The Chartered Institute of
Public Finance & Accountancy

# Somerset Council

## External Assurance Review

## May 2026

A Report by:

The Chartered Institute of Public Finance and Accountancy

**CIPFA, the Chartered Institute of Public Finance and Accountancy**, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

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# 1 Executive Summary

## 1.1 Summary of Findings, Issues, Evidence and Analysis

***Somerset Council remains in a deeply fragile financial position and recognises the vital importance of bringing core service pressures and spending under greater control without delay and of accelerating the scope and pace of the transformation programme. Over the three years to 2026/27, Somerset Council has received almost £120 million of Exceptional Financial Support to fund its core deficits and transformation programme and was given the ability in 2025-26 to increase its Council Tax above the limit without a referendum.***

There are several urgent actions with the most pressing being:

- to escalate the pace of transformation to ensure that the programme moves from a plan to delivering further savings, cost reduction and improved outcomes for residents;
- To demonstrate grip on service budgets and develop effective demand management strategies to minimise cost pressures.
- To satisfy the Statutory Recommendations from the External Auditor to avoid further action being taken under the powers of the Auditor;
- mobilise the Building Better Finance Programme at pace to improve financial management and accountability across the council which will support financial recovery and remove the reliance on Exceptional Financial Support (EFS); and
- To ensure that the newly appointed substantive Section 151 Officer is able to quickly become effective in continuing the financial recovery journey and provide stable leadership and direction.

Somerset's key challenge is not a lack of understanding of its situation, plans, governance or intent to get to a financially stable position. Good awareness of the situation has been demonstrated. However, delivering the transformation and putting in place effective demand management strategies in the People Services is not progressing at the pace that is necessary.

Having relied on Exceptional Financial Support almost since its creation, Somerset Council still has low levels of general reserves. At 31st March 2026, the **General Fund reserve of £67.363 million is £6.889 million less than the risk based 10% of the net revenue budget which** means there is limited resilience to withstand further financial distress. £40m of the EFS of £120 million over three years was to support the delivery of transformation which has thus far not been delivered as planned.

Transformation plans have been reprofiled however aside from some reduction in the staffing pay-bill there is still a significant amount of service delivery transformation to be achieved.

**The Housing Revenue Account (HRA) is relatively stable** and the move to a single model for the Housing Landlord Service should, after initial investment, be of financial benefit to the HRA as well as delivering better service and outcomes for tenants.

**Asset management and the management of the asset disposal programmes are currently fragmented** which may reduce the ability to deliver the capital receipts that will fund transformation. Therefore, a single focussed team would reduce the risk of this having a detrimental impact on the council's progress to financial sustainability.

**Demand pressures in Adult Social Care and Children's Services continue to grow and both Ofsted and CQC reviews have been issued with 'Requires Improvement' status.**

In Adults, despite work to reduce the cost base in Adult Social Care and there are some service areas not performing to the standards that external inspection would expect and particular pressures are emerging in the Learning Disabilities Pooled Budget with the ICB The review identified evidence of strengthened high-cost package oversight in Adult Social Care and improvements linked to bedded care pathways.

In Children's, there remains limited evidence demonstrating that transformation activity has yet resulted in sustained reductions in underlying demand growth or future cost avoidance at the scale required within the MTFP assumptions.

**Leadership relationships appear stable, collaborative and professional, with evidence of strong organisational commitment and openness to external challenge.** The Officer leadership team has recently had some changes and will again, once the newly appointed permanent S151 Officer takes up post in late July 2026. The prospect of local elections in 2027 and the lead up will inevitably present Members with challenges in making more difficult decisions. Given the financial pressures arising with change in pooled budgets and the reliance on transformation plans being delivered, it is difficult to see that further application for EFS/further diminution of reserves can easily be avoided.

## 1.2 Key Risks / Findings and Recommendations

This table provides the improvement plan and roadmap that we recommend the council follows with priority actions indicated by the RAG rating and the recommended timeline included with the recommendations.

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| **On the quality of financial management and processes** | | |
| 1. The progress in resolving the Statutory Recommendations is not to the satisfaction of the External Auditor (Grant Thornton). | High - 6 | 1. Mobilise the Building Better Finance Programme subject to approval of the business case. **July 2026 at the latest or as soon as new CFO takes up post.** |
| 2. The Strategic Outline Business Case for Building Better Finance is not accepted and progressed at the appropriate pace. | High - 6 | 2. Deal with any concerns from the approval process and resource the workstreams promptly. **July 2026 at the latest picking up any issues with new CFO from end of July onwards** |
| 3. Building Better Finance does not proceed at the required pace to support the changes required in the finance function to support the overall improvement in financial management and stewardship across the council. | High - 6 | 3. Once mobilised, ensure that any issues are escalated to the Thematic Board promptly with solutions for regaining momentum. **Ongoing** |
| 4. Recruitment for a substantive S151 Officer is not successful or is delayed, not enabling a full and smooth transition. | Low - 2 | 4. Agree a timetable for effective handover from the interim postholder. **July 2026 at the latest – new postholder in place from end of July** |
| 5. Revised structure does not deliver the financial leadership strength that is intended and needed either due to inability to recruit appropriate capability or due to the fact that the capability is not developed from within the current resources. | Medium - 4 | 5. Consider contingency plan for interim resourcing either to deliver transformation or backfilling business as usual. **August 2026** |

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| 6. Gaining corporate support for the cultural shift, to following processes and taking accountability for budget management, is not achieved. | Low - 2 | 6. Ensuring that this stream of the Building Better Finance programme is given the priority it needs and is complemented by the overarching cultural theme of the Transformation Programme. **Ongoing** |
| **On financial sustainability and risk** | | |
| 7. Overspending in Adults Social Care and Children's Services continues or increases if the demand reduction initiatives are not mobilised or the opportunities to safely step-down care packages are not taken. | High - 9 | 7. Move proof of concept projects in the transformation programme into delivery with associated delivery plans without undue delay. **From July 2026** |
| 8. Financial processes are not consolidated enough to enable efficiencies in system management and manual interventions. | High - 6 | 8. Ensure that appropriate IT and Service expertise is secured and focussed to deliver the improvements identified in the financial management review. **As soon as possible** |
| 9. Being in the final municipal year leading up to local elections may affect members' desire to make some of the more challenging decisions. | High - 6 | 9. Continue effective engagement between relevant officers, lead members and scrutiny committees with clear evidence and rationale to support decision making. **Ongoing** |
| 10. The rate of return will be lower than the overall 3:1 that has been set out as part of the programme and the MTFP. | High - 6 | 10. Maintain tight control of the return on investment for each business case with overview of the whole programme. **Ongoing** |
| 11. The pace of delivery of transformation programme is slower than expected which means that financial recovery and stability is not achieved in a timely way. | High - 6 | 11. Maximise the benefit of the Strategic Transformation Partner and the Advisory support on the Board. **Ongoing** |
| 12. Investment to deliver the transformation | High - 6 | 12. Ensure that this is fully considered with the |

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| outcomes is greater than currently included in the MTFS and the EFS application. | | refresh of the MTFS and the preparation of budget for 2027-28. **September / October 2026** |
| 13. Fragmented approach to overall property management may not be delivering the best value for money or maximising the opportunity for further disposals, reducing the cost base and increasing capital receipts. | High - 6 | 13. Consider combining property and asset management to take a holistic approach to property and assets using any further external resources for specific aspects of the overall service. **From August 2026** |
| 14. Capital receipts are not available to fund the transformation activity which may then require alternative funding decisions. | High - 6 | 14. Ensure that this is fully considered with the refresh of the MTFS and the preparation of budget for 2027-28. **September / October 2026** |
| 15. Further company related issues may arise which have not yet been discovered. | Medium - 3 | 15. Through the establishment of the Shareholder Committee, ensure that there is effective oversight and engagement with all companies owned by the council. **As soon as possible** |
| 16. Financial risks associated with any of the company arrangements including loans made, may materialise and add financial pressure to the current fragile position. | Medium - 3 | 16. Through the establishment of the Shareholder Committee, ensure that there is effective financial oversight and engagement with all companies owned by the council. **As soon as possible** |
| **On service reform, delivery and transformation** | | |
| 17. Continuing Health Care funding arrangement changes give rise to increases in operational workload, staffing pressure, assessment activity, and funding disputes creating challenges in financial forecasting, workforce | Low - 2 | 17. Ensure that there is effective dialogue with the ICB to change the way this area works for the future. **As soon as possible** |

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| capacity and budget volatility. | | |
| 18. Housing Stock transfer does not happen as planned which means that the client function is not streamlined and the HRA does not benefit from administrative savings. | Low - 2 | 18. During the period of consultation progress the setting up of the dedicated client-side function and make staff appointments to key roles subject to TUPE provisions. **As soon as possible** |
| 19. High Needs Stability Grant is not approved. | Low - 2 | 19. Continue to work on the Deficit Management Plan as part of the wider SEND Reform Plan including working with individual schools where there are deficit budgets to minimise the financial risk to the General Fund. **Ongoing from July 2026** |
| 20. The Deficit Management Plan does not achieve its financial outcomes. | Medium - 4 | 20. Continue to hold the service to account for delivery through Executive. **Ongoing** |
| **On governance, culture and leadership** | | |
| 21. Lack of clarity regarding key decisions and thresholds may result in delays to decision making which may have an adverse effect on the delivery of the transformation programme. | Medium - 3 | 21. Statutory Officers, with support of other officers, should review this urgently and agree thresholds and any amends required to Scheme of Delegation / Financial Regulations. **From July 2026** |
| 22. Executive Directors and their management teams do not deliver in line with the assurance statements which produces further financial pressure. | Medium - 3 | 22. Ongoing with monthly / quarterly financial monitoring. **From July 2026 onwards** |

# 2. Introduction

## 2.1 Background

Somerset Council submitted its Exceptional Financial Support (EFS) application for 2026-27 seeking permission to raise Council Tax for a second year above 4.99% without the need for a referendum in addition to a capitalisation direction. This was the third consecutive year of a request for EFS reprofiling existing support from previous year primarily to fund transformation and for 2026-27 the increase in Council Tax was refused however the capitalisation direction was successful.

Since being formed on 1 April 2023 from five predecessor authorities (four districts and the former County Council), Somerset Council has had financial challenges leading to the declaration of a financial emergency in November 2023. Having requested EFS in 2023-24, CIPFA carried out an Assurance Review in September 2024 which highlighted that the business case for unitarisation may have under-estimated the timescale over which the benefits of the new council might reasonably be delivered. The delivery of the full transformation is still ongoing. Whilst some significant staffing savings have been achieved, further phases of transformation that include leveraging technology gains and service redesign are still in design or early stages of delivery.

The council continues to experience growth pressures in several areas including Adult Social Care (ASC), Children's Social Care (CSC), Special Educational Need and Disabilities (SEND), School Transport and Waste Services. The cost-of-living crisis, high inflation, workforce challenges, and aging infrastructure are all reported as contributory factors to the overall pressures.

The Interim S151 Officer stated in the Section 25 report accompanying the budget for 2026-27 that the financial position of the council remains deeply fragile going on to say:

> *The 2026-27 budget includes a funding gap before Exceptional Financial Support (EFS) of* ***£25.000 million****, increasing to* ***£88.368 million*** *across the medium term, reflecting sustained demand and cost pressures across key statutory services, particularly children's social care, adult social care and Special Education Needs and Disabilities (SEND).* ***The budget for 2026-27 has been balanced only through the use of one-off resources, including Exceptional Financial Support (EFS) and an unplanned Collection Fund surplus****. This approach does not provide a sustainable solution and increases financial risk in future years.*

Budget estimates for 2026-27 have been subject to robust internal challenge including service reviews, assessment of demand assumptions, testing of savings proposals and review of transformation plans. Accountability for and commitment to operating within the budgets has been received from the majority of Executive Directors in formal budget assurance statements.

Overall, the council's reserves are at a level lower than the S151 Officer believes is required to mitigate the financial risks that the council is facing. As at 31 March 2026, the level of General Fund reserves are £67.363m (unaudited). Given the risks faced by the Council, the Section 151 Officer recommends that reserves are replenished over the MTFP to an appropriate level of 10% of the Net Revenue Budget before EFS and reserves, which for 2026/27 is £74.252m, representing an increase of £6.889m. A 10% level is considered appropriate in the context of the Council's financial position, including the scale of demand pressures, delivery of savings programmes, and ongoing uncertainty in funding and wider economic conditions.

The risks identified are summarised as: "*delivery of the transformation programme at the required pace and scale, maximising potential income from Fees & Charges, the continued rapid growth in the Dedicated Schools Grant (DSG) deficit, service overspends, particularly in Children's Services, and exposure to wider system risks such as market failure and changes in partner funding arrangements*".

These areas were identified in the review carried out in 2024-25 following the EFS award of that financial year. As part of the separate work that CIPFA undertook related to the FM Code and now this review, there is still some optimism in the overall transformation programme post LGR, the ability of the council to move from responding to demand for social care to preventative activities and the need to resolve some legacy issues associated with the predecessor authorities without some very clear timelines and milestones.

The Section 151 Officer has stated in the Section 25 report: "*the vital importance of bringing core service pressures and spending under greater control without delay and of accelerating the scope and pace of the transformation programme*".

Pending the final outturn figures for 2025-26, the draft position shows an underspend of £6.342 million which results from a number of factors. Service budgets are estimated to have overspent by a net £1.547 million again with variations across different areas. Adult Services underspent by £8.221 million and Children's Services overspent by £11.362 million, other services areas also had smaller underspends resulting the net service position above.

Borrowing assumptions for 2025-26 and the cost of the borrowing were based on the capital programme as it was set out however, poor performance in delivering the capital programme for 2025-26 resulted in £17.95 million underspend in Treasury Management. The capital programme has now been subject to a detailed review based on more prudent assumptions in relation to borrowing requirements and delivery and amended for 2026-27 onwards in the Medium-Term Financial Strategy (MTFS).

The S151 Officer has the agreement of the Executive to provide a reserve for the 10% of the Dedicated Schools Grant (DSG) deficit that will remain if the SEND reform plan enables Somerset to access the grant that is being made available. Being successful in securing that grant will also allow the S151 Officer to further reduce borrowing assumptions. This has also been prudently budgeted for in 2026/27 and 2027/28 to avoid future revenue pressures on the working assumption that DfE will provide a further 90% grant in each of the next two year.

This outturn position for 2025-26 and the resulting net underspend does take account of the request from the council for £43 million in capitalisation which means that the underlying position is a net overspend of £37 million.

There have been four changes in the S151 Officer since April 2023 which has created instability in terms of the style and approach, and the implementation of a new core finance system (Microsoft Dynamics) that is not one of the most popularly used systems of its type, have also had some impact on the financial management of the council.

CIPFA carried out a full review of financial management practices using the CIPFA Financial Management Model which concluded in February 2026, the findings of which have been used to support this assurance review.

## 2.2 Requirements and Methods

The full details of the areas for investigation requested by MHCLG and the analysis methods used by CIPFA are contained in Annex A1.

# 3 Areas Reviewed

## 3.1 Review Area 1: QUALITY OF FINANCIAL MANAGEMENT AND FINANCIAL PROCESSES

An assessment of the local authority's financial management and management of risk.

**Somerset Council remains in a deeply fragile financial position and recognises the vital importance of bringing core service pressures and spending under greater control without delay and of accelerating the scope and pace of the transformation programme. As at 31 March 2026, the level of General Fund reserves are £67.363m (unaudited). Given the risks faced by the Council, the Section 151 Officer recommends that reserves are replenished over the MTFP to an appropriate level of 10% of the Net Revenue Budget before EFS and reserves, which for 2026/27 is £74.252m, representing an increase of £6.889m. A 10% level is considered appropriate in the context of the Council's financial position, including the scale of demand pressures, delivery of savings programmes, and ongoing uncertainty in funding and wider economic conditions.**
**Financial processes and overall financial management remain in need of development work to support the organisation's financial recovery, sustainable future and to satisfy the three Statutory Recommendations from the External Auditor.**

| |
|---|
| ***a) The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.*** |

***Key findings and analysis***

The interim S151 Officer has clearly articulated in the Section 25 report that the council's financial position remains deeply fragile and that it is vitally important to bring core service pressures and spending under greater control without delay and to accelerate the scope and pace of the transformation programme. This was the conclusion of the high-level review supporting the initial application for EFS for 2026-27. These messages are consistent with the Assurance Review carried out in September 2024 as a result of the EFS award for that financial year and also the CIPFA FM Review carried out in January and February 2026.

The financial management review concluded that in line with the CIPFA FM Model the council is deemed to be at 1 star out of 5, which concludes that there in minimal financial capability that can only react to events with short term solutions and basic accountability and stewardship remain a challenge. This assessment is borne out by the existence of one of the three Statutory Recommendations issued in 2024-25 by Grant Thornton as appointed External Auditors.

On receiving the financial management report, the S151 Officer distilled into a five key messages for the Executive Leadership Team (ELT) as follows:

i. We all understand the problem – now we must lead delivery with consistent, visible follow-through that turns that understanding into pace, grip and results across the whole council.
ii. Financial leadership is a collective responsibility, not just a finance issue so ELT must act collectively, with finance embedded early in decisions, transformation and reports to members.
iii. Stability and consistency at the top now really matter because repeated changes in senior finance leadership have made it harder for messages, expectations and ways of working to bed in. ELT needs to provide continuity, consistency of tone and shared expectations, regardless of individual roles or styles.
iv. Transformation must move faster and be owned by service leaders – it has been too slow and too savings led. ELT needs to lead a shift towards service led redesign, backed by credible business cases, with clear ownership and consequences where delivery slips.
v. We need fewer plans, clearer priorities and tighter grip with fewer overlapping action plans and recommendations. ELT must simplify this into one clear, prioritised set of actions, with named owners, regular challenge and visible follow up.

This was summarised in one sentence as: "*The report is telling us that leadership intent is there, but ELT now needs to act more visibly as one, move faster, and grip delivery much harder if we are serious about financial sustainability.*"

This all demonstrates that there is a collective understanding of what needs to be grasped to deliver improved financial management. As a result of the action plan from the financial management review, a Strategic Outline Business Case for "Building Better Finance" has been prepared to establish the strategic context and overarching case for change in relation to the council's financial management arrangements.

There was a comprehensive review of the council's risk management strategy, approach and the corporate risk register presented to the Audit Committee in May 2025. This approach is comprehensive and each corporate risk is well documented. There is a stated intent for the council to be risk aware rather than wholly risk averse. The corporate risk register included reference to the financial challenges and the transformation challenges that the council is currently facing.

***Risks and Recommendations***

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| 1. The progress in resolving the Statutory Recommendations is not to the satisfaction of the External Auditor (Grant Thornton). | High - 6 | 1. Mobilise the Building Better Finance Programme subject to approval of the business case. **July 2026 at the latest or as soon as new CFO takes up post.** |
| 2. The Strategic Outline Business Case for Building Better Finance is not | High - 6 | 2. Deal with any concerns from the approval process and resources the workstreams promptly. |

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| accepted and progressed at the appropriate pace. | | **July 2026 at the latest picking up any issues with new CFO from end of July onwards** |

***b) The capacity and capability of the council to deliver an effective finance function to the council commensurate with the complexity of its particular circumstances, this should include the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.***

***Key findings and analysis***

The capacity and capability of the finance function was considered as part of the financial management review and the following extract from that review set out some of the current limitations.

*The current structure covering Finance and Procurement has approximately 164 FTE and whilst the finance team is regarded as having more FTE than it needs, this was deemed to be a consequence of a number of factors.*

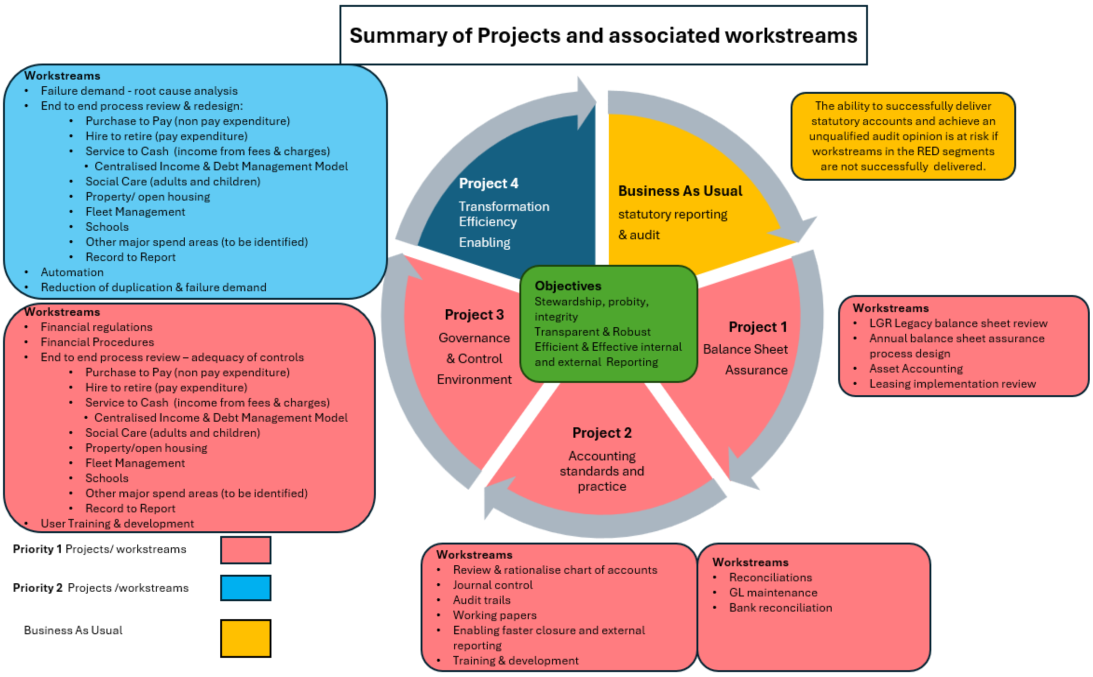
***a) There are only a small number of fully qualified accountants at the more senior level***
***b) The finance system is not fully functional***
***c) There has not been a comprehensive review and rationalisation of all processes***
***d) There has been very limited opportunity to rotate staff***

*The overall resilience of the finance team is an issue, and we understand that it is difficult to recruit qualified and/or suitably experienced staff and as a consequence there are areas of potential failure due to skills resting with individual officers. Given the extent of the financial challenge, which is unlikely to diminish in the short term, having the right mix of skills in the appropriate quantity is essential. This should not be seen as a short-term fix but more the start of a longer-term succession planning strategy.*

From the review of the Strategic Outline Business Case, it highlights the systemic challenges in leadership, capacity, processes and systems across the organisation, alongside the continued reliance on EFS and the need to demonstrate compliance with statutory duties, including the Section 151 responsibilities and Best Value requirements.

The response to this is the **Building Better Finance** programme structured around 7 strategic themes that group 37 key lines of enquiry and the key dimensions of the CIPFA FM Model (leadership, people, process and stakeholders) with the aim of establishing strong foundations for financial control, reporting and decision-making.

This diagram shows a summary of the projects and associated workstreams in the business case. It recognises that there is a need to approach this in a structured and measured way including maintaining business as usual activities.




Funding to deliver this programme will be partly from the Capitalisation Direction (£825,000 up to March 2027) and council resources of £100,000 beyond March 2027. Subject to effective delivery which will be overseen by the Finance Thematic Board (part of the governance approach of the Inspiring Innovation Programme) there is an expectation of avoiding some external audit fees and a reduction in resources required to deliver business as usual. Additionally, there is an expected outcome to "*improve external and internal financial reporting, enable more robust strategic and operational decision making with more reliable financial data will mean that we are able to deliver to statutory deadlines.*"

This is an extensive and ambitious programme for finance which also requires the main system, MS Dynamics, to be stabilised and more functional to reduce the need for manual interventions which are both time consuming and prone to error because of the human interventions. Resources and skills to support the system development need to be integral to this programme. This will require an appropriate mix of IT and subject matter expertise. Strong and consistent business processes are critical as is a cultural shift across the whole organisation to improve accountability and compliance with the processes.

Members do receive regular financial monitoring reports, treasury management reports and risk management reports to the relevant committees including the Executive. During the interviews that were conducted in January 2026 as part of the financial management review, Members expressed the view that if documents could be presented earlier after the end of each quarter, it would be more helpful in terms of supporting any remedial actions required. This was particularly relevant to financial monitoring reports. During the discussions with the Finance Department Management Team during the visit in May 2026, this was raised and there is work being put in place to enable quarterly reports to be available soon after the end of each quarter (within two weeks) which will improve the timeliness of information to Members.

In addition to working through the Building Better Finance, the recruitment of a substantive S151 Officer will add longer team stability.

During the visit of the review team in May 2026, the finance leadership team made it clear that there is an intention to carry out a restructure of the Finance Leadership Team to strengthen the leadership and create capacity. This was a recommendation in the CIPFA FM as essential to move financial management forward across the whole organisation. This is intended to provide the further strength that will support the delivery of Building Better Finance, improve overall financial management and stewardship across the council and the embedding of the Business Partnering approach which, again was highlighted in the FM review as needing further work.

***Risks and Recommendations***

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| 3. Building Better Finance does not proceed at the required pace to support the changes required in the finance function and support the overall improvement in financial management and stewardship across the council. | High - 6 | 3. Once mobilised, ensure that any issues are escalated to the Thematic Board promptly with solutions for regaining momentum. **Ongoing** |
| 4. Recruitment for a substantive S151 Officer is not successful or is delayed, not enabling a full and smooth transition. | Low - 2 | 4. Agree a timetable for effective handover from the interim postholder. **July 2026 at the latest – new postholder in place from end of July** |
| 5. Revised structure does not deliver the financial leadership strength that is intended and needed either due to inability to recruit appropriate capability or due to the fact that the capability is not developed from within the current resources. | Medium - 4 | 5. Consider contingency plan for interim resourcing either to deliver transformation or backfilling business as usual. **August 2026** |
| 6. Gaining corporate support for the cultural shift to following processes and taking accountability for budget management is not achieved. | Low - 2 | 6. Ensuring that this stream of the Building Better Finance programme is given the priority it needs and is complemented by the overarching cultural theme of the Transformation Programme. **Ongoing** |

***c) The council's approach to financial risk management including identification, management and treatment of risk.***

***Key findings and analysis***

The council's approach to Risk Management and its Refreshed Strategic Risks was presented to and endorsed by the Audit Committee on 22nd May 2025. This report stated that: *"Recent Audit and Peer recommendations (CIPFA External Assurance Review; Annual Audit Report 2023-24; Annual Governance Statement; CIPFA FM Code; Corporate Peer Challenge) recognise the importance of strengthening risk management across the council to identify, manage and mitigate risks more fully, effectively and efficiently."*

To deliver this refreshed approach and strategic risk register, senior leaders, managers and the Performance, Risk and Budget Board, (informed by audit recommendations, externally commissioned reviews and the changing business environment considered in the context of the Council Plan) were all involved in its development.

The refreshed register contains 13 strategic risks that are well documented with existing controls in place, any new mitigating actions, dates for implementation of actions, risk owners and officers to whom actions are assigned. The substantial financial risks that face the council are well articulated in the register setting out that the council intends to "treat" the risks as set out in the mitigating actions.

Review of the agenda items for subsequent meetings of the Audit Committee show that the Strategic Risks and high Scoring Tactical and Operational Risks have been reported to and considered by the Committee on a quarterly basis. This is good practice and demonstrates a commitment to strengthening risk management as set out in the intent in May 2025.

The council is aware of its position much of which was reflected in the CIPFA review of financial management that reported in February 2026.

***Risks and Recommendations***

| ***Risks*** | ***Risk Rating*** | ***Recommendations*** |
|---|---|---|
| No additional risks | N/A | N/A |

## 3.2 Review Area 2: FINANCIAL SUSTAINABILITY AND RISK

**The Council Plan 2023-2027 details the council's vision that: "*Somerset Council will build a fairer, greener, resilient, more flourishing somerset that are for the vulnerable and listens to you".* There are four priorities set out to make the vision clearer which are underpinned by a commitment to Somerset being a financially sustainable and efficient council. Inevitably with the current reliance on EFS, the MTFP has been prepared with a focus on addressing the underlying pressures to bring about financial stability. Setting out the Inspiring Innovation Programme and the work in partnership with Newton Europe is critical to delivering financially stability which in turn will allow greater focus on the vision and priorities. Whilst at the strategic level this is aligned, there is further work that the Executive Leadership Team understand they need to do to ensure that there is a golden thread that clearly links from the council plan in to service plans. There is some evidence of this in the third aim of the transformation programme (Cultural Change, Leadership and Collaboration). The ability to deliver the programme at pace is key to a timely return to financial sustainability.**

An assessment of the local authority's overall financial resilience and sustainability, the identification of specific financial risks and a view on the authority's capital and debt position and approach to assets (with a view on the sustainability, Value for Money and risk exposure of the local authority in this space). The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

***a) The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.***

***Key findings and analysis***

From the review team's perspective, the drivers of financial risk include but are not confined to:

- Pace of delivery of the transformation programme is not sufficient to deliver the planned cost reductions and efficiencies which may mean further reliance on EFS.
- Ongoing underspends in Adults Social Care and Children's Services because demand reduction is not effective and opportunities to safely step-down care packages are not mobilised or maximised.
- Financial processes are not consolidated to enable efficiencies in system management and manual interventions.
- Organisation does not reframe its approach to financial management and accountability with high levels of compliance with streamlined processes.
- Asset disposals do not go as planned to generate the expected capital receipts to fund the transformation programme.
- Being in the final municipal year leading up to local elections may affect members desire to make some of the more challenging decisions.

There are positive points to which attention is drawn:

- Members understand and are focused on the financial challenges that continue to face the council.
- The Interim S151 Officer has made a very positive impact getting alignment of the need for improving financial management and accountability across the council and the retention of the interim postholder will allow for some continuity of approach into 2026-27.
- The engagement of a Strategic Partner that is incentivised to deliver savings and transfer knowledge to services is welcome and should be fully embraced.
- The MTFP sets out a plan to achieve financial stability, move to financial sustainability and restore reserves over its current life which appears to be based on sound plans.

***b) An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back.***

***Key findings and analysis***

As part of the papers presented to the council in February 2026 to support the setting of the budget, Appendix K setting out the Whole Council Transformation through the Inspiring Innovation Programme was included. This states that the initiative is designed to help to improve services and service outcomes, secure financial sustainability, and foster a culture of collaboration, creativity and continuous improvement.

The Programme is aimed at making fundamental change to the way the council works, delivers its services and leads change. The Inspiring Innovation Programme, which is a 5-year programme from 2025-26 to 2029-30, is driven by three core ambitions namely.

i. Improved Outcomes for Residents
ii. Financial Stability
iii. Cultural Change, Leadership and Collaboration

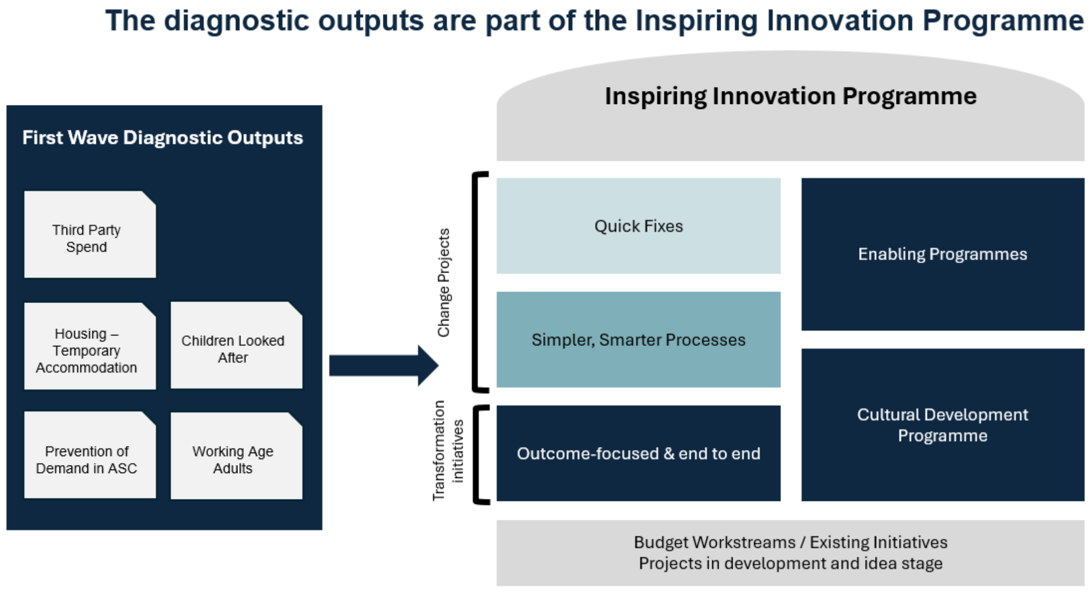
Investment funds of £45 million funded principally through the Flexible Use of Capital Receipts has been set aside. This includes the cost (up to £20m) of the council's Strategic Transformation Partner (Newton Europe Consulting). Over the whole programme, there is an expectation of a 3:1 return on investment over the life of the Medium-Term Financial Plan, recognising that some component projects will not achieve that return, but other projects will exceed it. To meet the intended return on investment will require overall financial benefits of at least £135 million over the course of the MTFP. At the time that the budget was set the current total investments of £15.313 million are forecast to yield £20.580 million over the MTFP period which is a proposed rate of return of 1.34:1 which is lower than the expectation of 3:1.

There is a stated intent that the key priorities are aligned to the MTFP and the statutory recommendations. Dependencies include data quality, stakeholder engagement and timely decision making. The Executive Leadership told the review team that whilst this is ambitious, there is a shared commitment to deliver the programme and that having already taken action to remove £33 million from the pay bill and other cost reductions there is evidence of delivery. The report presented to council acknowledges that there is still a lot of work to do at pace to deliver the programme.

This table extracted from the report shows the Projected Return on Investment

| **Inspiring & Innovation Transformation Projects** | **Cost £ million** | **Financial Benefits £ million** | **ROI** |
|---|---|---|---|
| Inspiring Innovation Transformation Programme | 15.063 | (20.080) | 1.33 |
| Service Redesign and Restructuring | 0.250 | (0.500) | 2.00 |
| **Total MTFP Proposals** | **15.313** | **(20.580)** | **1.34** |
| Strategic Transformation Partner – anticipated future support | 9.012 | (27.037) | 3.00 |
| Direct Service Future Interventions | 2.925 | (12.600) | 4.31 |
| Service Redesign and Restructuring | 17.750 | (74.783) | 4.21 |
| **Total Programme** | **45.000** | **(135.000)** | **3.00** |

There are several service specific diagnostic outputs proposed as a first wave as shown in the schematic below.




There is a structure, a plan and governance in place for the Inspiring Innovation Programme. The critical factors are that the required pace of delivery is achieved, that the quantum of financial benefits is delivered in line with what is included in the MTFS and that the services deliver outcomes.

***Risks and Recommendations***

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| 7. Overspending in Adults Social Care and Children's Services continues or increases if the demand reduction initiatives are not mobilised or the opportunities to safely step-down care packages are not taken. | High - 9 | 7 Move proof of concept projects in the transformation programme into delivery without undue delay. **From July 2026** |
| 8. Financial processes are not consolidated to enable efficiencies in system management and manual interventions. | High - 6 | 8 Ensure that appropriate IT and Service expertise is secured and focussed to deliver the improvements identified in the financial management review. **As soon as possible** |
| 9. Being in the final municipal year leading up to local elections may affect members desire to make some of the more challenging decisions. | High - 6 | 9. Continue effective engagement between relevant officers, lead members and scrutiny committees with clear evidence and rationale to support decision making. **Ongoing** |
| 10. The rate of return will be lower than the overall 3:1 that has been set out as part of the programme and the MTFP | High - 6 | 10 Maintain tight control of the return on investment for each business case with overview of the whole programme. **Ongoing** |
| 11. The pace of delivery of transformation programme is slower than expected, which means that financial recovery and stability is not achieved in a timely way. | High - 6 | 11 Maximise the benefit of the Strategic Transformation Partner and the Advisory support on the Board. **Ongoing** |
| 12. Investment to deliver the transformation outcomes is greater than currently | High - 6 | 12 Ensure that this is fully considered with the refresh of the MTFS and the preparation of budget |

| | | |
|---|---|---|
| included in the MTFS and the EFS application. | | for 2027-28. **September / October 2026** |

***c) An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.***

***Key findings and analysis***

There is a significant amount of analysis informing the council's ability to manage its budget pressures through the delivery of an extensive and ambitious transformation programme. A programme that should bring financial recovery and stability and that will then enable Somerset to operate within its funding envelope and income generation capacity.

The funding of the capitalisation direction that has been agreed for a third year is expected to be from capital receipts from the sale of assets. There is no current intention to borrow further.

The capitalisation direction is the only current solution for the council until the transformation programme delivers further cost reductions associated with the service transformation activities. This is the crucial factor for the council to repay the direction within the spending review period.

***Risks and Recommendations***

| ***Risks*** | ***Risk Rating*** | ***Recommendations*** |
|---|---|---|
| No additional risks | N/A | N/A |

***d) An assessment of how the council expects to finance capitalisation (i.e. through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach.***

***Key findings and analysis***

The council has not delivered its capital programme as anticipated over the time since it was vested. Its budget for 2025-26 was predicated on delivering the programme as set out in the budget and therefore there was a provision for the financing of the full capital funding requirement (CFR). This added pressure to the revenue budget and led, as reported earlier in this review, to an unexpected underspend for 2025-26 once the accounts are finally closed.

As a consequence of this, the interim S151 Officer has carried out an in-depth review of the capital programme in advance of the budget setting for 2026-27 to ensure a more realistic CFR is in the current year's budget. As part of the Financial Management Review, it was reported that the Finance Business Partnering team is not as strong in managing the reporting relating to the Capital Programme as it is in supporting the revenue programme. This will be developed as part of the Building Better Finance programme.

The transformation programme will be mainly funded from the capitalisation direction, transformation reserve and flexible use of capital receipts generated from asset sales. The management of the council's property portfolio is currently separated between operational property and commercial assets so there is no single point of contact nor is there a corporate landlord model in operation. Bringing this together may offer greater opportunity to inject pace into the disposals programme and to rationalise the operational asset to reduce the cost base and / or offer opportunity for further disposals.

Asset management and the management of the asset disposal programmes are currently fragmented which may reduce the ability to deliver the capital receipts which will fund transformation therefore a single focussed team would reduce the risk of this having a detrimental impact on the council's progress to financial sustainability. The debt profile is well managed and there is limited exposure to increased interest rates as there is no significant debt maturing in this financial year. Whilst risk management has been revamped corporately there are still some risks related to companies and accountable body activities which need continued close management.

Aside from this approach to property management, there is a governance route to agree disposals in line with the council's constitution. Ensuring that there is the ability for officers to make swift decisions with respect to disposals, within the governance framework, will be key to maximise future disposals.

The current debt that the council has is long term at a fixed interest rate. There is no debt that will require refinancing in the near / medium term which reduces the council's risk of exposure to higher interest rates. This is a sound position which limits exposure to interest rates increasing or not falling as quickly as may have previously been expected.

***Risks and Recommendations***

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| 13 Fragmented approach to overall property management may not be delivering the best value for money or maximising the opportunity for further disposals reducing the cost base and increasing capital receipts. | High - 6 | 13 Consider combining property and asset management using any further external resources for specific aspects of the overall service. **From August 2026** |
| 14 Capital receipts are not available to fund the transformation activity which may then require alternative funding decisions. | High - 6 | 14 Ensure that this is fully considered with the refresh of the MTFS and the preparation of budget for 2027-28. **September / October 2026** |

***f) A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regards to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.***

***Key findings and analysis***

In the S151 Officer's Section 25 statement for 2026-27, there is comment about the exposure the council has in relation to its role as Accountable Body and company issues including the following issues:

a) Red Brick (Life Factory) - where the External Auditor has already issued a Statutory Recommendation in relation to failures by the council.
b) Opium – where the changing nature of the market and the need for greater investment in new technologies is needed to secure the trading future of Opium and achieve the objectives originally established by South Somerset District Council.
c) Gravity – where a revised commercial/financial model is currently close to being finalised with the Department of Business and Trade (DBT) to better align outcomes with reduced risks.

To address these issues, the council will be establishing Shareholder Committee arrangements to provide regular member and officer oversight of the council's interest in companies and its Accountable Boday roles including annual meetings with company managements team to review business prospects, business plans and management accounts.

As set out above, the key issue relating to the property held by Somerset Council is that there is no single team or directorate with a comprehensive overview of all asset holdings whether they are commercial or operational.

Bringing those together and considering reinstating a corporate landlord model, then determining whether there is resource capacity in the council to fully manage the portfolio and the disposal programme, may be more efficient and effective. Such an approach appropriately resourced is likely to ensure that the pace of disposals meets the council's funding needs and delivers best value at the point of disposal. The corporate landlord would also potentially give rise to estate rationalisation that reduces the overall operating costs and future capital requirements to maintain the operational buildings.

The fixed asset register has been referenced in the External Auditor's interim report to the Audit Committee in November 2025 with a number of inaccuracies being picked up. These have not been significant enough to meet the materiality threshold that require adjustment to the financial statements. It does however indicate that there is a need for further work to be done to ensure that the register is up to date and subsequently maintained. There was an error picked up in the way the finance system was treating the classification of assets which was raised with the supplier.

The council has an Asset Management Strategy that was last updated in 2023 so would benefit from being reviewed to maintain alignment with the Council's Treasury management strategy. Capital Asset valuations are carried out on a rolling basis and Investment assets are valued annually. The External Auditor has not raised any issues with the quality of the valuations: however they do recommend that there are additional controls put in place to make sure that there are validations done on the information provided to valuers.

Interviews conducted for the Financial Management Review established that there is a prudent approach taken by the council in its approach to debt management. This has resulted in the borrowing position being stable and not giving rise to exposure to rising interest rates. CIPFA established as part of that review that the Treasury Management and Pension activities are well managed, structured and well controlled with a high level of technical expertise that has delivered strong performance in these areas.

Arlingclose are retained as the council's Treasury Advisers including on investments with counterparties and the limits set by the council are below the levels recommended by Arlingclose. The council participates in the benchmarking exercise run by Arlingclose which enables comparison with other unitaries in the client base.

The council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the council's medium-term financial plan and cash flow forecast. Cashflow management was centralised on to the single system from inception of the Unitary council in 2023, although with a lack of data in certain areas. The team continue to work on improving the accuracy of cashflow production through better data collection and have confidence that they are using solid data from across the council.

The Audit Committee is responsible for ensuring that there is effective scrutiny of the treasury management strategy and policies. Mid-year and full year reports are presented to the Committee before they are taken to Executive and Council for approval. The Audit Committee has been provided with training to support it in carrying out its role however there is not a record of extensive questioning in this area. The reporting and scrutiny of the Treasury Management activity meets the requirements of the relevant code of practice.

During the financial management review, policies were reviewed and there were no issues relating to the compliance with guidance and accounting codes. There are risks associated with the companies which have been set out in the S151 Officer's Section 25 statement on the 2026-7 budget. These have been covered above.

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| 15 Further company related issues may arise which | Medium - 3 | 15 Through the establishment of the Shareholder |

| | | | | |
|---|---|---|---|---|
| | have not yet been discovered. | | | Committee, ensure that there is effective oversight and engagement with all companies owned by the council.<br>**As soon as possible** |
| 16 | Financial risks associated with any of the company arrangements including loans made may materialise and add financial pressure to the current fragile position. | Medium - 3 | 16 | Through the establishment of the Shareholder Committee, ensure that there is effective **financial** oversight and engagement with all companies owned by the council.<br>**As soon as possible** |

## 3.3 Review Area 3: SERVICE REFORM, DELIVERY AND TRANSFORMATION

**Demand pressures in Adult Social Care and Children's Services continue to grow despite some work to reduce the cost base in Adult Social Care and there are some service areas not performing to the standards that external inspection would expect. Expenditure on aspects of Children's Services is significantly higher than comparators coupled with high levels of demand continue to create financial risk. The Housing Revenue Account is relatively stable and the move to a single model for the Housing Landlord Service should, after initial investment, be of financial benefit to the HRA as well as delivering better service and outcomes for tenants.**

An examination of high-cost service pressures and an assessment of specific opportunities for savings, innovation, and reform to support the local authority to move to financial sustainability with named service areas. This assessment has made use of recognised best practice models and guidance for delivering quality and cost-efficient services that put prevention first, and the council's alignment with this good practice.

| |
|---|
| ***a) The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.*** |

***Key findings and analysis***

Peer group comparisons, as reported in the Assurance Review carried out in September 2024, remain less reliable than in other areas given that the council has only existed since 2023.

**Financial Resilience**

The CIPFA Resilience Index shows that Somerset Council continues to have relatively high levels of debt (excluding HRA debt) in comparison to its nearest neighbours with interest payable amounting 5.57% of net revenue expenditure for 2024-25. Adult and Children's Social Care expenditure combined amounts to 80.71% of net revenue expenditure for the same year.

Since there is no expectation of taking our further borrowing in the short term or to fund the capitalisation direction, the cost of debt is not expected to give rise to any additional financial pressure.

| |
|---|
| ***b) Assessment of the extent to which the council's service delivery model particularly in Children's Services and Adult Social Care areas of high demand / financial pressure reflect current best practice and guidance on service effectiveness and efficiency.*** |

***Key findings and analysis***

**Children’s Social Care**
Somerset’s Children’s Social Care expenditure per child aged 0–17 is 16.2% above nearest neighbour averages, ranking 4th highest within the comparator group. Expenditure relating specifically to Children Looked After (CLA) is 27.1% above nearest neighbour averages, whilst safeguarding expenditure is 32% above comparator averages.

The benchmarking analysis also identifies a theoretical notional variance of £34.3 million against top comparator performance levels within Children’s Social Care. Whilst this does not represent directly deliverable savings, it demonstrates the scale of financial variation currently existing within Somerset’s operating model relative to comparator authorities.

The review did not identify evidence that current demand trajectories have yet stabilised.

**Demand and Throughput**
Operational data demonstrates sustained growth in demand across statutory Children’s Services pathways. Within a six-month period:

- 221 children started a Child Protection Plan whilst 208 ceased.
- 175 children became looked after whilst 145 ceased to be looked after.

The data indicates that demand entering the system continues to exceed throughput and closure activity. This creates cumulative pressure across operational teams, placement sufficiency and workforce capacity. Furthermore, Somerset currently has approximately 701 Children Looked After compared to 373 children subject to Child Protection Plans (CPP). This ratio is above comparator expectations and suggests the need for further review regarding care entry pathways, edge of care intervention effectiveness, reunification arrangements, permanence planning and threshold application.

Rates of repeat CPP have increased over time, from approximately 123 to 148 per 10,000. This increase is likely contributing to placement pressure and increasing CLA expenditure.

The council has implemented several prevention and edge of care initiatives, including:

- Connect Somerset locality-based early help arrangements.
- Family Group Conferencing.
- Family intervention services.

Plans to invest in the following services will enhance edge of care services:

- Family network meeting activity.
- Multidisciplinary safeguarding pilots.
- Reunification activity.

Whilst current programmes are aligned to national practice direction, there is limited evidence demonstrating measurable impact on reducing care entry or placement escalation.

**Placement Sufficiency and Cost Pressures**
Placement sufficiency remains a significant financial risk for Children’s Social Care.

Children Looked After numbers increased from 604 in October 2024 to 701 in March 2026. Usage of homes and hostels placements, children’s homes and external residential placements increased significantly as a result.

By March 2026, 87 children were placed within residential provision outside Somerset compared to 50 within Somerset provision. This trajectory indicates increasing reliance upon higher-cost external residential provision and continued insufficient local placement capacity.

The increase in residential placements is materially significant from a financial perspective. External residential placements typically carry substantially higher unit costs than foster placements and increase financial volatility within Children's Services budgets.

The review identified limited evidence that current placement growth has stabilised. Whilst Homes and Horizons activity and reunification arrangements are being developed, several programmes remain relatively early within implementation timelines.

The council has also approved additional investment into reunification and fostering arrangements. However, delays in implementation linked to corporate approvals processes have led to delays in progressing these.

The workforce establishment has not increased proportionately to reported demand growth of approximately 33%. The financial implications of workforce instability include increased agency dependency, recruitment costs, reduced placement stability, and reduced capacity to progress reunification and permanence activity at pace.

The review also identified that Somerset's transformation arrangements have historically experienced challenge regarding performance management discipline and quantified benefits realisation. Whilst transformation activity is substantial, there is currently limited evidence that operational activity is consistently linked to measurable financial impact.

**SEND**

The percentage of pupils with Education, Health and Care Plans (EHCP) and Special Educational Needs and Disabilities (SEND) Support (all schools) is in line with the statistical neighbours average and the England average. However, this does not hide the significant financial risks associated with the rises being seen nationally.

Current performance in Somerset indicates EHCP timeliness at approximately 2%, significantly below statutory expectations. The review identified ongoing shortages within Educational Psychology services and continuing pressure across assessment pathways.

There is a significantly higher rate of tribunals in Somerset, and this has spiked markedly in the last two years.

The council has implemented several programmes focused on mainstream inclusion, transition planning and Educational Psychology capacity.

However, the review identified limited evidence demonstrating measurable improvement in EHCP timeliness, assessment backlog reduction and or overall demand management. A previous review also highlighted a less than rigorous approach to Annual Reviews and inconsistent approach to funding top ups.

The review also identified that transition arrangements currently operate primarily from age 17.5 onwards. However, officers have identified opportunities to implement earlier transition planning from age 14, particularly relating to Learning Disabilities and future ASC demand forecasting.

From a financial perspective, earlier transition planning presents opportunities to improve forecasting, strengthen commissioning activity, improve sufficiency planning, and reduce reactive package costs.

**Adults' Social Care**
Benchmarking analysis identifies Somerset's Adult Social Care expenditure as 2.2% above nearest neighbour averages but below England averages overall. Rates of 18-64 age clients accessing long term support during the year per 100,000, and requesting support, are comparatively high. Such requests resulting in no further action is 16% higher than the NHS Nearest Neighbours (NHSNN) Group Average and 6% higher than the England average. This is likely to be as a result of high demand in SEND that follows through.

Age 65+ Request for Support resulting in no further action is 9% higher than the NHS Nearest Neighbours Group Average and 3% higher than the England average. There is a high proportion of outcomes resulting in Reablement / ST-Max (20%) which is 6% higher than the NHSNN Group Average and 4% higher than the England Average. Long Term Care is in line with the NHSNN Group Average and England Average, Age 65+ Nursing Service Users per 100k is 49% higher than the NHS Nearest Neighbour Average and 24% higher than the England Average.

The council has undertaken significant transformation activity across ASC, including service redesign, financial rebasing, transformation support from external partners, and demand-management initiatives.

The review identified evidence of strengthened high-cost package oversight and improvements linked to bedded care pathways. However, there remains limited evidence demonstrating that transformation activity has yet resulted in sustained reductions in underlying demand growth or future cost avoidance at the scale required within the MTFP assumptions.

The review identified continuing pressure within the provider market and workforce arrangements. The recently completed CQC inspection reportedly identified areas requiring improvement relating to safeguarding, provider market sustainability, and workforce pressures.

The provider market remains heavily dependent upon international recruitment and there are ongoing recruitment challenges across parts of Somerset, particularly in eastern areas where neighbouring authority competition impacts workforce availability.

The review identified concerns that previous transformation activity may have reduced operational resilience within some provider support and workforce functions. Specific examples included changes to Proud to Care arrangements and wider workforce infrastructure.

Furthermore, there were concerns regarding leadership spans and operational oversight within some areas of practice. Broad operational portfolios create potential risk regarding safeguarding oversight, quality assurance and operational grip.

<u>Continuing Health Care and Financial Risk</u>
A significant emerging financial risk relates to revised Continuing Health Care funding arrangements with the Integrated Care Board (ICB), and stronger financial modelling and operational oversight is needed.

Historically, pooled Learning Disability arrangements involved blanket ICB contributions towards packages of care. Future arrangements will require case-by-case negotiation and assessment activity. Whilst this may increase ICB contribution levels within some packages, this may be offset by increases in operational workload, staffing pressure, assessment activity, and funding disputes.

This creates risk regarding financial forecasting, workforce capacity and budget volatility.

**Housing**

Somerset Council owns the housing stock inherited from two of the previous district councils with two different delivery models: an in-house Service and an Arm's Length Management Organisation (ALMO) delivered by Homes in Somerset (HiS). There is no obligation on the council to have one model of delivery however there is potential for duplication where there are different models and some failure demand from tenants who may not understand the differences especially if they were tenants of the predecessor district councils.

At the Executive Meeting on 11th March 2026, a report was presented and considered about the Housing Landlord Service Options Appraisal which was accepted with a decision to accept the recommendations of the independent consultant's customer engagement activity and transfer all aspects of housing stock management and maintenance to Somerset Council's company Homes in Somerset, subject to consultation with tenants under S105 of the Housing Act 1985.

This proposal builds on the successful transfer of the Housing Development Team into Homes in Somerset, demonstrating the experience of Somerset Council and Homes in Somerset to manage the necessary employee consultation and transfer. In making these changes it is recognised that the client arrangements need strengthening to ensure the oversight of Homes in Somerset reflects the growth and importance of the service. The report identifies the need for a new Head of Service role to lead the intelligent client responsibilities for Somerset Council.

The council is the sole shareholder and 100% owner of Homes in Somerset. The transfer will require consultation with tenants and a one-off revenue budget of £1.226 million to mobilise which will be funded from the Housing Revenue Account (HRA) general reserve so it will not add to the pressures in the general fund. Overall, there is an expectation that there will be financial efficiencies which will be retained in the HRA. The initial estimate of potential savings is in the region of £3.5 million per annum.

The costs and savings were not included in the budget papers and MTFP presented to Council in February 2026 however once more detailed modelling has been undertaken, these will be included in the 2026-27 MTFP and HRA business plan refresh.

***Risks and Recommendations***

| Key risk | | Risk rating (see details in Annex 2) | Recommendation (including Timeline) | |
|---|---|---|---|---|
| 17 | Continuing Health Care funding arrangement changes give rise to increases in | Low - 2 | 17 | Ensure that there is effective dialogue with the ICB to minimise |

| | | | | |
|---|---|---|---|---|
| | operational workload, staffing pressure, assessment activity, and funding disputes creating challenges in financial forecasting, workforce capacity and budget volatility. | | | the risk materialising. **As soon as possible** |
| 18 | Housing Stock transfer does not happen as planned which mean that the client function is not streamlined and the HRA does not benefit from administrative savings. | Low - 2 | 18 | During the period of consultation progress the setting up of the dedicated client-side function and make staff appointments to key roles subject to TUPE provisions. **As soon as possible** |

***c) Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.***

***Key findings and analysis***

The review team was asked to consider Somerset Council's financial position, transformation activity, operational performance and demand pressures across Adults Social Care (ASC), Children's Social Care (CSC) and SEND.

The council continues to face significant risks, including ongoing demand pressures/growth, the fragile social care market, high inflation, and the scale of required transformation. The cumulative Dedicated Schools Grant deficit remains a concern ahead of the end of the statutory override in March 2028, as is the growing number of schools not balancing their budgets and falling into deficit.

There is sustained financial and operational pressure across Children's Social Care, SEND and Adults Social Care. Whilst the council has implemented a broad programme of transformation activity, the pace of transformation delivery is not meeting the scale of the pressures. It is also worth noting that both Children's and Adult's Services have seen growth in budgets of between 35-37% over four years, but significant budget pressures remain.

Children's Social Care presents a significant area of financial exposure. Growth in demand and spend in SEND also presents significant medium-term financial risk, and there is limited evidence that existing inclusion and transformation activity is yet operating at sufficient scale to materially reduce this.

Within Adults Social Care, the review identified evidence of active transformation activity and some operational improvements linked to discharge pathways, high-cost package oversight and demand management arrangements. However, the service continues to experience financial and operational pressure relating to workforce sustainability, safeguarding oversight, provider market fragility and future Continuing Healthcare (CHC) funding arrangements.

Somerset has established the foundations of a broad transformation programme across people services. However, current evidence indicates that further work is required to strengthen financial grip, benefits realisation, performance management and demand reduction activity to support delivery of the council's medium-term financial assumptions.

A range of pressures/growth have been identified across these service areas. These include:

- **Children's Social Care** – Rapidly increasing levels of demand and increased complexity of need driving further cost increases, particularly in relation to external residential care on which there is reliance due to insufficient supply of suitable foster care placements.
- **Children's Services – SEND** - Continuing significant increases in the number of Children with an EHCP is driving escalating costs in the High Needs Block. The Statutory Override ringfencing this deficit from General Fund reserves is due to expire at the end of the 2027-28 financial year. The cost of Home to School Transport is also a pressure.
- **Adult Social Care** – Increasing demographic pressures/growth on demand and escalation of care need in Adult Social Care, combined with higher care fees being claimed by providers to offset their rising costs in excess of inflation. The council is also experiencing an increasing number of self-funding social care clients becoming eligible for local authority funded support. These are difficult to predict and may result in increased financial pressures.
- **Homelessness** – The council is experiencing an increase in the number and complexity of homelessness cases and a need for Temporary Accommodation. This is coupled with an increase in the cost of provision, especially in relation to bed and breakfast accommodation. The Local Housing Allowance (LHA) within Housing Benefit Subsidy is proving to be insufficient to meet these costs resulting in a cost pressure to the General Fund Budget.

The impact of these pressures has been to seek growth proposals which are summarised in this table.

| Directorate | 2026-27 £ million | 2027-28 £ million | 2028-29 £ million | 2029-30 £ million | 2030-31 £ million |
|---|---|---|---|---|---|
| Children, Families and Education Service | 26.504 | 12.145 | 14.942 | 1.376 | 1.466 |
| Adult Services and Housing | 10.597 | 12.548 | 12.941 | 13.347 | 13.763 |

The overall total of growth pressures across the council amount to £50.1 million for 2026-27 of this the £37.101 million set out above account for 74% of the total growth.

The following summary sets out the SEND High Needs Projected Deficit

| Budget | 2024-25 £ million | 2025-26 £ million | 2026-27 £ million | 2027-28 £ million |
|---|---|---|---|---|
| SEND High Needs Block | 61.993 (actual) | 116.800 | 174.107 | 217.229 |

Somerset was supported independently to develop its Deficit Management Plan, which was approved by Somerset Council's Executive and by Full Council in September 2025. It aims to deliver several management interventions targeted to reduce costs in 2025-26 by £0.687 million (budgeted £2.516 million) and £36.416 million cumulatively by 2027-28.

Key projects include:

- Increased local sufficiency of Special School and Resource Bases places.
- Increased focus and scrutiny on inclusion in mainstream and early years settings
- Focus on Annual Reviews and "right sizing" plans by ensuring that they are up to date.
- Improved dispute resolution
- Improved post 16 progression and increased take up of Supported Internships

Without the new High Needs Stability Grant (HNSG), covering 90% of their High Needs Block only related Dedicated Schools Grant (DSG) deficit accrued up to 2025-26, by 31 March 2028, the deficit would increase to £116.800 million by March 2026 and £217.229 million by 31 March 2028. The deficit assumes the Deficit Management Plan (DMP) will achieve its financial outcomes.

***Risks and Recommendations***

| Key risk | | Risk rating (see details in Annex 2) | Recommendation (including Timeline) | |
|---|---|---|---|---|
| 19 | High Needs Stability Grant is not approved. | Low - 2 | 19 | Continue to work on the Deficit Management Plan including working with individual schools where there are deficit budgets to minimise the financial risk to the General Fund. **Ongoing from July 2026** |
| 20 | The Deficit Management Plan does not achieve its financial outcomes. | Medium - 4 | 20 | Continue to hold the service to account for delivery through Executive Leadership Team. **Ongoing** |

***d) A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.***

***Key findings and analysis***

The Council Plan for 2023-2027 is still the document setting out the strategy and vision for the strategic priorities. It was last updated in February 2026 according to the council's websites. The four priorities stated are:

- a greener, more sustainable Somerset
- a healthy & caring Somerset
- a fairer, ambitious Somerset
- a flourishing and resilient Somerset

These are underpinned by a commitment to being a “financially sustainable and efficient council”.

Somerset Council is delivering Whole Council Transformation through the Inspiring Innovation Programme as set out above. This is designed to help improve services and service outcomes, secure financial sustainability, and foster a culture of collaboration, creativity and continuous improvement.

The Programme is aimed at making fundamental change to the way the council works, delivers its services and lead change. The Inspiring Innovation Programme, which is a 5-year programme from 2025-26 to 2029-30, is driven by three core ambitions namely.

i. Improved Outcomes for Residents
ii. Financial Stability
iii. Cultural Change, Leadership and Collaboration

To meet this challenge, a blended portfolio approach is required, combining the identification and delivery of further waves of large-scale transformational initiatives with traditional service savings.

There are a number of projects within the programme which include the Building Better Finance Programme which has been discussed earlier in this report. In the first wave there are initiatives relating to demand led services which are set out below.

| ***Transformation Initiative*** | ***Description*** | ***Opportunity*** | ***Reflected in MTFP*** |
|---|---|---|---|
| Adult Social Care - Prevention of Demand | Expanding and increasing effectiveness of preventative services, including developing outreach offers to those at risk of preventable adverse events. | *£23 million* | *£20.260 million* |
| Adult Social Care - Working Age Adults | Enable greater independence for Working Age Adults through developing strong enablement offers and access to appropriate provision. | | |
| Housing - Temporary Accommodation | Improve capacity and effectiveness for prevention work in our Housing teams. | | |
| Children’s Residential Review and Children Looked After (CLA) Programme Planning | Identify cohorts of children in residential care who could, where appropriate, step across to more family-based settings.<br><br>Reunification from care<br><br>Room to Grow (increasing foster home capacity), Fostering and Kinship recruitment; Homes and Horizons | *£4.663 million+*<br><br>*Diagnostic identified potential for further opportunities subject to* | *£2.406 million+*<br><br>*Accelerator Phase* |

| | | | |
|---|---|---|---|
| | (expanding in-county homes for children in care) | *further validation* | |

The plans are well documented as set out in earlier sections of this report, with governance at a number of levels involving service departments, Executive Leadership Team, members and external advisers. It remains paramount that transformation gathers pace. There is a shared view from the Assurance Review Team and there is a similar reflection from the LGA Peer Review Team on their visit in November 2025.

*An overriding reflection from the Peer Team is that the council needs to maintain pace and focus on delivering the Transformation programme, with accelerated pace of implementation where at all possible. It is vital that members continue to show courage in taking and sustaining undoubtedly difficult decisions.*

The governance arrangements have been given a lot of attention since the last Assurance Review concluded that they were not satisfactory because of the lack of delivery of the savings in 2023-24. Progress has been made with the recruitment of a Service Director, reshaped PMO and processes to support delivery and governance, the appointment of a Strategic Transformation Partner and the inclusion of external input on the Inspiring Innovation Assurance Board.

Developing clear, measurable delivery plans that can be easily monitored and reported on highlighting risks, mitigations or remedial actions is essential to ensure that there is an increase in pace of delivery which has been determined as the critical action for the council.

The Inspiring Innovation Board Highlight report set out some key changes to the reporting for the programme summarised as:

**Evolving approach**

- Part of an iterative approach to highlight reporting
- Testing what gives the right level of confidence for Inspiring Innovation Board (IIB) and assurance for Inspiring Innovation Advisory Board
- Format will continue to evolve based on feedback and use.

**Governance and flow to IIB**

- Need to improve reporting discipline, consistency & quality.
- Reports to be reviewed through thematic boards first – no direct escalation.
- Thematic boards must challenge, assure and shape escalations.
- Only escalate key risks, issues and decisions to IIB
- Align governance cycles so reporting lands at the right time.

**Be honest on RAG status**

- Pack starts with an overall RAG for all projects – any red or amber items in the project are reflected in the overall RAG.
- Red and amber are healthy – they show grip and transparency.
- Do not present “false green” positions.
- Escalation should be encouraged, not avoided.
- Always set out a credible path back to green

**Building a single reporting system**

- Moving towards a consistent approach to project reporting
- Developing Power BI dashboards and tools to support this
- Aim is to automate reporting over time.

- Creates a single version of the truth for delivery, risk and benefits.

This demonstrates that there is much stronger grip and governance in place which much be maximised to support effective delivery.

***Risks and Recommendations***

| ***Risks*** | ***Risk Rating*** | ***Recommendations*** |
|---|---|---|
| No additional risks | N/A | N/A |

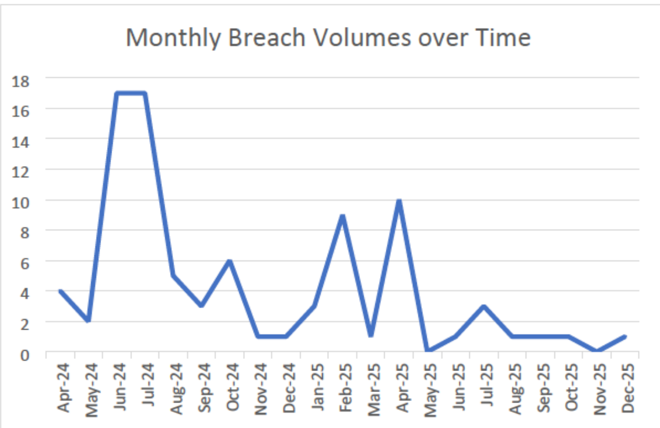
***e) A consideration of the effectiveness of the chosen approach in delivering services (i.e. in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.***

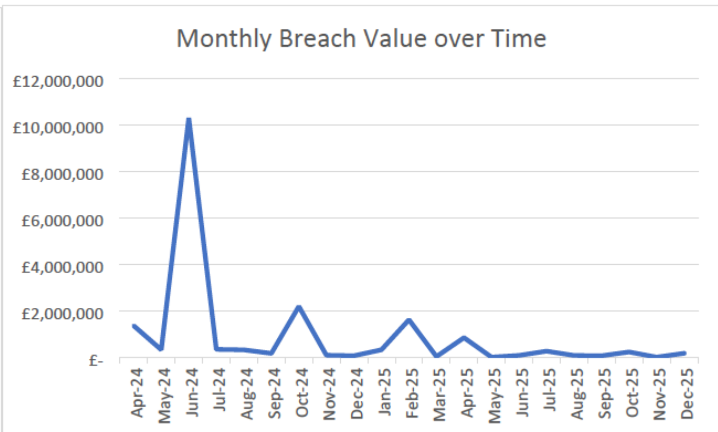
***Key findings and analysis***

The Procurement function sits under the Service Director of Finance. When the review team visited in May 2026, a new head of procurement was taking up post. During the financial review in early 2026, it was established that the procurement function was struggling to deliver the strategic support that the council would benefit from.

Work has been done to increase the compliance rates with the raising of purchase orders with non-compliance being part of the reporting to Audit Committee that also covers procurement breaches and contract waivers. The report for Quarter 3 of 2025-26 was considered by the Audit Committee in January 2026.

The following summary graphs from that report demonstrate that there is an improving position overall.




***Risks and Recommendations***

| ***Risks*** | ***Risk Rating*** | ***Recommendations*** |
|---|---|---|
| No additional risks | N/A | N/A |

***f) Additional points for service specific issues in this authority as required***

The areas of Adult Social Care and Children’s Services are covered above.

## 3.4 Review Area 4 : GOVERNANCE, CULTURE AND LEADERSHIP

**Leadership relationships appear generally stable, collaborative and professional, with evidence of strong organisational commitment and openness to external challenge. The Officer leadership team has recently had some changes and will again now that a permanent S151 Officer is appointed. The prospect of local elections in 2027 and the lead up will inevitably present Members with challenges in making more difficult decisions, despite the clearly articulated commitment to recovery and financial sustainability.**

An assessment of the local authority's approach to ensuring robust overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the local authority is operating in line with the Nolan Principles and in a way to secure continuous improvement.

***a) The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.***

***Key findings and analysis***

The council consists of 110 members elected on a four yearly cycle, the next election being due in May 2027 with two councillors per division. The council has adopted a Leader and Executive model of governance. The Executive is made up of a Leader and up to 9 other Lead Members chosen by the leader that take key decisions in line with the provisions of the constitution. The number of councillors will reduce in 2027 following a boundary commission review.

Scrutiny Committees (of which there are five) support and challenge the work of the Executive helping to hold it to account. The focus of the committees are Climate and Place; Children and Families; Adults and Health; Communities; and Corporate and Resources.

Papers are generally of good quality and published on time to allow members to review in advance of the meetings. The model of governance appears to be fit for purpose to facilitate the effective operation of the council.

In terms of key decisions, whilst these are defined in the Constitution, there is not universal clarity about what it and what is not a key decision. Thresholds for key decisions to be reviewed may need to be revised with appropriate evidence, review and discussion to ensure that there is the ability of the council to make sound and timely decisions.

The council's Audit Committee which deals with the discharge of its powers and duties in connection with financial governance, risk management and audit continues to operate effectively. The chair of the Audit Committee is clear on the role of audit and the difference between the Audit Committee and the Scrutiny function. The External Auditor comments that the Audit Committee *"provides appropriate challenge and debate with regards to* *internal control. The Committee provides an annual report to the council, raising the status of the Audit Committee's work, and undertakes self-assessments to ensure Committee Members have appropriate skills and that the Committee conforms to best practice, identifying areas for future development".*

***Risks and Recommendations***

| Key risk | Risk rating (see details in Annex 1) | Recommendation (including Timeline) |
|---|---|---|
| 21 Lack of clarity regarding key decisions and thresholds may result in delays to decision making which may have an adverse effect on the delivery of the transformation programmes. | Medium - 3 | 21 Statutory Officers, with support of other officers, should review this urgently and agree thresholds and any amends required to Scheme of Delegation / Financial Regulations. **From July 2026** |

***b) The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in 'name only'.***

***Key findings and analysis***

The Council Plan sets out the strategic direction and vision. The MTFP sets out the overall financial strategy for the council which continues to be influenced by the financial pressures facing the council.

There is a clear understanding that the council must address its financial position overall but also an acceptance that it needs to address the weaknesses in its financial systems and processes as set out in the Building Better Finance business case. The S151 Officer has been clear that this needs to be accompanied by full accountability for effective budget management by all service areas. This has been endorsed by the S151 Officer seeking an assurance statement from each Executive Director which all, but one director has signed. This culminates in a summary statement as follows:

*I confirm that I will take all reasonable actions to maintain spending within the cash envelopes allocated in the 2026-27 proposed budget for my areas of responsibility, including:*

- *Delivering my agreed savings for 2026-27 and future years as applicable and proposing alternative savings of at least equal value where these cannot be delivered.*
- *Devising and maintaining demand management reduction strategies for services within my remit; and*
- *Delivering service within my approved establishment and associated pay bill.*
- *Ensuring that accurate forecasting is reported monthly and any issues are addressed promptly and reported to the Executive Leadership Team.*

***Risks and Recommendations***

| Key risk | Risk rating (see details in Annex 2) | Recommendation (including Timeline) |
|---|---|---|
| 22 Executive Directors and their management teams do not deliver in line with the assurance statements which produces further financial pressure. | Medium - 3 | 22 Ongoing with monthly / quarterly financial monitoring. **From July 2026 onwards** |

***c) A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.***

***Key findings and analysis***

In the discussions with a number of members, there were no issues raised about the manner in which they conduct their business. Lead councillors are well versed in their own portfolios. The Leader and the Lead Councillor for Finance, Procurement and Performance are both well informed about the financial position, the challenges that contribute to the financial situation and the clear need to deliver effective transformation with increased pace than has been achieved to date.

The Executive Leadership Team has recently welcomed a new Executive Director of Adults Services and Housing following the retirement of the previous postholder. The rest of the team has been relatively stable with some turnover of S151 Officers as described before. The current interim S151 Officer has been in place since June 2025 and had been extended to March 2027 however, following the earlier recruitment process a substantive appointment has been made and will take up post from 27 July 2026 with a short handover from the interim postholder. For the most part, the team is aligned to the priorities of the transformation team, improving outcomes for residents and the need to find financial stability without recourse to EFS at the earliest opportunity.

The Inspiring Innovation Programme has a strand focussing on cultural change, leadership and collaboration recognising that success depends on the ability to work across boundaries, embrace new ideas and build trust. There is no evidence that this is because there are significant issues that need to be addressed but a recognition that there is further opportunity to strengthen the cultural to ensure that there is collaboration across the council.

***Risks and Recommendations***

| ***Risks*** | ***Risk Rating*** | ***Recommendations*** |
|---|---|---|
| No additional risks | N/A | N/A |

***d) A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.***

***Key findings and analysis***

The council has recognised value in having an external Strategic Transformation Partner and so it conducted a procurement resulting in the Executive approving the appointment of Newton Europe.

Capacity and capability to deliver effective, innovative and sustainable transformation remain a challenge for the council. Newton Europe brings capacity and capability however this needs to be done in collaboration with existing staff. There is now a Service Director in place for Strategy, Performance and Communication which encompasses the Programme Management Office (PMO) supporting transformation and there is evidence of a structure, business cases and reporting around the Transformation Programme however there is still more work to refine the reporting and dashboards for the Inspiring Innovation Board.

The Inspiring Innovation Board has external input from an experienced non-executive director with a finance background. Although this individual works with Newton Europe where they engage with Central Government, they do not do so in local government and from discussions, it is clear that there is a separation and independence from those providing the transformation capacity.

The council is open to external support and in November 2025, welcomed back the LGA Peer Review Team for a follow up visit who reported that they saw tangible progress since its initial visit. The summary from the review team states: "*Somerset Council has made tangible progress since the original Peer Challenge, particularly in stabilising its financial position and beginning to address structural and organisational issues. Difficult decisions have been taken in relation to staffing and savings, and the organisation has undergone a significant restructure. While further refinements are likely to be required, particularly in some corporate functions, these actions demonstrate a clear and continuing commitment to addressing the financial and operational challenges facing the council".*

As discussed earlier, the council invited CIPFA to carry out a full review of financial management using the CIPFA Financial Management Model which was completed in February 2026. This has been used by the S151 Officer in support of the preparation of the Section 25 statement for the 2026-27 budget and will be presented to the Audit Committee on 28th May 2026.

***Risks and Recommendations***

| ***Risks*** | ***Risk Rating*** | ***Recommendations*** |
|---|---|---|
| No additional risks | N/A | N/A |

# Appendices

## A1 Requirement and Methodology

### *Requirement*

**Areas for Investigation**

1. **Quality of financial management and financial processes**

   An assessment of the local authority's financial management and management of risk.**,** covering:

   a. The local authority's financial management, governance processes, the effectiveness of its internal control environment and the audit and scrutiny committee(s), as well as compliance with local government accounting codes and international finance reporting standards.

   b. The capacity and capability of the local authority to deliver an effective finance function to the authority commensurate with the complexity of its particular circumstances, the ability to undertake any transformation activity as required, and consider whether officers / members are provided with the right information and training to take necessary financial decisions.

   c. The local authority's approach to financial risk management including identification, management and treatment of risk.

2. **Financial sustainability and risk**

   An assessment of the local authority's overall financial resilience and sustainability, the identification of specific financial risks and a view on the authority's capital and debt position and approach to assets (with a view on the sustainability, Value for Money and risk exposure of the local authority in this space). Specific factors have included:

   a. The underlying drivers of any financial fragility and risk and the local authority's ability to successfully manage those drivers so that issues do not materialise.

   b. An assessment of steps the local authority is undertaking to ensure it remains within its spending envelope, including deliverability and appropriateness of current savings / transformation plans, income generating activity, ensuring activities that are no longer required are being scaled back.

   c. An overall view on the ability of the local authority to manage identified budget pressures through its own resources, including reserves. This should include a view on the actions the council should take to minimise the need to use / seek a capitalisation direction.

   d. An assessment of how the council expects to finance capitalisation (i.e through external / internal borrowing or through capital receipts), the viability / risks of their proposed approach,

   e. An assessment of the council's current asset base and planned asset disposal strategy, and scope for the council to utilise planned receipts and generate to fund expenditure capitalised under exceptional financial support.

f. A detailed assessment of any financial risks in relation to the council's (i) capital programme, (ii) companies, (iii) commercial investments and (iv) major projects, identifying any risks associated with specific investments, and assessing the adequacy of internal processes, scrutiny of decisions, use of external expertise (where required), and capacity / capability to deliver. An assessment of whether and to what extent the council is complying with statutory guidance / following best practice in regard to these areas, including, but limited to, minimum revenue provision guidance, investment guidance, and accounting codes.

**3. Service delivery, reform, and transformation**

An examination of high-cost service pressures and an assessment of specific opportunities for savings, innovation, and reform to support the local authority to move to financial sustainability with named service areas. This assessment has made use of recognised best practice models and guidance for delivering quality and cost-efficient services that put prevention first, and the council's alignment with this good practice. The specific factors examined have included:

a. The efficiency and effectiveness of service delivery, including benchmarking against comparator local authorities, sector, and wider public sector metrics.

b. Assessment of the extent to which the council's service delivery model particularly in [NAMED] areas of high demand / financial pressure reflect current best practice and guidance on service effectiveness and efficiency.

c. Identification of opportunities to reform / transform delivery in these areas to support both improved outcomes and manage financial pressures.

d. A view on the extent to which service plans are aligned to the local authority's strategic priorities and financial sustainability, the effectiveness of service areas in responding to financial pressures, and whether financial management and sustainability is embedded within service area practices and culture.

e. A consideration of the effectiveness of the chosen approach in delivering services (i.e in house or external). This should include a consideration of how the operation of the procurement functions is geared towards effective service delivery, including overall management of the pipeline, capacity and capability of officers, the adequacy of the processes and culture and attitude towards procurement.

Additional points for service specific issues in this authority have also been examined, as required.

**4. Governance, culture, and leadership**

An assessment of the local authority's approach to ensuring robust overall governance / management processes, leadership, operational culture, capacity and capability to reach a view on whether the local authority is operating in line with the Nolan Principles and in a way to secure continuous improvement. Factors that have been investigated include:

a. The adequacy of the local authority's decision making processes including presence / absence of clear schemes of delegation, scrutiny arrangements, quality of council papers and whether there is a clear understanding of governance arrangements across all levels of the authority. This should include a view on the effectiveness of the adopted governance model and whether it is suitable to drive the right outcomes for the area.

b. The presence / absence of a clear, outcome orientated, measurable and performance driven strategic direction for the local authority and whether this is clearly set out through alignment of the key strategy documents (Corporate / Strategic Plan, Annual Governance Statement and Medium Term Financial Plan). This should include an assessment of the extent to which the strategic direction of the local authority is present throughout operational implementation or whether it exists in 'name only'.

c. A view on the effectiveness of local authority leadership including the stability of senior leadership, their ability to work effectively together, set and communicate a clear vision and set of priorities for the local area, as well as their ability to lead the delivery of those priorities (as set out in key strategy documents) through the fostering of a cohesive organisation built on cooperation, trust and respect.

d. A view on the working culture and working relationships across all levels of the council including between political and officer leadership, and senior officers and junior staff. The local authority's capacity and capability improve and transform to secure continuous improvement at an operational level (i.e. sufficient expertise, staff etc.) and at a cultural level (i.e. acknowledgement of problems, openness to constructive criticism and change including inviting external challenge and scrutiny, delivery with local partners, and collaboration with sector support), and a view on the local authority's ability to identify early warning signs and take action to address potential failures at the earliest opportunity.

## *Methodology*

In our approach, we were mindful of the four broad areas for review, and the specific areas of focus, as set out above.

The approach taken comprised the following elements:

### *Desktop analysis*

MHCLG provided appropriate background. We reviewed the material and made supplementary document requests to the council. The team has analysed a significant number of documents together with other records that have been shared by the council as being relevant for the review. A list of documents reviewed is shown in Annex 3. We also examined relevant comparator material. We would like to record our thanks to officers for their ready compliance with our request for reports and data.

### *Specialised inputs*

Some comparative data analyses were conducted on issues such as revenue spend, and indebtedness. These are based on analysis undertaken by CIPFA using published data such as the Revenue Account (RA) and Revenue Outturn (RO) forms. Service performance data has been extracted from a wider range of sources including the council's own surveys of residents and staff, and work undertaken by LG Futures.

### *Interviews*

The bulk of the fieldwork comprised of interviews. These provided the invaluable triangulation of our analysis. Council officers, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. Council officers at senior and junior levels, members, auditors, and other experts were invited to give views and respond to queries provoked by documentary evidence. We would like to thank everyone involved for their courtesy and constructiveness. A list of interviewees is shown in Annex 4.

The above inputs were then analysed and subjected to our professional and expert judgement. The result is this report.

This report was fact checked as far as possible and is based on the fieldwork completed within the time frame for the review. It is not a comprehensive audit of the council's finances or its governance arrangements. Consequently, the conclusions do not constitute an opinion on the status of the council's financial accounts. Our review of the council's Minimum Revenue Provision (MRP) considers the reasonableness of the council's MRP policy and does not constitute an audit of the full application of the policy. Similarly, our review of the council's productivity does not constitute an audit of the council's productivity plan but represents an overview of the arrangements in place to consider productivity and take account of any publicly available information on historic or relevant performance.

The information and data within this report are accurate as at the time of the initial data gathering and interviews that took place in April 2026, and unless otherwise stated reflect the position at that time.

CIPFA's review team consisted of an experienced finance consultant and relevant technical expertise.

CIPFA would like to take this opportunity to thank the council for being so amenable and open to meeting with the review team and for the considerable effort that has been expended in collating and sharing key documents with CIPFA. We also thank everyone involved for the openness, tact, and honesty in what is a sensitive issue for the council.

### *Report Structure*

The key findings and analysis, together with supporting evidence, are set out under each of the review areas requested (as detailed in the commission). Risks and recommendations are detailed under each of the review areas.

# A2 Risk Assessment – Method

| Likelihood \ Impact | Critical:3 | Moderate:2 | Marginal:1 |
|---|---|---|---|
| Probable:3 | High - 9 | High - 6 | Medium - 3 |
| Occasional:2 | High - 6 | Medium - 4 | Low - 2 |
| Improbable:1 | Medium - 3 | Low - 2 | Low - 1 |

Likelihood:
- Improbable – possible, but unlikely to happen.
- Occasional – might happen, might not happen, in the order of 50/50
- Probable – most likely will happen.

Impact:
- Marginal – some minor (less than £1000) costs involved, possible minor operating difficulties largely contained within the council, some awareness / action may be required by members.
- Moderate – financial losses / costs up to £100,000, operating impacts hitting services for some of the community, a significant issue for members to deal with
- Critical – major financial losses / costs in excess of £100,000, subsequent intervention by MHCLG or other 3rd parties, reaches national press interest, major political embarrassment for members.

## A3 Documents Reviewed

Many reports available on the council's website were reviewed with particular attention to the following:

Strategic Outline Business Case for Building Better Finance

Corporate Peer Challenge Report from follow up visit in November 2025

Review of financial management using the CIPFA Financial Management Model

External Assurance Review – September 2024

Inspiring Innovation Board Papers – May 2026

# A4 Interviews conducted

For the review of financial management completed February 2026 – the following were interviewed

**Finance Directorate**

| | |
|---|---|
| Nicola Hix | Service Director Finance (deputy s151) |
| Ben Bryant | Head of Corporate Finance |
| Emily Collacott | Head of Financial Strategy |
| Christian Evans | Head of Finance Business Partnering |
| Paul Skuse | Head of Procurement |
| Shaun Warren | Head of Revenues and Benefits |
| Sian Kenny | Financial Governance &Policy Lead |
| Debbie Middleton | Interim Finance and Governance Improvement Lead |
| Parm Phipps | Interim Transformation Programme – Finance Lead |
| Paul Griffin | Chief Accountant |
| Kerry Hepple | Strategic Finance Business Partner – Place, Communities & Economy |
| Kerry Prisco | Strategic Finance Business Partner – HRA and Corporate Services |
| Siobhan Cleverly | Strategic Finance Business Partner – Children's and Public Health |
| Jo Currie | Strategic Finance Business Partner – Education & Schools |
| Penny Gower | Strategic Finance Business Partner – Adult Social Care and Housing |

**Audit**

| | |
|---|---|
| Alastair Woodland | Internal Audit (South West Audit Partnership) |
| Barrie Morris | External Audit (Grant Thornton LLP) |

**Leadership and Heads of Service**

| | |
|---|---|
| Duncan Sharkey | Chief Executive |
| Alyn Jones | Exec Director Resources, Strategy and Transformation (and Monitoring Officer) |
| Clive Heaphy | Interim Chief Finance Officer (s151) |
| Claire Winter | Executive Director Children's Families and Education (DCS) |
| Mel Lock | Executive Director Adults & Health (DASS) |
| Chris Hall | Executive Director Communities, Place & Economy |
| Elizabeth Dawson | Head of Chief Executives Office |
| Scott Wooldridge | Head of Democratic Services & Governance |
| Kehinde Awojobi | Head of Legal Services |
| Dawn Bettridge | Service Director HR & OD |
| Alison Bell | Service Director – Public Health |
| Sara Cretney | Service Director Strategy, Performance, Communications (lead on Transformation Programme) |
| Andy Kennell | Service Director ICT Services |
| Robert Orrett | Head of Service Commercial & Investment |
| Simon Lewis | Head of Housing |
| Sarah Hawkins | Head of Performance Assurance and Risk |
| John Kulasek | Head of Service – Property (interim) |

### Other budget holders

| | |
|---|---|
| Amelia Walker | Service Director Education |
| Jayne Shelborn- Barrow | Service Director Children's & Families |
| Richard Selwyn | Service Director Commissioning & Performance (Children's) |
| Emily Fulbrook | Service Director Adults and Health Operations |
| Kirsty Larkin | Service Director Housing |
| Mike O'Dowd Jones | Service Director Infrastructure & Transport |
| Paul Hickson | Service Director Economic Development Skills & Climate |
| Nigel Loxton | Capital Programme Manager |
| Angela King | HOS Neighbourhoods, MH & LD |
| Lisa Walker | SM Operations & Fostering |
| Iona Brimson | HOS-Commissioning Older Adults |
| Phil Curd | Head of Education Places |
| Jane Sprague | SM Quality Partnerships |
| Tim Cockerill | Head of SEND assessment & review |
| Sunita (Sam) Mills | Head of Transportation |
| Nick Chisnall | Strategic Manager Learning Disability |
| Sarah Skeet | Neighbourhoods |
| Matthew Ward | Head of ICT - Infrastructure |
| Toffer Beattie | Head of ICT - Service Delivery |
| Karen Johnson | Strategic Manager Mental Health |
| Carl Haggerty | Head of Transformation and Digital |

### Elected Members

| | |
|---|---|
| Councillor Bill Revans | Leader of the council and Lead Member for Governance & Communications |
| Councillor Liz Leyshon | Deputy Leader of the council and Lead Member for Finance, Procurement and Performance |
| Councillor Diogo Rodrigues | Leader of the Opposition & Opposition Lead for Governance and Communications |
| Councillor Dawn Denton | Deputy Leader of the Opposition & Lead Member for Finance, Procurement and Performance |
| Councillor Mike Hewitson | Chair of Audit Committee |
| Councillor Steven Pugsley | Chair of Corporate & Resources Scrutiny Committee |

Supplementary discussions for the Assurance Review – conduced May 2026

| **Individual Discussions with review team memebers** | |
|---|---|
| Clive Heaphy | Interim Chief Finance Officer (s151) |
| Alyn Jones | Exec Director Resources, Strategy and Transformation (and Monitoring Officer) |
| Claire Winter | Executive Director Children's Families and Education (DCS) |
| David Coleman-Groom | Executive Director Adults & Health (DASS) - WEF 1 April 2026 |
| Councillor Liz Leyshon | Deputy Leader of the council and Lead Member for Finance, Procurement and Performance |

| **Finance Leadership Team** | |
|---|---|
| Nicola Hix | Service Director Finance (deputy s151) |
| Ben Bryant | Head of Corporate Finance |
| Emily Collacott | Head of Financial Strategy |
| Christian Evans | Head of Finance Business Partnering |
| Sian Kenny | Financial Governance &Policy Lead |
| Parm Phipps | Interim Transformation Programme – Finance Lead |

| **Executive Leadership Team** | |
|---|---|
| Alyn Jones | Exec Director Resources, Strategy and Transformation (and Monitoring Officer) |
| Clive Heaphy | Interim Chief Finance Officer (s151) |
| Claire Winter | Executive Director Children's Families and Education (DCS) |
| David Coleman-Groom | Executive Director Adults & Health (DASS) - WEF 1 April 2026 |
| Chris Hall | Executive Director Communities, Place & Economy |

| **Transformation / Programme Management Office** | |
|---|---|
| Alyn Jones | Exec Director Resources, Strategy and Transformation (and Monitoring Officer) |
| Sara Cretney | Service Director Strategy, Performance, Communications (lead on Transformation Programme) |
| Carl Haggerty | Head of Transformation and Digital |

| **External Adviser** | |
|---|---|
| Mike Driver | Adviser – Inspiring Innovation Advisory Board Member |

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