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

Somerset Council

2024/25 General Fund Revenue Budget & Capital Programme update

Executive Member(s): Cllr Liz Leyshon Deputy Leader of the Council and Lead Member on Resources and Performance
Local Member(s) and Division: All
Lead Officer: Jason Vaughan, Executive Director – Resources & Corporate Services (Section 151 Officer)
Author: Jason Vaughan, Executive Director – Resources & Corporate Services
Contact Details: jason.vaughan@somerset.gov.uk

Summary

1. The very stark and challenging financial position that the Council faces is well documented, with the cost of delivering services increasing significantly faster than the income it receives. The Council cannot continue to provide and operate services in their current format and rapid, radical, change is required if it is to become financially sustainable. The November 2023 Executive received an update on the development of the 2024/25 revenue budget which set out that there was a forecast budget gap of £100m. Given the significant gap and the relatively low level of reserves, there is the very real prospect of the Section 151 Officer having to issue a statutory section 114 notice if things do not significantly improve. As a result of this, the Council declared a financial emergency and this report provides an update on the progress in reducing the budget gap.

2. The latest forecast is that the budget gap has reduced to £87m as a result of reviewing budget pressures, identification of further potential savings and reducing the size of the capital programme. Further work will continue, and updates made to the forecast, such as for the local government finance settlement, with an update coming to the January 2024 Executive meeting and final proposals coming to the February 2024 Executive for recommendation to Council. Indications from the Autumn Statement on 22 November 2023 are that there will be real term reductions for Local Government rather than increased spending. There is a significant amount of work taking place to reduce the budget gap, however, the Council will not be able to set a balanced budget for 2024/25 without Government support through a capitalisation direction. There have been some initial discussions with the Department of Levelling Up, Housing and Communities (DLUHC) over this and the recommendation is that the council formally requests a capitalisation direction. This would enable the Council to capitalise an amount of revenue expenditure and either borrow or use asset sales to finance it.

3. The Financial Strategy was approved by the Executive in July 2023 and focused upon delivery of a sustainable council over the medium term and required:
    - early action on 17 Key Areas,
    - a review of all the MTFP assumptions, and
    - all services setting out a full range of budget options.

4. As reported previously, progress against this has been slow and with the current year's projected budget overspend and the forecast budget gap of £100m the focus has been on:
    - Reducing the current year's overspend
    - Reviewing and reducing budget pressures
    - Identifying further saving options
    - Reducing the capital programme and bids for new schemes
    - Maximising funding & income to the council
    - Generating capital receipts from asset disposals
    - Reviewing Earmarked Reserves and repurposing them to support the budget on a one-off basis
    - 'Right Sizing' of the organisation (workforce transformation) to enable it to become financially sustainable in the future
    - Working with DLUHC on a capitalisation direction

5. The month six budget monitoring report, which is included on the agenda, is projecting an overspend for 2023/24 of £18.7m (3.8%), with Adults and Children's Services overspending by £27.3m and the rest of the council being underspent by £8.6m. The corporate measures put in place to reduce the in-year overspend through the various control boards and placement panels is starting to have an impact and progress will be monitored closely during the rest of the financial year. Any overspend will need to be funded from the £49.8m of General Reserves and has the impact of reducing the amount that could be available to support the 2024/25 budget and increase the level of borrowing the Council will require, further increasing costs.

6. An initial review of the Earmarked Reserves from the five predecessor councils has been undertaken and £36.8m of these can now be repurposed and made available as a one-off to support the 2024/25 budget. The use of this level of reserves is unprecedented and will also have a detrimental impact on cash flow, increasing treasury management costs by approximately £1.0m in 2024/25 and £2.0m on an ongoing basis. Further work on reviewing the reserves will continue and an update will be included in the February 2024 report as part of the final budget proposals.

7. The use of a capitalisation direction will add to the Council's financial pressures, any Council borrowing from the PWLB will have a premium of 1.0% and the Capital used will need to be repaid over a 20-year period from 2025/26. A capitalisation direction of for example £40m, would cost the Council £2m per annum (pa) in minimum revenue provision (MRP) and approximately £2.4m pa in interest from 2025/26, £4.6m pa in total (£1.2m in 2024/25 as a part-year effect) unless this can be funded from asset sales. If the gap is not resolved for 2025/26 then another capitalisation direction would need to be sought, further adding to pressures.

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

Recommendations

9. That the Executive:

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

Reasons for recommendations

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

Other options considered

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

Links to Council Plan and Medium-Term Financial Plan

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

Financial and Risk Implications

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

Likelihood	**5**	**Impact**	**5**	**Risk Score**	**25**

14. The financial impact of an overspend of £18.7m (as at Month 6) in the current financial year would result in a reduction in the level of General Reserves from £49.8m to £31.1m. This remains above the £30m minimum risk-based assessment of the reserves approved by Council in February 2023 but given that the reserves will not be able to be replenished and will reduce further in 2024/25 this adds to risk and uncertainty.

15. There have been regular all member monthly briefings on the budget, and these will continue until the February 2024 Council meeting.

Legal Implications

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

17. The Council's best value duty requires it to keep under review its services to ensure continuous improvement. This includes having a financial strategy and budgets which are clearly aligned with strategic priorities and a robust process for reviewing and setting the budget. There should be a robust system of financial controls and reporting to ensure clear accountability and a clear strategy to maintain adequate reserves. There should be collective accountability for the budget and MTFS both at officer and political level. Regular financial reporting to Executive and Scrutiny ensures members are aware of the issues during the year and the mitigating measures in place, as well as providing for public accountability.

HR Implications

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

Other Implications:

Equalities Implications

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

Community Safety Implications

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

Climate Change and Sustainability Implications

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

Health and Safety Implications

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

Health and Wellbeing Implications

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

Social Value

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

Scrutiny comments / recommendations:

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

Background

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

27. The 2024/25 to 2026/27 Medium-Term Financial Strategy (MTFS) was approved in July 2023 and provides a strategic financial framework and a forward-looking approach to achieving financial sustainability for the Council. The financial forecast has been updated and reported to the November Executive and it set out that the estimated budget gap for 2024/25 assumed in the report to February Full Council had increased from £42m to £100m. As a result of this the Council has declared a 'financial emergency' and put in place a range of measures to address both the current year's forecast overspend and the forecast budget gap for 2024/25 and future years.

28. There have been regular Member briefings on the council's finances which started in August 2023 with Rob Whiteman, CEO of CIPFA giving some key messages on the financial challenges facing the sector and Mark Pickering, CEO of Arlingclose, setting out the economic outlook. There have been two monthly briefing sessions open to all members from September 2023 and these will continue through to February 2024 to ensure that all members are aware of the financial challenges that the Council faces.

Current Context

29. The Council's finances have been significantly impacted by national factors outside of its control such as inflation and interest rates, as well as having to deal with the challenges of bringing the five predecessor councils into one new organisation.

30. Inflation peaked at a 40-year high with CPI rising to 11.1% in October 2022, although we are now starting to see this decrease, to 4.6% in October 2023. These inflationary increases adversely impact upon the Council and the costs of the services which it provides. This is particularly evident in the care sector where cost increases have been significantly above the CPI inflation levels. The national staff pay award for 2023/24 has now been agreed at £1,925 and this is estimated to be equivalent to a 6.1% increase in the pay bill for the Council.

31. To bring inflation under control the Bank of England has been increasing interest rates and these have risen from 0.1% in November 2021 to the current rate of 5.25%. The Council is a net borrower and inherited a position of significant amount of short-term borrowing on 1 April of over £200m, and each 1% increase having a financial impact of £2m.

32. The LGR business case set out that £18.5m of on-going savings would be achieved with the costs of implementation being £16.5m. Staffing made up the majority of the savings with an expected reduction of 339 posts delivering £12.3m with £2.9m of senior management savings and £9.4m from staff savings across the services. To date £2.6m of on-going senior management savings have been achieved which was reported to Council in July 2023, but the delivery of the other staff savings has not been achieved. The other staff savings were profiled as being £1m in current year, £4m in 2024/25 and £4.4m in 2025/26. Service Directors have been holding vacancies to mitigate against non-delivery of £1m savings in the current year. Consideration will need to be given around the delivery of these savings

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

33. A key area of activity for the finance team in the new council has been around the production of 2022/23 statement of accounts for the five predecessor councils. This includes having to address the inherited position of outstanding external audits on their accounts from 2020/21 and 2021/22. This is particularly important, not only in understanding the opening position for the new council, but also in providing independent external assurance around the finances. Good progress has been made on this, with all the 2020/21 statement of accounts now signed off and only South Somerset DC outstanding from 2021/22 (which is approaching completion). All five of the 2022/23 statements of accounts have been published and one of these has been signed off by the external auditors. A common feature of councils that have issued section 114 notices has been the number of prior year external audits that have not been completed with issues arising that were not known when setting budgets.

34. The LGA made a submission to the Chancellor ahead of the Autumn Statement concerning local government funding and made a number of key points including:

- Councils are still under intense financial pressure.
- Councils face ongoing inflationary and pay pressures alongside spiking demand and market challenges in areas such as children's social care and temporary accommodation. This is happening at a time of low financial resilience across the sector following a 27% real-terms reduction in core spending power since 2010/11. Government support is needed urgently to ensure local financial and service sustainability.
- recognise there are some pressures that cannot wait as many councils are struggling to meet needs and still balance their budgets. For example:
    - Rising costs and demand pressures in children's social care – budgets up by 13.6 per cent in 2023/24 compared to 2022/23 with further upward pressure on in-year spend.
    - Escalating costs of home to school transport for children with special educational needs and disabilities – budgets up by 23.3 per cent whilst pressures continue.
    - Increasing costs of homelessness services with multiple contributory factors, including asylum and resettlement, pushing budgets up by 19.9 per cent with pressures ongoing
- A key issue is that while annual average inflation peaked in 2022/23 at around 10.0 per cent for the economy as a whole and is forecast to fall to an annual average of around 6 per cent in 2023/24, this is not necessarily the case for all councils. Where councils purchase goods and services through annual contracts these contract prices will often be uprated in 2023/24 based on inflation over the preceding 12 months. For these contracts councils will experience peak inflation in 2023/24.
- Furthermore, in 2022/23 many councils had to deal with unfunded in-year pressures through one-off measures such as the use of reserves. While one-off measures

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

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

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

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

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

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

36. In its analysis published following the Autumn Statement, the Office for Budget Responsibility (OBR) also warned pressure on local authority budgets "will continue". It said 2022-23 was the first time since 2019-20 that local authorities had drawn on their reserves for current spending, using £2.3bn and it now assumes they will drawdown a further £1.5bn in 2023-24 and £0.8bn in 2024-25. Its previous forecast in March had assumed there would be no drawdown.

37. The analysis notes that 11 section 114 notices have been issued by local authorities since 2018, this includes Croydon that has issued three section 114 notices, compared with two between 2000 and 2018, but says the "direct impact on our forecast to date has been relatively small as the central government response to section 114s has been to allow affected local authorities to reallocate their capital budget towards day-to-day spending (a 'capitalisation direction') or to increase council tax rates".

38. However, the OBR warns that wider pressures on local authority finances still pose a risk to its forecast. It notes that local authority spending has fallen from 7.4% to 5% of GDP since 2010-11 and forecasts it will fall further to 4.6% in 2028-29. It adds: "Given local authorities' statutory duty to provide a range of services where demand is likely to continue to grow, for example adult and child social care, pressure on local authority finances and services will continue."

39. The watchdog also forecasts a £4.5bn fall in borrowing for capital expenditure from its 2019-20 peak of £11.5b to £7bn in 2028-29. It adds: "This reflects the financial pressures facing local authorities and higher interest rates on loans from the Public Works Loan Board, their principal source of financing."

Structural budget problem

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

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

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

Development of the 2024/25 Budget Options

42. Following the approval of the Financial Strategy in July, services were tasked with identifying service budget options against the following headings:

- **Efficiency Savings** – Savings from LGR (being one council rather than five), changes in demand, innovation & procurement. Specific tasks are:
    - ➢ Delivering the LGR Business case savings of £18.5m
    - ➢ Review of contracts as part of combining the five contracts registers into one
    - ➢ Reviewing and challenging demand and inflationary requirements

- **Service levels** – Changing service levels - Gold, Silver, or Bronze standard or stopping the service altogether if it is not statutory as follows:
    - ➢ Use of benchmarking information to inform the cost of services of comparable unitary councils
    - ➢ Consideration of service levels and what discretionary services are provided

- **Alternative Service Delivery** – Providing the same service in a different way e.g., transformation savings, through a partner or VCFSE sector and specifically:
    - ➢ To transform services as they are joined together maximising the use of digital technology and new ways of working to maximise efficiency

- **Asset Management** – different use of assets, purchase, and disposal of assets as follows:
    - ➢ Rationalisation of the corporate estate to reduce running costs and generate potential capital receipts or rental income.

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

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

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

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

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

43. The Council sets its fees and charges on an annual basis. These relate to services where the Council has local discretion over fee setting as well as for fees and charges that are set nationally. At this stage the modelling used makes an assumption that all locally set fees and charges will be increased by a minimum of CPI. Other above inflation increase will be proposed in specific areas where we believe there to be headroom.

44. There are a number of fees and charges that are set by Council on the basis of cost recovery only. We cannot therefore seek to make a profit from these, we can however pass on our increased costs due to inflation and again we have made an assumption that CPI will be applied to these charges. Finally, there are a number of fees and charges that are set nationally. We have no control over these and cannot exceed the charge set. Not all of these are known at this stage, but we have made some assumptions that form part of the modelling.

2024/25 Budget Forecast

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

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

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

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

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

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

Table 2 - MTFP Updated – as at November 2023

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

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

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

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

50. **Table 3** provides analysis of the changes between the 2023/24 budget and the draft 2024/25 budget which is currently based on following key assumptions:
- Inflation – No general increases in inflation but use of specified indices within individual contracts.
- Demographic changes – changes built into demand models based upon ONS population forecasts.
- Interest rates – based upon current Bank of England base rates of 5.25%.
- National pay award – The assumption for 2024/25 is currently estimated to be 5%.

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

Table 3 – Summary of changes to budgets

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

51. To close the projected gap for 2024/25 and ensure we can set a balanced budget there is a need to review the range and scope of the services that are delivered by the Council. The purpose of this section is to set out the areas of search where savings could be made by redesigning how a service is delivered, reducing the level of service offered or, potentially, ceasing the service entirely, subject to appropriate consultation. The key areas of potential savings included within the current forecast include:
    - **Efficiency savings**: We will prioritise finding savings through efficiencies before reducing services. This includes reviewing our contracts and use of consultants, reducing the bills associated with managing our estate by reducing the number of building we operate, continuing to transform our IT infrastructure so that it reflects best practice and the size of our Council, removing all non-essential mobile phones,

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

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

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

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

Finance Settlement

52. The Autumn Statement was delivered on 22 November 2023 with some the key headlines being:
    - No further funding increases for local government beyond those that had been previously announced. Additional funding for the NHS and adult social care announced in the Autumn Statement 2022 has been "reaffirmed", as we expected.
    - New powers to de-couple the business rates multipliers will be used from 2024-25. As we expected, the small business rates multiplier will be frozen, and the standard multiplier indexed (to 54.6p based on September CPI).
    - 75% Retail, Hospitality and Leisure (RHL) discounts will continue for a further year.
    - Local authorities will be "fully compensated for the loss of income from these business rates measures".
    - Local Housing Allowance (LHA) rates will be raised to the 30% percentile of local market rents from April 2024. No direct impact on local authorities but this should indirectly reduce pressure on temporary accommodation.
    - Resource DEL budgets will increase by 1.0% in real terms over the medium term, which imply real-terms cuts for unprotected local government services.
    - Chancellor wants to improve productivity in the public sector (by 0.5% per year) and to reduce the size of the civil service (return it to its pre-pandemic levels). He wants a "more productive state not a larger state".
    - Long-term freeze in capital investment in the public sector.
    - Consolidation of local authority pension funds, with local government funds also required to allocate 10% of investments to private equity.
    - National Living Wage will increase to £11.44 for workers 21 years and over (an increase of 9.8%).
    - Funding Simplification Doctrine will come into force from January 2024, to simplify the "local government funding landscape, giving councils greater flexibility and freeing up resources for delivery".

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

The Capital Programme

54. A revised General Fund Capital Programme and HRA Capital Programme was approved at Council in September 2023. This combined the Capital Programme approved in February 2023 and the slippage of the five legacy Councils with a revised budget of £391.6m set for the General Fund and £122.6m set for the HRA.

55. A review of these schemes has been undertaken with the following list of general fund schemes to be approved by the Executive.

56. In addition to the existing schemes there are a number of new bids put forward for Member approval for 2024/25 and onwards. The bids recommended for approval focus on utilising grants or ringfenced receipts that we hold or are guaranteed for 24/25 onwards.

57. There are a number of schemes that have mixed funding, this might include the use of capital receipts, reserves, or borrowing. These schemes are put forward for Member consideration as they enable the council to meet its statutory requirements or an urgent health and safety need.

58. The proposed schemes from 2024/25, if approved would deliver an additional capital programme value to £120.1m with a spend profile in 2024/25 of £45.0m. Of which the 2024/25 borrowing requirement would be £6.6m

59. There are a number of multi-year proposals that deliver property condition and compliance works. The organisation will be reviewing the number of property assets it retains and as such we would expect to see a reduction on condition and compliance needs in future years. Members are recommended to approve the 2024/25 requests for these schemes on an annual basis. Whilst not approving future years has no impact on the 2024/25 budget it sets an expectation that future bids will be needed and that they should reflect the changes in Council held assets.

60. The General Fund capital schemes requests have now been reviewed and the business cases are being updated accordingly. These will be presented to the Executive in January and will need full Council approval in February 2024.

Table 3 – New schemes for the Capital Programme

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

Funded through capital receipts	1.5	7.0	1.8			10.3
Save to Earn	0.1					0.1
Total	**45.0**	**48.2**	**10.2**	**8.4**	**8.4**	**120.2**

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

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

Asset Disposal

62. The generation of capital receipts from asset disposals is a key part of the financial strategy. The council has already agreed to the disposal of its commercial property investments and has developed a pipeline of future disposals of surplus assets. Capital receipts from asset disposals can be used to reduce debt, provide funding for transformational activities, fund any capitalisation directions or fund capital schemes.

63. Following on from the Executive decision to approve the disposal of the commercial investment portfolio at its meeting of 8th November, the appointment of external agents to support this work is nearly concluded. The Property and Investment Sub Committee will receive a full update report at its meeting on 21st December.

64. The Executive also tasked the Asset Management Group to bring forward asset disposals from assets held outside of the commercial investment portfolio, including council office rationalisation proposals, at its meeting of 8th November. The Asset Management Group is currently overseeing the disposal of 74 sites that have been declared surplus; 16 further sites have been sold to date during 2023/24. Whilst sales of a number of these sites are subject to planning agreements and options (and may, therefore, not be concluded until 2025/26 or beyond), a total value in the range of £15m-£20m is targeted be achieved from the current pipeline of approved disposals during 2023/24 and 2024/25.

65. Work to review and rationalise Somerset Council's inherited office estate commenced prior to vesting day, and to date revenue savings in premises running costs totalling £1.4m have been identified and the savings have been factored into the Medium-Term Financial Plan. Funding for a joint project to review the wider public sector office estate in Somerset was secured from the One Public Estate programme in spring 2023, and following a joint

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

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

Reserves

67. The council has already agreed a transfer between the Earmarked Reserves to General Reserves to bring them up to £49.8m. This is within the range of a minimum of £30m and maximum of £50m agreed by Council when the 2023/24 budget was set in February.

68. There has been review of the Earmarked Reserves from the five predecessor councils to identify reserves that can be repurposed to support to the MTFP and £36.8m has been identified.

Vision for a sustainable Somerset Council

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

70. We knew that this would mean facing a period of difficult decisions to ensure we can keep supporting those Somerset people in greatest need. The current financial outlook means that we need to significantly accelerate the pace and broaden the scale of our transformation. We need to fundamentally rethink the way we work, the services we deliver, and the capabilities and competences that we will need to run our Council. Incremental changes to discrete parts of our organisation will be too slow and narrow to deliver on what is needed. We need to adopt a radically different way of working as a Council, operating with fewer staff, whilst increasing our influence and impact.

71. Our transition to a single council has identified substantial weaknesses which have been inherited from all five legacy councils. It is clear that some of our organisational approaches, including our cross-organisational responsibility for financial management, have not been good enough. We need to take collective ownership for our organisational priorities,

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

72. The ambition of the council remains the same – we want the people of Somerset at the heart of everything we do; and we will be a council that will do our best to be there whenever our residents need us. However, we need to be clear that there will be things that we will have to stop doing, and the things that we do continue to deliver will need to be done in a way which is fundamentally different. We will need to continually evolve and innovate to meet the rapidly changing context and challenges we face as a council.

73. Our learning from other councils that have been on the journey before us is that we need to clearly articulate our vision for how the council will develop and transform and agree a set of robust design principles to guide us over the coming years.

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

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

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

77. The design of our services will be focussed on providing value to the people of Somerset, not on the professional and siloed specialisms of council teams. Our **design principles** that will support the delivery of this vision:

78. **A council that is flexible and agile** which will:
    - be clear on accountability and responsibility, reducing the need for complex systems of governance, streamlining decision making and reporting processes.
    - create clear and flexible roles and functions, working across the council rather than in silos.
    - empower our people to be directly accountable for the delivery of outcomes, reducing the management overhead associated with the operation of our Council.
    - use agile, iterative, and dynamic approaches to improvement, transformation, and change, delivering outcomes at a much swifter pace than current processes, practices and policies allow.

- build new capabilities and competences that enable and facilitate the whole of the organisation to change - and keep changing - so that we can continuously innovate at speed and scale rather than wrapping change in bureaucratic process, governance, and procedures.

79. A **smaller and leaner council** which will:
    - design out repetition and duplication – eliminating duplication of roles and functions across the council. We will redesign how our business is supported requiring less staff to administer what we do in our back office.
    - focus our direct engagement with the public on those services that support the most vulnerable members of our community, enabling information regarding all other service delivery to be available at a time convenient to those who wish to access it.
    - focus on further developing integrating health and social care to support collaboration, personalisation, and early intervention, to increase independence and wellbeing.
    - have the right mix of deep expertise and cross-functional generalists – it may be better to outsource some skills that may have traditionally been handled in house.

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

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

82. A council that is local, connected and inclusive which will:
    - develop and facilitate our Local Community Networks so that they can set their own priorities, determine local action plans and act upon them.
    - work with our partners so that we can collaborate to support our communities to access advice, guidance and, where necessary services, across the public sector and voluntary sectors in Somerset.

- make equality, diversity and inclusion the lens through which all decisions are taken. We will include it at an early stage – not as a thing to do “later”.
- ensure that our workforce understands the places and people they support without the need for physical assets to demonstrate our connection to communities.
- have fewer people, but with a wide range of knowledge and skills so that the best response from the most appropriate service or partner is deployed.
- prioritise digital inclusion - improving skills, access and confidence for our staff and customers.
- ensure that our business community has a strong voice and, that we work with them to deliver green growth.
- design our services with various situations, contexts, and preferences in mind, and we provide multiple ways for our community to access, understand, and interact with our services.

Department for Levelling Up, Housing & Communities (DLUHC)

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

Future Years

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

Table 4 – MTFP forecast

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

85. The assumptions for future years are based upon the current council tax referendum limits and government funding in line with the details set out in finance settlement. The underlying assumptions will continue to be reviewed and updated year

86. The annual budget gap increases as costs continue to increase faster than income. This can only be mitigated by ongoing additional savings. If the budget gap is not reduced in 2024/25

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

87. If no additional savings were identified in future years a further capitalisation direction of £114.8m would be required in 2025/26 and £144.2m in 2026/27. Increasing Council Debt over the three years from this source by £309.2m with no additional assets to represent it. Although this scenario is unlikely ongoing interest and MRP on this amount would add approximately £40m pa to the gap identified above.

88. The capitalisation direction may also have to increase as a one-off in 2026/27 if the DSG High Needs Block deficit has to be funded by the Council once the statutory override finishes at 31.03.26, estimated at approximately £100m.

89. The capitalisation of revenue can be funded by asset disposals, although asset values of surplus council accommodation are not significant in Somerset. It will be beneficial to dispose of commercial properties and using the receipts to fund the capitalisation direction, however the MRP (or principal) and interest costs on the borrowing for these assets will remain and the income lost.

Budget Consultation & Engagement

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

Next Steps & Timetable

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

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

Risk Update

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

Table 5 – Strategic Risks associate with the Budget

JCAD Ref	Risk description	Inherent score L	Inherent score I	Mitigation	Residual score L	Residual score I	Owner
ORG0057	Sustainable MTFP Cause: High inflation, high interest rates, HRA, capital programme, income not increasing sufficiently Consequence: Issue S114 notice	5	5	1. MTFP updated 24/25 to 26/27 2. Review of reserves 3. MTFP board in place 4. Establishment control, procurement and spending boards in place 5. Regular budget monitoring 6. Review of pressures 24/25 7. Bright spark initiative in place	5	5	Executive Director – Resources & Corporate Services
ORG0070	Budget overspend Cause: Rising interest rates impacts cost of borrowing; labour market (pay rises, recruitment difficulties) Consequence: service changes to reduce spend	5	5	1. MTFP updated 24/25 to 26/27 2. MTFP board in place 3. Oversight boards in place – establishment, procurement and spend 4. Regular budget monitoring 5. Bright spark initiative in place 6. Deep dive children and families	5	5	Executive Director – Resources & Corporate Services
ORG0068	Workforce – inability to retain and recruit Cause: can't compete with private sector Consequences: Use of agency staff, staff wellbeing	5	5	1. Workforce Strategy 2. Review of Job Evaluation 3. Maximise apprenticeships 4. Staff comms and engagement 5. Active staff networks	4	5	Service Director – workforce
ORG0078	Failure to deliver a business case for workforce transformation	4	5	1. Development of business case 2. Consultation with Unions and staff	3	5	Service Director Workforce

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

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

Background Papers

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

95. Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 report to Corporate & Resources Scrutiny & Executive July 2023.

96. Somerset Council – Financial Sustainability report to October 2023 Audit Committee including Section 151 letter to DLUHC and External Auditor letter on Somerset Council Financial Sustainability.

97. Financial Strategy Update report to November 2023 Executive and Corporate & Resources Scrutiny Committee.

98. Monthly Budget Monitoring reports to Executive & Corporate & Resources Scrutiny Committee.

Appendices

Appendix 1 – Earmarked Reserves

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

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	24/11/2023
Communications	Peter Elliott	27/11/2023
Finance & Procurement	Nicola Hix	27/11/2023
Workforce	Dawn Bettridge	27/11/2023
Asset Management	Oliver Woodhams	Report sent 24/11/2023
Executive Director / Senior Manager	Jason Vaughan	27/11/203
Strategy & Performance	Alyn Jones	27/11/2023
Executive Lead Member	Cllr Liz Leyshon	24/11/2023
Consulted:		
Local Division Members	All	
Opposition Spokesperson	Cllr Mandy Chilcott Deputy Leader of the Opposition and Opposition Spokesperson for Resources and Performance	Report sent 24/11/2023
Scrutiny Chair	Cllr Bob Filmer, Chair - Scrutiny Corporate & Resources Committee	Report sent 24/11/2023