

#### Agenda item 4

For information - Current financial situation at SC at 8 November 2023

Author: Paul Wynne, Town Clerk

I've included in the appendix below a few choice snippets from the Somerset Council Executive committee report on their finance situation that was discussed and agreed on Wednesday 8 November.

The report says, "*the latest forecast is that the budget gap has increased to £100m for 2024/25*". This is much more than SC published in the summer and has been revised upwards in the past couple of weeks. I don't think this is a significant surprise, but it does confirm the emergency situation they are in. The Government has been warned and SC are in discussion with Government about how to manage things.

Unless SC act now in order to set a balanced budget in January/February. In the coming weeks and months it will be severely cutting costs and searching for sources of income from selling assets. If it does not, a s114 notice will be issued and the Government's commissioners will come in and take over and make cuts.

Adult and children's services take up more than 70% of SC budget, these costs are increasing all the time and the overspend in these areas comprise, by far, the biggest part of the shortfall. Much but not all of the spend in these areas is mandatory and SC has no choice other than to fund them, so it's other services that will need to be cut alongside any non-mandatory elements in adult and children services.

**What does this mean for Frome and FTC?**

All SC services are under severe financial pressure and all service directors are being tasked to come up with any cuts that they can. It will be brutal. We should consider that nothing is safe.

The front page of SC's website [here](#) provides a good summary of high profile services and could be indication of where cuts in services could be made.

We don't know the detail yet of what it means for our community. But SC's decisions in the coming weeks **could** result in reductions in services such as street cleaning and bins, public toilets, grass cutting, markets, economic development support, public health projects and campaigns. And it is highly likely that SC will continue to dispose of "surplus" assets. These could be buildings that SC owns in Frome as well as many open spaces.

FTC needs to be prepared to consider buying or having assets transferred to it or to step in to provide services. Staff are working up a list of priority open spaces and other assets and services in the town that we think might be on that service at risk list. Informal discussions about the possibilities are ongoing but final decisions will be made by Council.

Council will need to decide soon on a way forward. More information is emerging from SC all the time, but SC's Executive Committee will make significant decisions at its December meeting.

### FTC budget implications

It would be wise for FTC to allocate budget to enable Cllrs to be in a position to decide whether to take on surplus assets, continue to provide threatened services or step in to provide alternative approaches. Staff are exploring what might be available within the current budget and what might be appropriate to allocate in next year's budget. It's not possible to be any more precise at the moment.

Cllrs should be prepared to receive recommendations at the December Council meetings and to consider increasing the precept in January if it decides to act.

### Appendix

For context, here are some extracts from the SC Executive Committee report that was discussed and agreed on 8 November.

*The new Council faces a very stark and challenging financial position with its cost of delivering services increasing significantly faster than the income it receives.*

*The work undertaken over the last few months has seen a substantial increase in the budget gap as cost pressures have increased and a relatively low level of new saving options being put forward by services. At this stage, the latest forecast is that the budget gap has increased to £100m for 2024/25 with gaps of £42m for 2025/26 and £41m for 2026/27. The focus over the next few months is a combined approach of mitigating and reducing down the cost pressures and developing a range of budget saving options from across all parts of the council.*

*With slow progress on addressing both the in year projected overspend and lack of budget savings options being produced by services, an emergency response is required immediately.*

### Recommendations

*That the Executive:*

*a) Agrees that Somerset Council faces a financial emergency and acknowledges that urgent actions need to be taken to address the position including the setting up of the Financial Focus Group and the introduction of further financial controls to limit spending.*