/23 programmed expenditure, £32.3m of this will be internal borrowing and the remaining £0.5m relates to historic borrowing that has already been taken.

Prudential Borrowing Indicators for 2022-23

The Prudential Borrowing Indicators are published and agreed by the Council as part of the annual Capital Strategy report.

The Prudential Borrowing Code of Practice requires that the actual outturn figures should be reported for the following indicators:

- Capital expenditure for 2022-23 is £111.2m (2021-22 was £109.5m).
- Capital Financing Requirement as of 31 March 2023 is £498.6m (31 March 2022 was £471.8m).