

Name of person submitting	Statement and questions
Nigel Behan	Relate to Agenda Item 6b <a href="#">Assurance - Balance Sheet Review</a> and <a href="#">Appendix - Balance Sheet Review</a>
	<p><b>Question 1a</b></p> <p>One of the Key Issues identified included: “there was a DSG deficit of £20m at 1 April 2023 with a projected deficit of £100m at 31.03.26 when the statutory exemption ceases. The Council needs to prioritise successful delivery of agreed recovery plans, and start to make realistic provisions in respect of any remaining deficits expected at 1 April 2026 when the current statutory over-ride expires.” What progress has been made in addressing the projected deficit of £100m at 31<sup>st</sup> March 2026?</p>
	<p><b>Response from Jason Vaughan</b></p> <p>The Council has been part of the Department for Education (DFE) Delivering Better Value (DBV) programme and has received £1m of funding to support work on this. The DBV requires the council to work with DFE delivery partners, Newton Europe and CIPFA to undertake a diagnostic exploration of Somerset SEND system. We are in the process of updating the deficit management plan and will be submitting this to CIPFA by the 31 January 2024. The work on this has identified 8 mitigation factors to try and reduce down the in-year overspend. CIPFA will review the plan and provide feedback with it going to the final programme board at the end of February 2024.</p>
	<p><b>Question 1b</b></p> <p>Interestingly it is stated in the Appendix that: “there is scope to make additional employer contribution payments into the pension fund, to reduce pressure on revenue budgets going forward,.....”</p> <p>Whilst Room 151 (“Room151 is an online news, opinion and resource service for local authority Section 151 and other senior officers covering treasury, pensions, strategic finance, funding, resources and risk”) reports: <a href="#">Should LGPS funds lower contribution rates to relieve council funding pressure?</a> Can a comment be provided?</p>
	<p><b>Response from Jason Vaughan</b></p> <p>Somerset Council is the administers the Somerset Pension Fund. Every pension fund is different. Recently we have seen the fund drop in value with the 30th September 2023 position being 91.7% funded compared to the 31 March 2022 position of 95.2%. So it</p>

	<p>would be difficult to justify reducing contributions. Additional contribution would indeed reduce down the annual revenue contribution but you need to the available funds to do this.</p>
	<p><b>Question 1c</b></p> <p>Q1 c) The appendix also notes: “earmarked reserves have either been repaid to third parties or utilised to support revenue budgets. By 1 April 2025 it is anticipated that General Fund earmarked reserves will have reduced from £291m to c£75m.”</p> <p>“This report identifies a number of issues for the Council to consider and a suggested action plan is provided in Appendix 3.</p> <p>Key issues are: • to maintain financial resilience, we recommend that General Fund working balances are kept, as a minimum, at the current level of 5% of net revenue expenditure. Robust processes need to be established to control the use of remaining earmarked reserves and to match growth items in the revenue budget with achievable savings plans.”</p> <p>“R25. A review of all earmarked reserves should take place to ensure that the reason for establishing each reserve remains appropriate and in line with financial reporting requirements. Expected timescales for using each reserve should also be more clearly understood.”</p> <p>What will happen to the “earmarked” proposals and the £216m anticipated difference indicated above?</p>
	<p><b>Response from Jason Vaughan</b></p> <p>There has been significant work on reviewing the councils reserves and repurposing £36.8m from earmarked reserves to support the 2024/25 budget. This was reported to the Executive and Scrutiny Committee in December. The report to the 2 February Scrutiny Committee set out the summary of reserves using the DLUHC reporting categorisation. We have been very careful to identify those reserves we hold on behalf of others / accountable bodies, have contractual commitments etc in order to be clear on the level of reserves that can be used to support the budget.</p> <p>The level of General Reserves are currently at £49.8m which is over 9% after allowing for the Month 9 forecast overspend of £17.5m will be £32.3m which is above the risk based minimum of £30m. The £30m represents 5.5% and will be around 5% of the 2024/25 budget.</p>

Somerset Council Reserves (DLUHC Reporting Categories)	31 March 2023 £m	Adjust - ments £m	01 April 2023 £m	Forecas t Use £m	31 March 2024 £m	Forecas t Use £m	31 March 2025 £m
Contractual commitments	14.8	(1.1)	13.7	(0.4)	13.2	(0.1)	13.2
Planned future revenue & capital spending	50.9	(18.9)	32.1	(15.7)	16.4	(4.2)	12.2
Specific risks	24.7	(7.2)	17.6	(2.9)	14.6	(3.7)	11.0
Budget stabilisation	52.3	(10.1)	42.2	1.2	43.4	(39.5)	3.9
Public Health	4.1	(1.7)	2.4	0.0	2.4	(1.8)	0.6
Other	142.4	(4.0)	138.4	(99.8)	38.6	(6.9)	31.7
<b>Total Earmarked Reserves</b>	<b>289.2</b>	<b>(43.0)</b>	<b>246.3</b>	<b>(117.7)</b>	<b>128.6</b>	<b>(56.1)</b>	<b>72.5</b>
<b>General Fund Reserves</b>	<b>26.8</b>	<b>23.1</b>	<b>49.8</b>	<b>(17.5)</b>	<b>32.3</b>	<b>0.0</b>	<b>32.3</b>
<b>Total Reserves</b>	<b>316.0</b>	<b>(19.9)</b>	<b>296.1</b>	<b>(135.2)</b>	<b>161.0</b>	<b>(56.1)</b>	<b>104.9</b>