

Somerset Council  
Scrutiny Committee  
– 19<sup>th</sup> June 2024



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## **Provisional Revenue Outturn and emerging issues for 2024/25**

Executive Lead Member: Cllr Liz Leyshon Deputy Leader of the Council and Lead Member on Resources and Performance

Lead Officer: Jason Vaughan – Executive Director Resources and Corporate Services (s151)

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### **Summary**

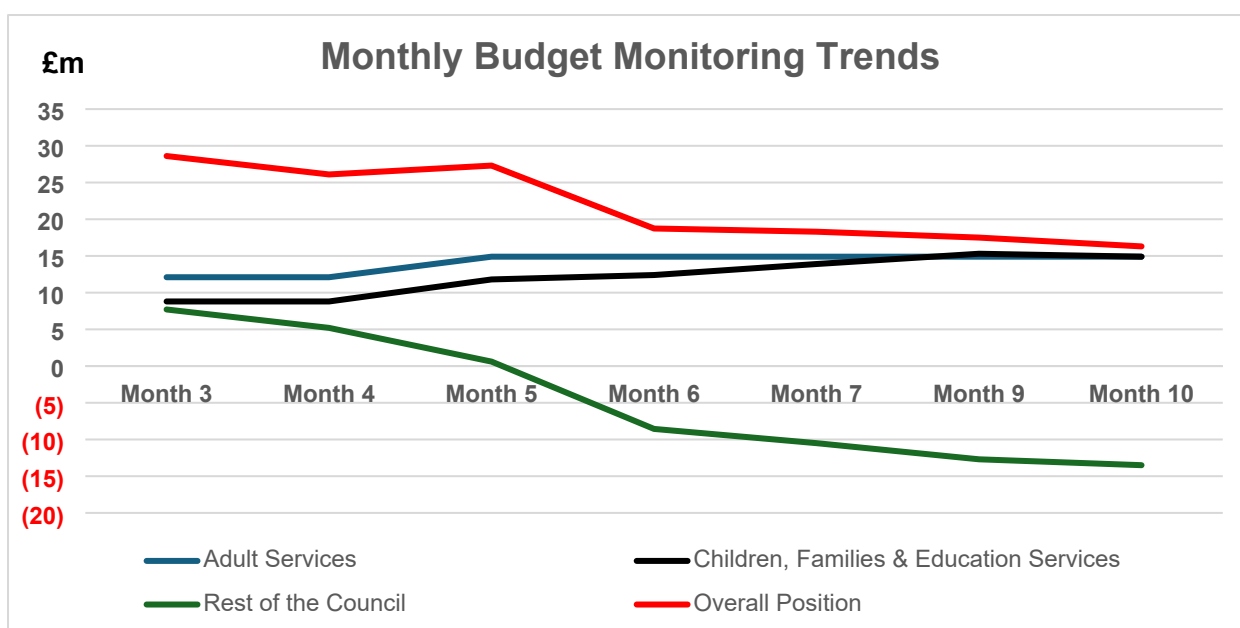
1. The purpose of the report is to provide members with the latest position on budget monitoring through a high level provisional 2023/24 outturn position for each service ahead of the final outturn being finalised and for the 2024/25 to highlight potential emerging financial issues for the year.
2. The report enables Scrutiny Committee to have the earliest opportunity to review the figures and identify areas that they wish to scrutinise in more detail. The Committee also need to identify any comments they wish to make to the Executive to consider at their July meeting when they will have the full 2023/24 outturn and the Month 2 emerging issue reports.

### **2023/24 Revenue Budget Monitoring**

3. Throughout 2023/24 there has been regular revenue budget monitoring reported to both Scrutiny and the Executive. This has highlighted that there was a potential overspend of £28.6m identified in month 3 which equated to over 5% of the net budget for the year. **Table 1** below shows trends on variances across the year and how the overall forecast had reduced from £28.6m down to £16.3m in month 10.

**Table 1:- Monthly overspend variance trend**

Service Area	Mont h 3 £m	Mont h 4 £m	Mont h 5 £m	Mont h 6 £m	Month 7 £m	Mont h 9 £m	Month 10 £m
Adult Services	12.1	12.1	14.9	14.9	14.9	14.9	14.9
Children, Families & Education Services	8.8	8.8	11.8	12.4	13.9	15.3	14.9
Remaining Services	7.7	5.2	0.6	(8.6)	(10.5)	(12.7)	(13.5)
<b>Total Position</b>	<b>28.6</b>	<b>26.1</b>	<b>27.3</b>	<b>18.7</b>	<b>18.3</b>	<b>17.5</b>	<b>16.3</b>



4. As a result of the forecast overspend for the year various actions were taken to control and challenge areas of spending. This involved the establishment of 5 control and board panels which were: -
- **Establishment & Recruitment Control Board** - to assess all workforce requests and changes.
  - **Commercial & Procurement Control Board** - to review and challenge all new commissions, annual uplifts in contract and contract renewals.
  - **Spend Control Board** - ensuring that all purchases over £100 are reviewed and challenged to avoid any non-essential spend.
  - **Adult Social Care Panel** - to review and challenge placements.
  - **Childrens Care Panels** - various panels to review and challenge placements.

5. The overall 2023/24 outturn position is still being finalised and final checks being made. It is recognised that for closing down the first set of accounts for the new council is challenging given it's the first year for the new unitary, we have introduced a new finance system and are operating on temporary staffing structures in finance following LGR.
  
6. The latest draft outturn position for individual services is set out in **Table 2** below. The figures for the 2023/24 draft service outturn are an improvement upon the Month 10 forecast of £19.3m. A total outturn variance has not been included at this stage as the range of variance is wide. These figures form a key part of the outturn for the year, but the overall picture is still being completed as various other element such as the collection fund, provisions for bad debts, contingency, debt financing etc still need to finalised. The final overall outturn position will be reported to Executive Committee at its July meeting.

**Table 2 – 2023/24 draft service outturn**

<b>Service</b>	<b>£m variance</b>	<b>Comment</b>
Adult Services	£16.4m Adverse	The month 10 forecast was an overspend of £14.9m with the variance due to higher fee levels than anticipated for care home placements, increased delivery of home care and market sustainability within supported living.
Children, Families & Education Services	£12.4m Adverse	In month 10 the prediction was a £14.9m overspend. The outturn figure had improved by £2.5m. The overspend predominantly relates to external placements, fieldwork (support for children at home), and SEND transport budgets.
Community Services	Overall underspend but still finalising figures but in the region of £3m to £5m Favourable	The month 10 forecast was an underspend of £0.7m. The outturn is to be confirmed but the underspend has increase from month 10. The underspend is spread across all four service directorate areas and reflects the work undertaken in year not only to control costs but also to review the inherited budgets from the legacy councils. In Community Services there have been greater positive variations where historical district services have come together and efficiencies have been identified.
Climate & Place Services	Overall underspend but still finalising figures but in the region of £10m to £15m Favourable	The month 10 forecast was an underspend of £7.3m. This is mainly from the gainshare income from the Connecting Devon & Somerset broadband project. Changes from month 10 include allocating income such as Planning and Building Control to the correct cost centres. Waste is reporting an increase in underspend due to the final tonnage calculations.

<b>Service</b>	<b>£m variance</b>	<b>Comment</b>
		The reason for the scale of the range is a number of end of year reconciliations still need to be completed.
Strategy, Workforce & Localities Services	£0.4m Favourable	There are some overspends within the service which mostly relate to external legal costs where specific expertise is required. These overspends are offset by vacancies and reducing Learning and Development costs by focusing on e-learning, statutory and mandatory training.
Resources & Corporate Services	£2.5m Favourable	As reported previously the favourable variance is seen in the Finance & Procurement budget & the Information Communication Technology budget and relates to the holding of vacant posts and additional grant income.
Public Health	£0.1m Favourable	An underspend against staffing budgets funded from the Public Health Grant due to vacant posts and vacancies being held.

7. The position in respect of Dedicated Schools Grant (DSG) was £15.2m overspend for the year which will take the cumulative deficit to £35.9m. This is slightly better than the February forecast of the overall deficit increasing to £38.1m. The statutory override is in place until the end of the 2025/26 financial year which is when the deficit will need be offset against the council reserves.
8. Both the Housing Revenue Account (HRA) and Capital Programme outturn positions for 2023/24 are still being finalised and will be reported as soon as possible. Until these are complete, the revenue budget figures cannot be finalised.
9. Once the 2023/24 outturn has been finalised work will start on the Statement of Accounts for the year with the aim of having these completed by the end of September and Audited by Grant Thornton, the independent external auditors in October and their findings being reported to the Audit Committee in December 2024. A key part of producing the statement of accounts for 2023/24 is to have the opening balances from predecessor councils. There has been significant work undertaken over the last year addressing outstanding accounts going back to

2020/21 financial year and the Audit Committee annual report to Council highlights that 10 sets of accounts have been completed over the last year. The only outstanding accounts from prior years are the 2022/23 statement for South Somerset DC and the external audit on these is expected to be completed by the end of August.

### **2024/25 Revenue Budget – Emerging Issues**

10. Full monthly budget monitoring reporting will commence from month 3 and will contain financial information on the elements below.
  - Revenue budget monitoring (including key performance indicators)
  - Capital budget monitoring (Quarterly)
  - Monitoring of 2024/25 Medium term financial plan savings update including risks and mitigations.
11. The finance team resources are very stretched given the current focused upon
  - finalising the outstanding statement of accounts from 2022/23
  - producing the 2023/24 outturn
  - drafting the 2023/24 statement of accounts
  - costing the new staffing structures to identify the potential cost and savings from the whole council restructuring.
12. However, given the challenging financial position the council finds itself in, a Month 2 emerging issues report has been produced to highlight the key potential variances and issues ahead of the full month 3 budget monitoring report. With the significant risks in the Adults and Childrens budgets, a more detailed budget monitoring exercise has been undertaken.

### **Issues for Consideration / Recommendations**

13. That the scrutiny committee considers if there are any areas that wish to scrutinise in more detail or any comments that they wish to make to the Executive to consider at their July meeting.

### **Background**

14. The Month 2 emerging issues has identified a number of areas of potential variances that could emerge if no corrective action is taken. The main areas of concern identified at this stage relate to:
  - Adults - Potential £3.2m overspend with £2m+ for the intermediate care model and £1.2m in relation to the Community Equipment & Wheelchair Service pooled budget.
  - Children Looked After - Potential £3.9m overspend.

(Corporate & Resources Scrutiny Committee – 19<sup>th</sup> June 2024)

- Waste - There will be an increased cost to kerbside collection service for 2024/25. There will be a report on this going to Executive on 15 July 2024.

15. Details of the emerging issues are set out in **Appendix 1**.

### **Consultation undertaken**

16. The 2023/24 and 2024/25 budget proposals were subject to public consultation, and this was considered by the executive when making their recommendations to Council on the budget proposals.

### **Implications**

17. The financial impact of any overspend in 2023/24 would result in a reduction in the level of General Reserves. The level of General Reserves is currently £49.8m before taking account of any overspend in 2023/24 and minimum risk-based assessment of the reserves approved by Council in February 2024 is £30m.

### **Background Papers**

18. 2023/24 Budget, Medium-Term Financial Plan & Council Tax Setting report to Council 22 February 2023.

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

20. Month 3 to Month 10 Monthly Budget Monitoring reports to Executive & Corporate & Resources Scrutiny Committee (August 2023 to February 2024).

21. 2024/25 General Fund Revenue Budget and Medium-Term Financial Plan, 2024/25 Housing Revenue Account (HRA) Revenue and Capital Budget Setting 2024/25 including Dwelling Rent Setting and Fees and Charges for 2024/25, MTFP and 30-Year Business Plan Update report to Corporate & Resources Scrutiny, Executive and Council February 2024.

22. Section 25 Report from Section 151 Officer to Council 20 February 2024.

23. Medium-Term Financial Strategy (MTFS) 2025/26 to 2029/30 report to Executive and Council April 2024.

24. Audit Committee Annual Report to Full Council 30 May 2024

## **Appendix 1 – 2024/25 Revenue Budget – Month 2 Emerging issues**

### **Adult Social Care**

Lead Member for Adult Services: Cllr Sarah Wakefield

Executive Director: Mel Lock

Service Directors

- Adult Social Care Operations: Emily Fulbrook
- Adult Social Care Commissioning: Paul Coles
- Adult Social Care Transformation: Niki Shaw

The current emerging issues identified in Adults Social Care are:

Adult Social Care – Potential £3.2m overspend

Additional costs above the original business case of £2m+ for the intermediate care model, particularly within pathway beds used to support discharges from acute hospitals have continued from 2023/24, this is currently being reviewed in conjunction with the Integrated Care Board (ICB).

The Community Equipment and Wheelchair Service pooled budget continues to be an estimated local authority pressure of £1.2m, work is currently underway to look at the areas of spend with ICB.

Since January 2024 we have seen an increase in the number of people whose capital (savings/assets) has dropped below the £23,250 threshold. Care homes typically charge higher fees to privately funded residents and because of this people's funds are running out quicker which means they become eligible for Adult Social Care funding sooner. The number of requests received is higher than anticipated when the budget was set for 2024/25.

However, sufficiency of supply in the market has increased and we are able to get placements at our fee rates, which mitigate some of the pressures mentioned.

### **Children & Family Services**

Lead Member for Children, Families and Education: Cllr Heather Shearer

Executive Director: Claire Winter

Service Directors:

- Children and Families: Jayne Shelbourn-Barrow
- Commissioning and Performance: Richard Selwyn
- Education: Amelia Walker



The current emerging issues identified in Childrens & Family Services are:

#### Children Looked After - Potential £3.9m overspend

- There is an increase in demand for children entering care. Overall numbers have increased by about 15% from this time last year. The key increases are in children under 2 and children aged 10 to 15.
- Residential numbers (excluding Homes & Horizons) currently at 94 at the end of May, the 2024/25 budget includes an average of 73 CLAs built into the demand model. This is due to the severity of risky behaviours in young people entering care and an insufficiency internally and in the external market of foster homes.
- Unregistered CLA numbers currently show 5 with only an average of 1 built into the 2024/25 budget model. This is planned to reduce to 3 in the first week of June. There is usually a seasonal pattern from May to September for children experiencing very high levels of need and the registered market being unable to accommodate them.
- Average weekly costs are still below what we have budgeted but these may continue to increase as new placements start throughout the year. While providers have largely agreed below inflation costs rises for children already in their care, new placements are being charged at rates well above inflation.
- Lack of move on to social housing from the Thrive 16+ contract for older young people, which is preventing being able to free up beds to move young people out of spot purchase beds and residential placements into Thrive 16+.

Delays in Homes to & Horizons homes 6,7 and 8 opening, plus delays in completion of the house pods and annexes. This is due to a number of factors, including 3 externally commissioned evaluations of the project's value for money over the last 12 months, during which time implementation was halted, planning complexities and capacity issues in the property team.

Further detail will be provided when the full budget monitoring exercise is undertaken For Childrens Social Care & Commissioning in month 2.

#### Education, & School Transport – Forecast pressure on Local Authority £1.6m

##### Mitigations:

- Vacancies largely on hold in Education to generate further savings.
- Service restructure being worked on by Service Director – Education, likely to result in potentially £600k in year savings but not fully quantified at this stage.
- Overall risks to education potentially offset by savings in Transport and new income for 2024/25.

Dedicated Schools Grant – Budget overspend £18.9m - Forecast overspend £23.1m

Initial data for 2024/25 suggests that there is already an in year overspend on the DSG above the budgeted deficit of £18.9m for 24/25. At month 2, mainstream school costed plans and top ups are forecast to be £1.4m overspent, Independent non-maintained school placements based on current CYP numbers are forecast to be £2.8m overspent. Full budget monitoring will be undertaken at Q1, and the DSG will also be monitored on a quarterly basis against the deficit management plan.

### **Community Services**

Lead Member for Communities, Housing and Culture: Cllr Federica Smith-Roberts

Executive Director: Chris Hall

Service Directors:

- Housing: Chris Brown
- Culture: Elizabeth Dawson
- Customers: Jan Stafford
- Regulatory and Operational: Sarah Dowden

Street Cleaning & Open Spaces - Potential £0.5m overspend

Inflationary increases will present a pressure – The pressure also includes a saving identified by the LGR workstream that is not achievable.

It is important to note that the service is looking at mitigating actions to try and avoid a pressure across Street Cleaning and Open Spaces this will include using savings created by service devolution to avoid any overspends.

Coroners - Potential £0.4m overspend

Increases to the service in terms of payments for pathologists, mortuary costs and the conveyancing of bodies. It is also anticipated that legal costs will be higher than anticipated. This is a demand led service and use of this service can only be a prediction at this stage, this is an area where it is difficult to mitigate against the increase costs.

### **Climate & Place**

Lead Members:

- Environment & Climate Change: Cllr Dixie Darch
- Transport & Digital: Cllr Richard Wilkins
- Economic Development, Planning & Assets: Cllr Ros Wyke

Executive Director: Mickey Green

Service Directors:

- Climate, Environment & Sustainability: Kirsty Larkins
- Infrastructure & Transport: Mike O'Dowd-Jones
- Economy, Employment & Planning: Paul Hickson

### Highways

- Safety defect numbers continue to be high for 2024-25 which is putting a pressure on the budget.
- New Highways contract – Mobilisation costs for improvements to depots needs to be funded within Highways, some budget has been set aside but could cause a pressure depending on the costs.
- The final account for the Milestone contract is not closed as yet. There are a number of latent issues, compensation events, and remeasures that are still in play. The Contract Management Team have done incredibly well in driving down the cost exposure for the final account and we only have a handful of issues left to sort out.

### Fleet

- Work is continuing with budget holders bringing the fleet budgets together from legacy councils. This is a large budget with a risk of not achieving savings in 2024/25.

### Waste Services – No overall figure at this stage

- There will be an increased cost to kerbside collection service (subject to decision at Executive) for 2024/25.
- Negotiations are ongoing in relation to savings from the Household Waste Recycling Contract, and as a result a full year's saving is no longer achievable, so an additional pressure of £0.5m likely.

### Land Charges - Potential £0.3m overspend

- Land charges was transferred to the planning service in April 2024 with an overstated income target based on historical data from the predecessor councils. Mitigating action is being undertaken including consideration of future charge rates but this figure represents the likely annual financial pressure resulting from this.

### Regeneration and other externally funded projects - (no figure at present)

- The Council has a large and complex Government funded regeneration capital programme resourced via mechanisms including town deals, the levelling up fund, future high street funds and other sources. In all cases Government grants are cash limited and there is a fixed end date for the expenditure of these funds. The Council as the lead authority for delivery unavoidably carries the challenges and risks associated with delivery of these programmes, including managing schemes within budgets in the context of construction price inflation.

### **Strategy, Workforce and Localities**

#### Lead Members:

- Governance and Communications: Cllr Bill Revans
- Resources and Performance: Cllr Liz Leyshon

- Transformation and Human Resources: Cllr Theo Butt Philip

Executive Director: Alyn Jones

Service Directors:

- Partnership and Localities: Sara Skirton
- Strategy and Performance: Sara Cretney
- Governance, Democratic and Legal Services: David Clark
- Workforce (interim): Dawn Bettridge

Governance, Democratic & Legal

- The provision of legal childcare support is a statutory and a demand led service, it is an area of specialism which is extremely difficult to recruit to meaning the council is currently reliant on locums. The service is developing a strategy to aid successful permanent recruitment and are also reviewing budgets across the wider directorate to help mitigate any overspend, however there is still a risk of a budget pressure in 2024/25.

Partnership and Localities - Potential £0.1m overspend

- Loss of Housing Revenue Account funding for posts. The service is looking to mitigate this pressure through the workforce restructures.

### **Resources & Corporate Services**

Lead Members:

- Economic Development, Planning & Assets: Cllr Ros Wyke
- Resources & Performance: Cllr Liz Leyshon
- Transport & Digital: Cllr Richard Wilkins

Executive Director: Jason Vaughan

Service Directors:

- Finance & Procurement: Nicola Hix
- Strategic Asset Management: Ollie Woodhams
- Information, Communication, Technology: Andy Kennell

Finance – On budget

- No major variances identified.

Strategic Asset Management

- Some areas of risks, price uncertainty on energy costs, property holding costs and rental and service charge income.

Information, Communication, Technology

- No major variances identified.