

Report of the Leader and Executive – Items for Decision

Executive Member: Councillor Bill Revans – Leader of the Council and Lead Member for Governance and Communications

Division and Local Member: All

Lead Officers: Duncan Sharkey – Chief Executive and Alyn Jones – Executive Director for Strategy, Workforce and Localities

Author: Scott Wooldridge – Head of Governance and Democratic Services and Deputy Monitoring Officer and Mike Bryant – Service Manager - Democratic Services

Contact Details: democraticservicesteam@somerset.gov.uk / 01823 357628

1. Summary

- 1.1 This report sets out the Leader’s and Executive’s recommendations to Council arising from their consideration of reports at the Executive meeting on 8 April 2024 (the Executive also met on 6 March 2024 and 12 March 2024, but no decisions requiring Full Council approval were considered at these meetings).

Note: The references in this report to Paper A relate to the relevant report considered by the Executive containing specific recommendations for Full Council to consider and are appended to this report for reference.

- 1.2 **Paper A (Medium Term Financial Strategy (MTFS) 2025/26 to 2029/30)** was considered at the Executive meeting on 8 April. The Executive endorsed Paper A and agreed for this to be reported to Full Council to consider and approve.

This report details the severe financial challenges facing the Council and how the budget has been set with one-off resources including the use of Earmarked reserves to close the budget gap in both financial years 2023/24 and 2024/25.

The report highlights that the Medium-Term Financial Strategy (MTFS) provides a strategic financial framework and a forward-looking approach to achieving financial sustainability for the Council, and that the key overriding aim of the MTFS is:

“To provide a financial framework within which financial stability can be achieved and sustained in the medium-term to deliver the Council’s key strategic priorities and sustainable services.”

The report provides details of how the MTFS aids robust and methodical planning as it forecasts the Council’s financial position over a five-year period, taking account of known pressures, major issues affecting the Council’s finances, external economic influences, and local factors.

The six key objectives of the MTFS are highlighted:

- Provide financial parameters within which budget and service planning should take place.
- Ensure that the Council sets a robust balanced and sustainable budget.
- Focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of clear alignment between priority and affordability.
- Ensure that the Council manages and monitors its financial resources effectively. Ensuring that spending commitments do not exceed resources available in each service area. Where ring-fenced government funding is reduced the service area takes action to reduce expenditure accordingly.
- Plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council’s aims, objectives, policies and priorities.
- Ensure that the Council’s long term financial health and viability remain sound.

The report details that the 2024/25 Financial Strategy was approved by the Executive in July 2023 and updated in November 2023 when the Council declared a ‘Financial Emergency’ which focused on avoiding a section 114 notice by taking a number of actions, and that these can be summarised as:

- Reducing the 2023/24 projected overspend
- Reviewing and reducing budget pressures

- Identifying further saving options
- Reducing the capital programme and bids for new schemes
- Maximising funding and income to the Council
- Generating capital receipts from asset disposals
- Disposing of commercial assets
- Completing the outstanding statement of accounts from the five predecessor councils to ensure the new Council's balances were correct
- Reviewing Earmarked Reserves and repurposing them to support the budget
- Agreeing plans to 'resize' the organisation (workforce transformation) in 2024/25 to enable it to become financially sustainable in the future
- Working with the Department for Levelling Up, Housing and Communities (DLUHC) on a capitalisation direction.

The report proceeds to highlight that following the approval of 2024/25 Budget by Council on 20 February 2024 it is appropriate to update the Financial Strategy and build on the work done to date, noting the overriding aim of avoiding a section 114 but operating as if one had been issued remains in place. The key strands of the financial strategy can be summarised as:

- Maintaining adequate reserves – ensuring that there are adequate General Reserves to cover the financial risks faced by the Council and a maintaining suitable level of Earmarked Reserves to fund future commitments.
- Financial Controls – ensuring that strong financial controls are in place over all aspects of the Council's finances.
- Having a clear plan to close the forecast budget gap in the Medium-Term Financial Plan (MTFP).
- Generating capital receipts – to avoid the need to borrow for the Capitalisation Direction, thus avoiding increasing debt and putting additional pressures on the General Fund Revenue Budget.
- Housing Revenue Account – having a clear 30-year business plan.
- Affordability of the Capital programme – ensuring that any new borrowing is limited, with a priority to emergency health and safety works or where there is clear business case for delivering future savings and opportunities.
- Dedicated School Grant – having a deficit management plan (DMP) in place to address the forecast in-year overspend on the high need block. Once this is in place to agree with the DfE actions to address the historic deficit.

- Funding reforms – actively engaging and campaigning for the reform of local government including giving freedom to councils to set their own council tax levels without a need to hold a referendum.

In summary the report notes that the MTFS is a strategic document that sets out the financial context, challenges, and priorities over the medium-term and is used as a basis to build the Council's Medium-Term Financial Plan (MTFP). The MTFP, approved as part of the annual budget process, provides a detailed breakdown of how the Council plans to manage its finances to create a balanced budget and achieve its objectives. The MTFP includes detailed projections of forecast income, expenditure, borrowing, savings, pressures, etc. over the medium-term.

2. Recommendations

- ### **2.1 Paper A (2024/25 HRA Budget Setting Report)** – see Paper A and its appendices that the Executive considered and endorsed at its meeting on 8 April 2024.

That Full Council approves the Medium-Term Financial Strategy (MTFS) for 2025/26 to 2029/30 and the savings targets for 2025/26.

At the Executive Meeting held on 8 April 2024, the Executive further agreed:

- That the Council continues with the aim of avoiding a section 114 notice by taking all of the necessary actions and continuing to operate as if one had been issued.
- To receive an updated Medium-Term Financial Plan in September 2024 which sets out the latest forecasts of future service costs, income and funding from 2025/26 to 2029/30.
- To continue actively campaigning for the reform of funding of councils and greater local freedoms.
- That the Financial Control Boards continue to operate in 2024/25 as set out in Appendix 3.

3. Options considered and consultation undertaken

- 3.1** Options considered and details of consultation undertaken in respect of the recommendations set out above are set out in the reports and appendices within Paper A

4. Implications

- 4.1** Financial, legal, Human Resources, equalities, human rights and risk implications in respect of the recommendations set out in this report are detailed within Paper A.

It is essential that consideration is given to the legal obligations and in particular to the need to exercise the equality duty under the Equality Act 2010 to have due regard to the impacts based on sufficient evidence appropriately analysed.

The duties placed on public bodies do not prevent difficult decisions being made such as, reorganisations and service reductions, nor does it stop decisions which may affect one group more than another. What the duties do is require consideration of all of the information, including the potential impacts and mitigations, to ensure a fully informed decision is made.

5. Background Papers

- 5.1** These are set out within Paper A and its appendices.