

Cabinet
Wednesday 18 December 2019
10.00 am JMR, The Deane House,
Taunton



SUPPLEMENT TO THE AGENDA

To: The Members of the Cabinet

We are now able to enclose the following information which was unavailable when the agenda was published. Please note that the deadline for any Public Questions on these items is 5pm on Monday 16 December 2019:

Item 5	Climate Emergency Framework (Pages 3 - 44) In accordance with the Local Authority Code of Publicity and the current pre-election period the proposed decision report will be published on Friday 13 th December 2019.
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Item 7	Medium Term Financial Plan (2020-2023) Strategy (Pages 45 - 74) In accordance with the Local Authority Code of Publicity and the current pre-election period the proposed decision report will be published on Friday 13 th December 2019.
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Item 8	Investment Strategy (Pages 75 - 84) In accordance with the Local Authority Code of Publicity and the current pre-election period the proposed decision report will be published on Friday 13 th December 2019.
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Published on 13 December 2019

Democratic Services, County Hall, Taunton

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Climate Emergency Framework

Cabinet Member: Cllr David Hall - Cabinet Member for Economic Development, Planning and Community Infrastructure

Local Member(s) and Division: All

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1. Summary / Background

- 1.1.** Following motions passed by the respective authorities earlier in 2019, the five Councils of Somerset (Mendip District Council, Sedgemoor District Council, Somerset County Council, Somerset West and Taunton and South Somerset District Council) have agreed to work together to identify ways in which the County of Somerset could achieve carbon neutrality by 2030.
- 1.2.** A Framework document has been produced that sets out some high-level detail explaining the expected directions of travel required to address the various issues that have been identified. However, it is essential that the detailed Climate Emergency Strategy and Action Plans derived from it are informed by listening to the communities affected by any changes, whilst we learn from initiatives, projects and actions already planned and implemented within our communities.

This paper sets out the proposed methods of Consultation with communities, business and industry and young people to enable their input into the Strategy document.

2. Recommendations

2.1. That the Cabinet

- 1. Endorses the draft Climate Emergency Framework document for consultation and the approach to its delivery through the workstreams**
- 2. Endorses the timeline for development of the full Climate Emergency Strategy**
- 3. Endorses the proposed consultation activities**
- 4. Notes the risks in item 7 below and the challenges to delivery in section 6 of the Framework document.**

3. Reasons for recommendations

- 3.1** In 2019 the five Somerset Local Authorities each recognised or declared a 'Climate Emergency' and agreed to collaborate in producing a joint Climate Emergency Strategy.
- 3.2** Whilst each declaration is slightly different, all aspire to achieving carbon neutrality in their own operations and to work towards achieving this across the geography of their administrative area.
- 3.3** Given the alignment of the declarations, it was agreed that a cross-authority Strategy be developed to identify ways in which the county of Somerset can become 'Carbon Neutral' by 2030.
- 3.4** This Framework document has been developed to initiate conversation with individuals, our communities, interest groups, businesses and other relevant stakeholders to inform the full Climate Emergency Strategy and the actions and priorities that arise from it.

4. Other options considered

- 4.1.** In order for individuals, communities and interest groups to have a sense of ownership of the resultant Strategy it is essential that they get an opportunity to shape it in a meaningful way by providing feedback on the draft Framework.

It is important that we do not present all of the answers as we see them, but to provide opportunities for people to feedback on the proposed direction of travel of the Framework, the areas for concentration and priority actions.

All of the feedback received to date from Stakeholders, activist groups and industry and academic experts is that engagement, communications and consultation is key to the delivery and implementation of a credible strategy and from the outset this needs to be done correctly and earnestly; done incorrectly it could mean the strategy does not gain support and traction from the beginning.

There has been pressure from some quarters, notably Extinction Rebellion, to form a People's Assembly as the main means of public consultation for Strategy development. This option has been discounted at present as it has been deemed too costly and time-consuming to set up, however, the option of having smaller, People's Juries to debate the relative merits of smaller, discreet projects is not being ruled out at this stage.

5. Links to County Vision, Business Plan and Medium-Term Financial Strategy

5.1. The framework has links to all of the objectives within the County Plan:

- A thriving and productive County that is ambitious, confident and focussed on improving people's lives.
- A County of resilient, well-connected and compassionate communities working to reduce inequalities.
- A County where all partners actively work together for the benefit of our residents, communities and businesses and the environment in which we all live.
- A County that provides you with right information, advice and guidance to help you help yourself and targets support to those who need it most.

Actions taken intended to mitigate or adapt to climate change often come with co-benefits, defined as 'the positive effects that a policy or measure aimed at one objective might have on other objectives'. It is clear that all of the objectives of the County Plan could be contributed to by the delivery of actions contained within the Climate Emergency Strategy.

5.2. Many of the recommended actions and priority areas for concentration identified within the final Strategy document will undoubtedly require additional funding; this will be picked up through the respective MTFP processes.

It must be noted that any proposed actions over and above Business as Usual are currently unfunded.

Individual projects and actions that are being identified for immediate action are currently being costed and will be subject to Business Cases and the MTFP (2020/23) process.

6. Consultations and co-production

6.1. The Framework document has been co-produced by the five Somerset Local Authorities (Mendip District Council, Sedgemoor District Council, Somerset County Council, Somerset West and Taunton and South Somerset District Council).

6.2. The approach has been discussed and developed with a wide range of subject matter experts and climate activist organisations including, but not limited to, Exeter University, Somerset Climate Action Network (SCAN), Somerset Community Energy and Extinction Rebellion.

6.3. The approach to the Consultation process has been formulated in conjunction with SCAN who will be supporting and facilitating the Climate Emergency drop

in sessions and online survey and will provide analysis of the outputs.

Consultation with the Business Community is being developed and is being coordinated in conjunction with the local Chamber of Commerce and Federation of Small Businesses.

Consultation with young people will include an online survey for 11-25 year-olds and is being coordinated with the help of Somerset Association of Secondary Headteachers.

7. Financial and Risk Implications

7.1. Somerset County Council, as part of its Declaration of a Climate Emergency at the Full Council Meeting of February 2019, allocated £25,000 from the Councils contingency budget to develop the strategy. All of the District Councils have also allocated similar amounts of funding towards the development of the strategy.

These monies are, in part, being utilised to fund the consultation process, as well as paying for additional project resource and being available to commission discreet, specialised research projects.

7.2. Risk 1: Lack of engagement with the public resulting in insufficient responses to the consultation process

This will be mitigated by the holding of a series of Climate Emergency Have your Say events, one in each District of the county. The events will be heavily promoted through media channels and through partner organisations to ensure as wide a reach and interest as possible.

The Consultation will also be hosted online for the requisite Consultation period so attendance at the events will not be required for engagement with the Consultation process

Likelihood	2	Impact	3	Risk Score	6
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Risk 2: That the draft Framework sets expectations that are not then followed through in the Climate Emergency Strategy due to lack of financial resource.

Likelihood	4	Impact	4	Risk Score	16
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8. Legal and HR Implications

8.1. There are no Legal or HR implications as a result of the development of the Framework document for consultation, however, there may be some implications as a result of the development of the full Strategy document.

These will be documented and addressed at the time of the Strategy development.

9. Other Implications

9.1. Equalities Implications

The Somerset District Councils have assumed the responsibility for arranging the Climate drop-ins around the county. All relevant accessibility issues are being considered.

To ensure the widest range of attendees the events is being heavily promoted across media channels, including through the substantial combined reach of the Somerset Local Authorities social media platforms.

The Consultation will also be hosted online for the requisite Consultation period so attendance at the events will not be required for engagement with the Consultation process

9.2. Community Safety Implications

Given the subject matter of the Framework document and the Consultation, it is possible that emotions may run high during the events.

The Consultation events and venues will be dynamically managed to ensure community safety at all times.

9.3. Sustainability Implications

The Framework document contains a set of broad themes for Consultation which propose ways in which we can reduce carbon and other greenhouse gas emissions across Somerset.

It also sets out a number of ways in which the landscape of Somerset can be adapted to the inevitable effects of Climate Change.

It is planned for individuals, communities and groups to have the opportunity to shape the priorities of the resultant Strategy and Action Plans. The full sustainability implications of the proposed projects and actions will be considered and measured at that point.

9.4. Health and Safety Implications

N/A

9.5. Health and Wellbeing Implications

While Health and Wellbeing is not one of the defined Workstreams within the Framework, it is clear that public health and the identification of the co-benefits of the proposed actions must be a golden thread throughout the document and the resultant Strategy

The implementation of proposed actions and projects will have numerous opportunities to improve local communities and living standards for all in Somerset. A number of the projects and proposals will provide significant socio-economic and health benefits, can reduce healthcare costs and improve the quality of life for many.

9.6. Social Value

Although we are unable to provide detail of the contents of the Climate Emergency Strategy at this stage as the Framework document is yet to be consulted upon, the Strategy and resultant projects will undoubtedly include a number of Social Value benefits. These are likely to include measures that will:

- Address fuel poverty for those in deprived areas
- Address air pollution in built-up urban areas
- Look at the affordability and availability of public transport
- Encourage healthier, sustainable forms of transport
- Create community cohesion through the development of local projects
- Provide an opportunity for community groups and individuals to feel that they are vested in the Strategy development and delivery through a robust and comprehensive consultation process

10. Scrutiny comments / recommendations:

- 10.1.** The Draft Somerset-wide Framework was considered by Somerset County Council's Policies and Place Scrutiny Committee on 9th October 2019. A number of members identified concerns in relation to specific points within the document. These points have been raised with the Strategic Management Group and discussed at the Somerset Climate Emergency Joint Task and Finish Group on 22nd October 2019 alongside points raised at other authorities. The Framework is being amended as considered appropriate taking account of these discussions and will be circulated for agreement by the Joint Cabinet / Portfolio Holders Group in consultation with the Chair of the Task and Finish

Group.

11. Background

- 11.1.** In 2019 the five Somerset Local Authorities each recognised or declared a 'Climate Emergency' and agreed to collaborate in producing a joint Climate Emergency Strategy for Somerset. Whilst each declaration is slightly different, all aspire to achieving carbon neutrality in their own operations and to work towards achieving this across the geography of their administrative area. Given the alignment of the declarations, it was agreed that a cross-authority Strategy be developed to identify ways in which the county of Somerset can become 'Carbon Neutral' by 2030.

Experts from the fields of academia, industry, climate activism and subject matter experts from across the Somerset local authorities have been engaged to develop the scope of the Framework and identify the key areas of focus and to help understand the scale of the challenge set by the ambitious targets within the 'Climate Emergency' to inform the resulting Strategy and local Action Plans

- 11.2.** The Framework document identifies a number of key themes and proposed actions and an initial planned direction of travel for the Strategy and recommends a number of discreet yet interdependent workstreams comprised of local authority and industry and subject matter experts to identify actions and deliver the strategy.

The framework is intended to stimulate conversation with communities, interest groups, businesses and other relevant stakeholders in order to generate true community engagement and strategy co-development, ensuring that everyone in Somerset feels a sense of ownership of the full Climate Emergency Strategy.

It is intended that this Framework document reaches as wide a range of people of Somerset as possible to give them the opportunity to input into and shape the final Strategy document.

To facilitate this, the proposed Consultation process will be multi-faceted and multi-media; it is proposed to use both face-to-face and online approaches, with a strong communications programme to make the public aware of the opportunities to engage with us on this matter.

Face to face contact – Within each district area, a day long 'Climate Emergency - Have your Say drop-in session' has been arranged to allow the public to attend, at a time that suits them, to understand what was being

proposed and give their feedback on our approach. This would also be supplemented by a series of panels through the day on subjects of interest. The panels would be filled by subject specialists and would be a discussion of a climate topic rather than about our proposals. The aim of the panels is to draw people in, in a way that they might not otherwise feel it was worth their attending. The events will be managed and facilitated on the day by Somerset Climate Action Network (SCAN), not the councils. In this way it is hoped that people will feel more comfortable to attend the events.

Online consultation – running over the Consultation period there will also be an online consultation which people can access at a time that suits them. This will cover the same 'asks' as those made during the drop-in sessions to ensure that there is consistency.

District supplemental events – where considered helpful to districts, it is proposed that they offer smaller events as appropriate to help them flesh out the area specific plans in their district. These events are seen to be an opportunity to engage the community in local activities, sign-post people to the online consultation and promote the work the councils are doing.

Business and Industry events – a tailored business and industry focussed Consultation event (supported by the Federation of Small Business and the Chamber of Commerce) will be run to garner the views of those specifically engaged in Somerset's business communities with their unique challenges.

Young People -There is a recognition that many young people have strong views on climate change and the impact on the planet. Actions coming from the strategy will impact their future and so it seems appropriate to engage with them separately.

A two-fold approach is suggested that takes account of the need to show that as local authorities we are taking this matter seriously but also allows young people to respond electronically.

1. A programme of attendances at schools and colleges will take place which will see council representatives promoting the consultation process.
2. A young person's online consultation will run, independently from the public one, to allow them to feed in their views.

It is proposed that this work makes use of the enthusiasm of the members of the Somerset UK Youth Parliament and that they are asked to support the formation of the online consultation as well as promoting the programme amongst young people.

It is also planned to promote the consultation to a number of faith groups and voluntary organisations in order to gain their views.

The outputs of the Consultation responses will then be analysed and help to inform and shape the Strategy document.

Time-table

The proposed timeline for development and sign-off of the Strategy can be seen below. It was revised following the delay of the public consultation from November to February due to the general election period.

Date	Stage
Sept 2019	Framework Strategy through joint T&F, Leaders and CEOs
Oct-Dec 2019	Framework Strategy through individual Council Scrutiny and Cabinets/ Executive Committees
Nov-Feb 2020	Working groups continue to develop plans
Jan-Feb 2020	Consult on Framework Strategy with public events / online
Mar-Apr 2020	Draft Strategy and action plan through joint T&F, Leaders and CEOs, Cabinet Member groups
May-June 2020	Consult on draft strategy
June-July 2020	Final Strategy through joint T&F, Leaders and CEOs
Jul-20	Final Strategy and Action plan to full Councils for adoption

12. Background Papers

12.1. A full set of references are contained within the Appendix 1 Framework Document.

Report Sign-Off

		Signed-off
Legal Implications	Honor Clarke	Click or tap to enter a date.
Governance	Scott Woodridge	05/11/19
Corporate Finance	Sheila Collins	28/10/19
Human Resources	Chris Squire	30/10/19
Property	Paula Hewitt	01/11/19
Procurement / ICT	Simon Clifford	29/10/19
Senior Manager	Paula Hewitt	01/11/19
Commissioning Development	Ryszard Rusinek for information	29/10/19
Local Members for information	All members	10/12/19
Cabinet Member	Cllr David Hall - Cabinet Member for Economic Development, Planning and	04/12/19

	Community Infrastructure	
Opposition Spokesperson for information	Cllr Jane Lock (on behalf of Cllr Simon Coles)	28/10/19
Scrutiny Chair for information	Cllr Anna Groskop - Place Scrutiny	28/10/19

Draft Somerset Climate Emergency Framework

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1: Introduction

This framework document has been produced by the five Somerset Local Authorities (Mendip District Council, Sedgemoor District Council, Somerset County Council, Somerset West and Taunton District Council, and South Somerset District Council). It aims to summarise and outline the work currently co-ordinated by the Local Authorities to meet our targets for carbon neutrality. A brief account of the current situation in Somerset and issues associated with climate change is provided, highlighting why we are undertaking this work.

This framework is intended to spark a conversation with our communities, interest groups, businesses and other relevant stakeholders in order to generate true community engagement and strategy co-development, ensuring that everyone in Somerset feels a sense of ownership of the full Climate Emergency Strategy and the actions that arise from it. This initial document will provide some high-level detail explaining the expected directions of travel required to address the various issues that have been identified. However, it is essential that the detailed Climate Emergency Strategy and Action Plans derived from it are informed by listening to the communities that will be affected by any changes, whilst we learn from initiatives, projects and actions already planned and implemented within our communities. The final Climate Emergency Strategy produced by this work will not simply be a Council document; it will be recognised and owned by everyone in Somerset and be held as a collective response to the Climate Emergency.

The Climate Emergency Strategy will contain more detailed analysis of the changes required for Somerset to become carbon neutral and increase resilience to the risks posed by climate change locally. The Strategy will aim to detail programmes and projects to address these issues, with estimated costs, carbon emissions reductions and cost-benefit analysis included. Actions will be split over short-, medium- and long-term timescales to enable prioritisation and effective planning.

Individual Local Authorities will produce Action Plans supplementing the Climate Emergency Strategy. These Action Plans will specifically identify how the overall Strategy is relevant to each district, how projects will be delivered and funded, and detail the response to area-specific issues. To maximise the effectiveness and efficiency of the mitigation and adaptation responses implemented by the Local Authorities, these Action Plans will be dynamic and flexible in nature, continuously adapting to the most up to date evidence, methodologies, funding sources and ideas. Engaging with communities throughout the life-cycle of these Action Plans will be essential as the Plans evolve to meet new challenges or opportunities.

2: The Declarations

In 2019, the five Somerset Local Authorities passed resolutions to declare or recognise 'Climate Emergencies' and have since agreed to collaborate to produce and deliver an ambitious, joint Climate Emergency Strategy encompassing the county of Somerset.

Each declaration is slightly different, but all aspire to achieving carbon neutrality and ensuring that we are adapted to the effects of climate change within each administrative area. The appendix contains the individual motions of each Council in full.

3: Contextualising Climate Change

3.1: Global

A recent Intergovernmental Panel on Climate Change (IPCC) report highlights the importance of taking immediate action to limit global warming to a 1.5°C threshold, compared to temperatures from the pre-industrial period¹. Whilst achieving this limit is a challenge, requiring 'rapid and far-reaching transitions in land, energy, industry, buildings, transport and cities' to meet the required net-zero carbon emissions targets, it is certainly possible and requires action to meet these targets immediately¹.

The risks associated with missing this 1.5°C threshold are significant: global warming reaching 2°C has considerable implications for sea level rise, Arctic Ocean sea ice coverage, and prevalence of extreme weather, whilst 99% of all coral reefs would be lost¹.

3.2: United Kingdom

In response to the IPCC report, the Committee on Climate Change (the UK Government's independent advisor on Climate Change) published *Net Zero – The UK's contribution to stopping global warming*², which suggested that the UK should set a national target for carbon neutrality by 2050, and recommended numerous 'core', 'further ambition' and 'speculative' options, policy changes and projects for the UK to pursue. Since then, the UK Government has declared a climate emergency and set a legally binding target for carbon neutrality in 2050 through amendments to the Climate Change Act³. However, Government policy continues to lag behind this target and the recommendations of the CCC.

Nationally, the UK has reportedly made significant progress, reducing emissions by approximately 40% since 1990. However, the majority of progress derives from changes made in the power, waste and industry sectors. Key sectors, such as the built environment and transport, have made little progress – transport emissions have remained steady with little reduction since 1990. The importance of achieving net-zero carbon emissions is highlighted within legislation; the UK's 2050 net zero target is legally binding³ and offers an opportunity for the UK to be an exemplar case study in inspiring other countries to legislate for and meet ambitious carbon neutrality targets.

3.3: Somerset

The tangible impacts of climate change will be particularly visible in Somerset. Due to the topography of the region, rising sea levels will significantly impact coastal flooding in low-lying regions such as the Somerset Levels and Moors, whilst increases in extreme weather events will increase river and surface water flood risk. Coastal communities are likely to become more vulnerable to coastal erosion and shoreline retreat.

Additionally, temperatures are likely to increase in excess of the global average. Even if the global temperature increase is limited to 2°C, Somerset is likely to experience temperature change higher than this⁴. The latest projections (UK Climate Projections 18, produced by the Met Office) indicate that summers will be hotter, with increases by 3.7°C to 6.8°C, depending on how carbon emissions are managed, by 2070⁵. Hot spells, defined as consecutive days reaching temperatures in excess of 30°C, will increase in likelihood by almost 20 times⁵. This increases risk to drought, heat-waves, water stress and pressures to existing water infrastructure, which can become major issues disproportionately impacting those most

vulnerable in society. Current rates of heat-related mortality reach around 2,000 premature deaths per year; by 2020 this figure could increase to 3,400 and approach 11,000 in 2080⁶.

Ensuring local businesses are prepared for these projected climatic changes is important to consider for Somerset, due to the prevalence of small-medium sized enterprises in the region. If implemented incorrectly, a transition to a greener economy more resilient to the impacts of climate change could harm the most vulnerable in society. In order to avoid this, bottom-up engagement and co-development is essential to ensure a fair transition and provide adequate support, up-skilling and re-training for the necessary workforces at risk where industry is required to adjust to meet emissions reductions targets.

Changes to the natural environment, driven by increases to temperature and precipitation profiles, can mean existing ecosystems are vulnerable to die-back or different pest species; ensuring that the rich biodiversity found in our landscapes is preserved is of considerable importance. These changes will impact farming and agriculture, and so developing detailed and evidence-based strategies to mitigate these impacts and provide support to farmers within the industry is important.

3.4: Net Emissions in Somerset

Work has been undertaken to baseline the current net carbon emissions picture within Somerset. Quantifying both emissions and sequestration in the present-day is fundamental to evidence-based strategy development. Understanding sources of emissions in each district is important due to both the geographical and demographical variation within Somerset and a singular action plan is unlikely to be successful. Highlighting key areas of focus to identify maximum benefits and prioritisation of areas for concentration will increase the success of the Strategy and relies upon accurate baselining and monitoring of changes implemented.

3.4a: Emissions

In 2017, a total of 3,285 kt (kilotons) of CO₂ were emitted in Somerset⁷ from industrial, domestic and transport-related sources. For context, a kiloton of carbon is emitted by 200 average cars in 1 year. In fact, the majority of emissions in Somerset derive from the transport sector - 46.7%, compared to 29.5% from industry and 23.8% from the domestic sector.

The relative contributions of each sector vary by Local Authority: in Sedgemoor, 54.1% of emissions derive from transport (with the majority of these sourced from the M5 motorway), compared to only 38.6% of emissions in Mendip. For this reason, specific analysis of emissions sources within each overall sector is required.

Whilst the dataset used to calculate emissions at a high-level separates data at an overall District level, utilising other sources can provide a more detailed picture of emissions sources in Somerset. For example, using the Energy Performance of Buildings database⁸, emissions produced by individual houses can be analysed. Work going into further detail will be carried out by the Energy and Built Environment workstreams.

Calculating emissions produced by industries and businesses is more difficult, primarily due to emissions from their supply chains. Not all emissions have to be disclosed by businesses to the public, so there is a lack of data available online to assess the emissions of individual

organisations. The Industry, Business and Supply Chain workstream will work to assess these emissions.

3.4b: Sequestration

Carbon sequestration is the natural process of capturing and storing atmospheric CO₂. Long term storage of CO₂ through plants, soils and geological formations can mitigate the effects of climate change by offsetting carbon emissions produced by human activity.

Using data from the National Forest Inventory (NFI) it was calculated that approximately 66.1 kt of CO₂ is removed from the atmosphere each year by trees in Somerset⁹. This is equivalent to the domestic emissions of Sedgemoor alone – the lowest contributor to domestic emissions in Somerset – or 2.0% of the total emissions produced directly within Somerset in 2017 alone⁸.

Data from the NFI is updated annually, meaning any changes to tree cover can be tracked and monitored. It is important to note that sequestration rates vary between different tree species and age of trees – the figure provided is an estimate but gives a simple foundation for tracking the progress of Somerset to carbon neutrality. In comparison to the emissions produced in Somerset, the total volume of CO₂ removed is relatively low; this highlights the importance of emissions reduction at the source, rather than prioritising offsetting, which supports the foundational concept of the Strategy to take direct action to reduce total emissions and in situations where this is not possible, offset emissions.

Additional work will be undertaken by relevant workstreams to quantify the net sequestration rates of crops, hedgerows and soils (such as peatlands). Specific research is required due to the variation in management practices used by farms contributing to different net emissions totals.

4: The Climate Emergency Strategy Scope

The Climate Emergency Strategy, co-ordinated by the Somerset County and District Councils in conjunction with relevant partners, will identify ways in which Somerset could become carbon neutral by 2030. This will undoubtedly include overcoming a number of issues that will require legislative change and we will actively lobby for the necessary amendments to legislation to be implemented. For the purposes of this Strategy, carbon neutrality is defined as:

'Carbon neutrality, or having a net zero carbon footprint, refers to achieving net zero carbon emissions by balancing a measured amount of carbon released with an equivalent amount sequestered or offset'¹⁰

The primary objective for the Strategy will be to identify ways that carbon emissions can be directly reduced or avoided. Offsetting and sequestration of emissions will be supplementary actions for situations where direct reduction is not possible, reasonable or cost-effective. It is important to note the distinction between *carbon neutrality* (the aim of the Strategy) and *zero carbon*; emissions will be reduced as much as feasibly possible, but any remaining emissions will be offset to the same quantum.

In this regard, the Strategy will uphold 'responsible research and innovation principles'¹¹; offsetting of emissions will be implemented as close to the emissions source as possible. This

will increase the local relevance of the projects undertaken, whilst increasing the likelihood of adequately managing the primary and secondary impacts and effects of delivery.

As well as working to reduce emissions, the Strategy will identify the adaptations required to ensure Somerset is resilient to predicted environmental changes induced by climate change, such as increased temperatures, more varied precipitation profiles, extreme weather events and sea level rise. Secondary impacts associated with these changes, such as increased pest prevalence impacting the natural environment, will be also be identified, evaluated and mitigated within the Strategy.

5: Opportunities

Immediately taking proactive steps to mitigate and adapt to these inevitable changes can offer numerous opportunities to improve the local communities we live in and living standards for all in Somerset. Projects and proposals can provide significant socio-economic, non-environmental 'co-benefits' and reduce costs to society in other places whilst contributing to increased standards of living of all residents of Somerset.

For example, changes implemented to reduce emissions from transport contribute to many health co-benefits, which can reduce healthcare costs and improve the quality of life for many – increasing rates of cycling or walking can contribute to reductions in heart disease rates or obesity-related risks and lower rates of urban and noise pollution¹²; whilst transport systems prioritising rapid transit can improve access for vulnerable groups improving equality and access to healthcare¹².

Similarly, whilst tree-planting schemes are intended to increase the rate and volume of CO₂ removed from the atmosphere via natural sequestration, increasing tree coverage in urban areas can deliver public and mental health benefits for residents in the communities as well as serving to improve biodiversity in urban or natural regions.

Within the energy sector, actions intended to reduce reliance on fossil fuels or decrease energy consumption have numerous associated co-benefits. Construction of community renewable energy generation and storage projects can provide greater energy security, lower energy bills, revenue opportunities as well as jobs for both local communities and the wider region. Delivery of retrofit schemes, intended to reduce energy consumption and increase energy efficiency within domestic or other buildings, can contribute to reductions to energy bills and fuel poverty rates whilst decreasing health concerns associated with cold and damp homes for those in vulnerable communities.

Whilst the Climate Emergency Strategy will primarily focus on climate change and its associated impacts, delivery of projects intended to reduce carbon emissions or adapt to predicted changes are likely to have co-benefits relevant to other environmental issues. Issues relating to single-use plastic consumption, biodiversity and health and well-being of local communities are not the primary focus of the Strategy. However, in some situations individual workstreams may develop responses, action plans and projects relevant to these areas where there is a significant overlap with climate change and clear opportunities to meet the primary objectives of carbon neutrality and adaptation are present.

Although initial costs of project implementation may be high, it is undoubtable that these costs are minimal compared to those that will be incurred if a 'business as usual' approach is continued. For example, the 2013-2014 winter floods cost Somerset up to £147.5 million with £20 million to residential property alone¹³ – climate change will increase both the frequency and severity of flooding, making similar events more likely in the region. Taking proactive steps to adapt to the impacts of climate change can considerably reduce these costs derived from flooding alone; long-term impacts to the economy associated with other changes, such as drought or reductions to water quality, can also be avoided.

6: Challenges to Delivery

Whilst the direct contribution of the five Local Authorities to Somerset's total emissions has not yet been calculated it is likely to be a small proportion overall. Work commissioned by Manchester City Council indicated that they only produce 3% of the total emissions within their administrative area¹⁴. The immediate influence that we have in reducing the net emissions of Somerset is limited to internal infrastructure or contracts, such as making changes to the estates owned by the Authorities or to services delivered, supplied and procured.

However, the policies, strategies and other regulatory powers of the Authorities can influence reductions to net emissions externally across Somerset. For example, planning policies setting carbon reduction targets for new developments can influence the emissions picture county-wide as opposed to continuing a business as usual approach. In addition, the role that the Local Authorities play in encouraging action by stakeholders, businesses, partners or communities that can directly reduce emissions themselves is essential. By working with an array of groups, the Local Authorities can empower, encourage and support the strategic actions required by these parties to achieve carbon neutrality and act as a catalyst towards a carbon neutral Somerset. This underlines why it is essential to build consensus and ensure everyone in Somerset feels a sense of ownership of the Strategy and in delivery of its actions.

Other challenges associated with delivery are less simple to overcome. The composition of Somerset, in both environment and demographics, can add to difficulties associated with delivery. For example, whilst the beauty of the natural environment and rurality of the region makes Somerset a special place to live, reducing emissions from the transport sector is less simple than in an urbanised city region with a more concentrated, less dispersed population. In total, there are 6,604km (4,104 miles) of roads in the county with a total of 4.31 billion miles travelled in 2018¹⁵; whilst urban centres like Taunton, Yeovil and Bridgwater are well connected, accessibility is an issue in rural areas due to the limited local road network located in regions like the Mendip Hills or Exmoor. Additionally, the presence of the arterial roads spanning Somerset (M5 and A303) contributes to a large proportion of transport emissions with journeys not necessarily originating or terminating within the county – 26% of Somerset's total transport emissions derive from the M5 alone¹⁵.

Furthermore, the abundance of protected landscapes, such as Exmoor National Park and the four Areas of Outstanding Natural Beauty (AONBs), add to the natural capital within Somerset, yet may prove problematic when identifying areas suitable for renewable energy generation and storage or climate change adaptation projects.

Initial scoping work has highlighted the need for retrofit or replacement of a large proportion of existing domestic and commercial buildings in Somerset to improve energy efficiency, decarbonise heat and power, and ensure buildings are resilient to the impacts of climate change. To meet the national net-zero target it is estimated that 27 million properties across the UK will require deep retrofit by 2050; this equates to 20,000 properties per week, yet currently only 20,000 per year are in receipt of energy efficiency measures¹⁶. The lack of disposable income and prevalence of fuel poverty in some of our communities, as well as the limited opportunities for Local Authorities to influence existing properties, presents more barriers to project implementation.

With the current economic climate and lack of resources available for Local Authorities to deliver projects or infrastructure change, prioritising resource allocation is essential. Due to the limited availability of funds, identifying opportunities providing the optimal cost-benefit (e.g. carbon emissions savings per £) is essential and requires in-depth analysis. Producing an extensive evidence-base will enable the Local Authorities to prioritise where resources are concentrated and ensure optimal projects are delivered in Somerset.

This issue is made worse by the national policy gap - to reach net-zero emissions for the UK as a whole, further legislation and strategy needs to be delivered to prioritise investment and provide funding to enable delivery of the extensive projects required to achieve this target. In these circumstances, it will be most appropriate for the combined Local Authorities to lobby Central Government for increased national policy and action, funding, local regulatory powers, or all of the above. Identifying situations in which we will require further support – from stakeholders, Central Government, or other relevant parties – forms a crucial aspect of this work.

Overcoming these barriers will be important for the success of the Climate Emergency Strategy.

7: Strategy Development

It is important that an overarching Strategy is developed to co-ordinate Somerset's response to the climate emergency and ensure actions are taken to achieve carbon neutrality. Without an aligned strategy, ad-hoc or piecemeal action is likely to result in higher costs, incompatible projects running in parallel, and potentially undesirable and/or unintended outcomes and consequences.

To produce the Strategy, we will collaborate with sector and industry experts to develop joint approaches in tackling climate change whilst sharing resources to maximise the benefits of projects implemented. Additionally, we will identify ways for the Local Authorities to assist businesses, industry, communities and individuals in making the necessary changes required for Somerset to achieve carbon neutrality, whilst ensuring that the most vulnerable within society are not disproportionately affected by these changes.

Traditionally 'co-developed' projects are more successful: we will be engaging with individuals, young people, the elderly, communities, interest groups, businesses and industry, educational institutions, wards, town and parish councils, and other relevant sectors. All sectors of society will have the opportunity to help us develop the strategic responses, action plans and projects

produced from this work. We will work with these groups to identify projects and proposals, and then provide support in assessing the wider benefits or unintended consequences of each action and assist in the delivery of projects.

Whilst the Somerset Climate Emergency Strategy will include higher level actions and projects that are relevant across Somerset, all individual Authorities will supplement the Strategy with their own Action Plan. These will outline the necessary policies, projects and actions required to meet the strategic targets and identify resources required to enable the delivery of the Strategy. These will be dynamic and evolve as our evidence-base grows, ensuring that the most up-to-date projects are prioritised and funding opportunities identified.

8: The Workstreams

8.1: Workstream Function

Climate change will impact every aspect of society. To make the task more manageable, work will be separated into nine workstreams:

- Built Environment
- Energy
- Farming and Food
- Industry, Business and Supply Chain
- Natural Environment
- Transport
- Waste and Resource Management
- Water
- Communications and Engagement

Due to the co-benefits associated with project delivery, public health will be important for consideration by all workstreams and will be a priority focus for all workstreams, with health experts contributing to project research, development and implementation for all workstreams.

Each workstream will contain sector and subject-matter experts. They will:

- Research and prioritise key issues
- Develop mitigation and adaptation strategies
- Evaluate costs, benefits and unintended secondary consequences
- Work together where appropriate

Work has been undertaken to identify key areas for further research. These are presented as initial themes within this framework, but to ensure the success of the overall Climate Emergency Strategy wider stakeholder engagement and input is crucial to provide feedback and alternative ideas for consideration to the workstreams. We are keen to draw on ideas, expertise and enthusiasm from all to ensure that the actions to be delivered are appropriate and informed by a wide cross-section of the people and organisations of Somerset.

This research has highlighted some potential projects for delivery over short-, medium-, and long-term timescales. These, and other ideas emerging from engagement and consultation

events, will be explored and evaluated in further depth to ensure that the Strategy and Action Plans are evidence-based.

Actions taken intended to mitigate or adapt to climate change often come with co-benefits, defined as 'the positive effects that a policy or measure aimed at one objective might have on other objectives'¹⁷. In many cases, these can help to meet the statutory duties of Local Authorities and other public-sector bodies. Evaluating these co-benefits will support business cases and enable us to access increased funding. Also, it is true that climate change may not be a priority for everyone in Somerset – by identifying the co-benefits, we can clarify how action taken to address the climate emergency can improve other aspects of life in Somerset¹⁸.

The broad range of stakeholders identified for engagement, as well as experts included within each workstream, will ensure that the views, ideas and concerns of relevant parties are considered and accounted for within the Strategy.

8.2: Built Environment

32% of the UK's emissions derive from the business and residential sectors¹⁹, and 45% of energy use occurs in houses, offices, shops and public buildings²⁰. In Somerset in 2017, total domestic emissions are greater than the national county average (783 kt CO₂ yr⁻¹ compared to 539 kt CO₂ yr⁻¹), although domestic emissions per capita are comparable to the national county average²¹.

Therefore, minimising and decarbonising energy consumption in buildings will be crucial to meeting carbon neutrality targets by 2030. Through planning, local authorities have the power to influence location and type of development, materials used in construction, carbon reduction, building design and low carbon and renewable energy generation in relation to new development. However, the majority of buildings that will be standing by 2030 and beyond to 2050 are likely to have already been built and influencing how these are retrofitted and improved is more complex.

Both new developments and existing buildings and communities will need to be resilient to projected climatic changes.

Theme 1: New Developments

The workstream will explore ways to ensure that new developments reduce carbon emissions. This can include minimising the need to travel, reducing energy consumption of homes and businesses, facilitating low carbon and renewable energy generation, encouraging sustainable behaviours, and ensure that they are adapted to the projected future climate of Somerset.

Initial directions of travel for this workstream are to:

- Identify opportunities to ensure that all new residential and commercial developments consider sustainable travel and transport links to lessen the impact of the scheme.
- Ensure that all new developments consider projected climatic changes and encourage planners to incorporate sustainable urban drainage schemes (SuDS), urban trees, and waste management.

- Highlight building designs that reduce the carbon footprint throughout the life cycle of homes and work towards all buildings achieving zero carbon accreditation as soon as possible.
- Review the effectiveness of existing planning policies against minimum standards for new housing development and identify opportunities to improve the delivery of those policies. This is likely to include the requirement to lobby Central Government to improve minimum building regulation and energy performance criteria, as well as implement changes to the National Planning Policy Framework.

Theme 2: Existing Buildings and Communities

Whilst changes to planning policy improving the efficiency and resilience of buildings are essential to ensure that future developments are fit for the climate future, many improvements to the performance of existing buildings are required. Identifying priority buildings or communities, as well as projects intended to deliver improvement, is essential. Overcoming the issue of funding is likely the primary barrier to delivery of wide-scale changes across Somerset; lobbying Central Government for increased investment will be required.

This workstream will:

- Identify sources of funding, investment or subsidy for retrofit opportunities, in conjunction with the Energy workstream.
- Highlight priority buildings and communities requiring retrofit or improvements to resilience and develop high-level strategies for delivering the required changes. This will include specific focus on council-owned buildings and retained housing stock to ensure the Local Authorities set an example within Somerset, as well as identifying opportunities to incentivise and enable change in privately-owned properties.
- Explore the potential to simplify, encourage and de-risk action to deliver retrofit to existing buildings and communities via planning or other means.

8.3: Energy

Somerset has significant potential for renewable energy generation, ranking highly in both a national and European context. In 2017, Somerset possessed installed renewable energy capacity of 506MW, of which 90% was attributable to photovoltaic technology²² – but there is still a considerable amount of untapped renewable energy source. Increasing total renewable energy capacity and generation is crucial to meet carbon neutrality targets, yet changing the source of energy supply exerts significant pressure on the electricity grid. However, implementation of renewable energy technologies can contribute to a range of societal benefits, including: socio-economic development; increased energy access; a more secure energy supply and a reduction to negative environmental and health impacts associated with large-scale combustion of fossil fuels²³.

37% of UK emissions derive from heating²⁴; reducing end-user emissions totals, via retrofit and improvements to insulation, is important – yet only a start. Decarbonising heat, via innovative solutions such as decentralised heat networks or implementation of hydrogen or biogas technologies to green the gas grid, is cited as being essential to meet zero-carbon targets by 2050²⁵. Whilst potentially difficult to implement in Somerset, due to the rurality and prevalence

of fuel poverty in some regions, developing projects that can overcome these barriers is crucial to meet the aspirations of carbon neutrality by 2030.

Theme 1: Reducing and Shifting Energy Demand

Working with the Built Environment workstream, opportunities will need to be identified to reduce energy consumption within buildings in Somerset. This will include delivering retrofit projects to improve the performance of existing building stock whilst working to increase minimum energy standards and requirements for planning proposals to reduce energy consumption in new developments.

Priority tasks for this workstream are to:

- Identify existing houses or communities with high energy consumption and develop strategies to overcome these issues via retrofit.
- Research and develop mapping of identify existing/ potential major heat sources or loads.
- Liaise with planning departments and developers to produce a uniform, Somerset-wide approach to reducing energy consumption and increasing energy efficiency in new developments.

Theme 2: Low Carbon and Renewable Energy Generation and Storage Technologies

The workstream will develop a co-ordinated strategy to increase the prevalence of low carbon technologies and renewable energy generation and storage in Somerset. Reducing emissions derived from heating in the domestic, industrial and commercial sectors will require development of decarbonised heat infrastructure. Working with relevant stakeholders - such as the Built Environment working group, energy providers and developers - opportunities identified by this workstream are likely to positively influence public health and reduce the impacts of fuel poverty on top of reducing carbon emissions.

This will include:

- Liaising with local community groups and relevant stakeholders to overcome issues relating to capital investment and grid infrastructure.
- Lobbying Central Government to incentivise uptake of such technologies, like photovoltaic energy generation or electric vehicle infrastructure and to change national policy to release the potential for onshore wind.
- Identifying sites suitable for renewable energy generation and storage projects.
- Explore opportunities for low carbon technology, like electric vehicle infrastructure or projects intended to decarbonise heat production, across Somerset.

Theme 3: Own Estate and Operations

Whilst influencing external parties to minimise energy usage and carbon emissions may be difficult for Local Authorities, the ability to reduce internal emissions derived from estates and operations is more significant as direct action can be taken to increase the efficiency of internal infrastructure. The workstream will identify how to cost-effectively implement these proposals and then develop business cases ready for project implementation.

The workstream will:

- Explore utilising council owned land to generate renewable or low carbon energies to decrease reliance on fossil fuels and generate revenue for alternative climate-related projects.
- Develop an Energy Policy and Energy Management Plan for each Local Authority to minimise energy waste, mitigate future energy price rises and ensure responsible stewardship of public money.
- Initiate internal communications campaign to encourage best practice by staff and highlight the exemplar actions taken by the Local Authorities to external businesses and organisations.
- Identify current and historic activity implemented by Local Authorities and promote upscaling of similar projects county-wide.
- When contracts allow, look to collaborative procurement strategies in purchasing energy from renewable sources.

8.4: Farming and Food

The agricultural industry will be significantly impacted by climate change. Rising temperatures, rainfall patterns and variations to atmospheric CO₂ concentrations will impact operations and productivity, as well as pest prevalence, within the UK²⁶. Impacts to global food production could influence UK markets and the food industry²⁷.

With the considerable importance of agriculture to Somerset's economy and livelihood of many residents, ensuring the sector remains resilient to these predicted climatic changes will be an important aspect of the Climate Emergency Strategy.

Working to reduce net greenhouse gas emissions from the agricultural sector will contribute to mitigating some of the impacts of climate change. The IPCC have highlighted the importance of reducing red meat and dairy consumption²⁸ and encouraged a transition to the consumption of more fruit and vegetables. However, we recognise the importance of agriculture within Somerset and the fact that the carbon efficiency of British farms is amongst the best in the world²⁹; ensuring there is a balance between responsible consumption and prioritising locally sourced, high quality produce will be carefully considered within our Strategy.

The contribution of agriculture to the total emissions of the UK has been recognised by industry and sector experts, such as agricultural trade bodies or the NFU, and pathways to making the industry carbon neutral (e.g. via responsible land management practices and further reductions in emissions from livestock) have been identified³⁰.

Theme 1: Reducing Net Emissions

Net greenhouse gas emissions can vary significantly between farms, dependent on many factors. Variations to land usage or management practices, such as quantity, timing or type of fertiliser used by arable farms or type of feedstock used for livestock on pastoral farms, can greatly influence total emissions production by a farm. Often, changes made to management practices intended to reduce the net emissions are more cost-effective than existing practices and come with associated economic benefits for farmers.

To work towards reducing the net emissions of farms in Somerset, this workstream will begin to:

- Identify and increase awareness surrounding best practice relating to emissions for both arable and pastoral farms.
- Explore opportunities to incentivise or provide subsidy to encourage best practice for both arable and pastoral farms.
- Produce a baseline for the net emissions picture of Somerset to monitor progress and identify optimal project delivery.

Theme 2: Carbon Storage

By conserving and enhancing naturally existing hedgerows, woodlands or carbon-rich soils, and improving land management practices, higher volumes of CO₂ can be removed from the atmosphere. To encourage these changes, incentivising positive practices relating to carbon storage, via ecosystem service payments or similar schemes, may be required.

This workstream will:

- Explore methods to incentivise farmers to implement positive management practices.
- Identify restoration schemes, such as peatland or wetland restoration projects, to increase carbon storage, in conjunction with the Natural Environment workstream.
- Increase awareness of more innovative land management practices, such as silvopasture, intended to increase carbon sequestration and storage rates.

Theme 3: Climate Change Adaptation

Many existing agricultural strategies, including crop selection and management, are not well adapted to predicted climatic changes, such as increased temperatures, variations to weather patterns and increasing prevalence of extreme events like floods and droughts. Improving the resilience of existing farmland ecosystems is important to minimise impacts of climate change and provides opportunities to enhance crop productivity. Additionally, changes to the climate are predicted to increase the prevalence and biodiversity of pest species. Co-benefits associated with the delivery of projects, intended to increase preparedness for the impacts of climate change, include supporting pollinator species and biodiversity.

In order to assist farmers in adapting to these changes, this workstream will:

- Model current farmland ecosystem and specific crop responses to climatic changes and classify regions by vulnerability.
- Identify crop species and management strategies that are adapted to predicted climatic changes and suitable for implementation within Somerset.
- Develop a strategy to implement and deliver 'ecosystem resilience improvement' projects.
- Develop education strategies to highlight the economic and environmental benefits associated with transitioning to more resilient management practices.

Theme 4: Food Consumption

Reducing the demand for high-emissions livestock products has been highlighted as significantly important by both the IPCC³¹ and CCC³². Increasing awareness surrounding the issues associated with carbon intensive products, such as beef or dairy, can lead to more balanced consumption practices and reduced environmental impacts. Eating more balanced diets can contribute to positive health impacts. Encouraging consumers to select locally sourced, ethically produced products, with lower carbon footprints - as opposed to foreign meat or dairy - can decrease the carbon footprint associated with the sector with a less radical change than eliminating meat or dairy products entirely.

Initial directions of travel for this workstream will be to:

- Produce education and engagement strategies highlighting the impacts of high-carbon food production and consumption, and suggest alternative foods with lower carbon footprints.
- Identify opportunities to reduce high-carbon food consumption within the respective Local Authority workplaces and operations.
- Encourage reductions to high-carbon food consumption externally within the wider community.

8.5: Industry, Business and Supply Chain

Industry and businesses in Somerset contribute to approximately 29.5% of Somerset's emissions. Whilst many organisations have taken steps to reduce their carbon footprint, exploring strategies to reduce supply chain emissions is cited as the next step to reduce emissions further and mitigate some of the impacts of climate change³³. Supply chains can contain between 60-80% of greenhouse gas emissions associated with both the production and consumption of goods and services^{34,35}.

Despite the potential direct and indirect benefits for businesses associated with demonstrating best practice and minimising supply chain emissions, legislation is identified as a key driver to enable pro-environmental behaviour within organisations³⁶. Working to incentivise and increase awareness of the benefits associated these changes will drive changes in industries and businesses in Somerset.

Specific engagement strategies will be required in order to appeal to these organisations and ensure engagement of SMEs and larger groups in Somerset. Highlighting the co-benefits of taking steps to reduce carbon footprints, which are often economic in nature, will comprise an important part of the work carried out by this workstream.

Theme 1: Emissions Reduction and Stakeholder Engagement

Due to the minimal influence the Local Authorities have in reducing the emissions of private sector bodies, we require specific strategies for engaging with industries and businesses to encourage net emissions reduction. These strategies will highlight the economic and financial benefits often associated with actions intended to mitigate impacts related to climate change.

To do this, the workstream will:

- Explore ways to reduce supply chain emissions for industry and businesses in Somerset whilst encouraging sustainable material manufacture, processing and usage.

- Encourage the transition by corporations, industries and businesses to renewable energy providers or generation of on-site renewable energy.
- Incentivise positive behaviour change and showcase examples of best practice within Somerset with an environmental awards scheme.
- Create a peer network for engagement and collaboration to share knowledge and best practice regarding the shift to a low carbon, clean growth economy.
- Provide support and platforms for knowledge sharing and feedback between businesses and industries in Somerset.
- Hold business-specific Climate Summits during Strategy consultation stages.

Theme 2: Data Collection and Analysis

Whilst large amounts of data are available for assessing domestic emissions at a high resolution, data quantifying emissions produced by individual businesses and industries is not available publicly. In order to track the progress of businesses in Somerset toward carbon neutrality, additional monitoring of data will be required.

To overcome this barrier, the workstream will:

- Incorporate monitoring of progress on emissions into the Somerset Local Economic Assessment (LEA).
- Present this data on the new LEA website (called Somerset Trends) in order to ensure a centralised online data resource for partners to use and evaluate their own progress to reducing emissions.
- Design a generic methodology or 'toolkit' to assist businesses and industries in quantifying, and then reducing, supply chain emissions.

Theme 3: Business and Workforce Resilience to Climate Change

Ensuring business and industry in Somerset remains resilient to the projected impacts of climate change is important for the local economy. Additionally, a change to a low carbon society or greener economy must be delivered fairly in order to ensure a 'just transition' and ensure workforce skills and employability are preserved.

In order to achieve these goals, the workstream will:

- Design research to better understand the local skills and employment challenges relating to the climate change agenda and shift to a low-carbon economy
- Identify employment in at-risk sectors or businesses and undertake a skills gap assessment
- Develop guidance for re-skilling for training providers and relevant support bodies.
- Highlight businesses or industry susceptible to the projected impacts of climate change and aid in developing mitigation strategies to reduce the risk of these impacts.

8.6: Natural Environment

Projected meteorological changes as a result of climate change, such as warmer temperatures, increasing variability and intensity of precipitation and extreme weather events (like flooding and droughts)³⁷, will exert pressure on ecosystems adapted to present-day conditions. Increasing the resilience of Somerset's Natural Environment to predicted impacts is essential

– yet should be a minimum requirement, due to the potential for innovative projects to provide emissions mitigation and cross-sector benefits.

Theme 1: Sequestration and Land Usage Change

The workstream will explore opportunities to increase the volume of CO₂ removed from the atmosphere by trees and plants via sequestration, whilst ensuring that existing carbon stocks contained in the natural environment - such as in soils, peatlands and existing trees - are preserved and managed responsibly.

To achieve this, the workstream will:

- Identify and designate land classification scenarios to provide an evidence-base for what is required to achieve a zero-carbon county.
- Liaise with the Built Environment workstream to ensure new developments minimise impacts to the environment. For example, adapting planning policy to ensure new developments produce Environmental Net Gain of minimum thresholds (e.g. 20%). This could follow the case study of Manchester with a clear mitigation hierarchy.
- Embed Natural Capital consideration into all planning and major investment decisions to minimise the declining condition of Natural Capital assets.
- Support schemes to increase tree cover in Somerset, such as the Urban Tree Challenge Fund or the Parish Tree Policy produced by the Re-Imagining the Levels programme.
- Work to stop peat extraction and increase peat restoration schemes in Exmoor to restore wetlands and coastal habitats.

Theme 2: Landscape Resilience

Existing ecosystems are not well adapted to predicted climatic changes, such as increased temperatures, variations to weather patterns and increasing prevalence of extreme events like floods and droughts. These changes are likely to increase both the prevalence and biodiversity of pest species and impact pollinators. This workstream will utilise the latest climatic projections to identify vulnerable ecosystems and develop opportunities to increase the resilience of the Natural Environment.

Theme 3: Co-ordination and Data Collection

Whilst all workstreams are required to identify key issues requiring a collaborative approach, co-ordination between the Natural Environment, Farming and Food, and Water workstream is particularly important. This workstream will develop a communications and implementation strategy between appropriate working groups ensuring relevant information, analysis and findings are shared.

Key objectives for this workstream are to:

- Bring together existing datasets to establish repeatable monitoring of Somerset's baseline as an ecological network for the county.
- Identify key opportunities for collaboration based upon the above science and evidence-base to ensure a targeted approach to the natural environment between relevant stakeholders.

- Engage with, or merge with, the Local Nature Partnership to ensure collective delivery is a priority and avoid duplication of work.

8.7: Transport

Emissions from transport are the largest contributor to emissions across a range of scales, from locally in Somerset (45%, with Sedgemoor and Taunton-Deane >50%)⁷ to the UK (27%)³⁸ and to Europe³⁹. Since 1990, emissions totals have steadily declined across all sectors – other than transport, indicating the inherent difficulties associated with implementing wide-scale changes to sector⁷.

Whilst reducing transport emissions in Somerset is a challenge due to the rurality of the region, meaning it is difficult for public transport schemes to connect dispersed communities, the European Commission Strategy for low-emission mobility highlights the roles that local authorities can fulfil³⁹. With the diversity of Somerset and variation in access to public transport, it is unlikely for there to be a singular solution appropriate for all areas. However, the Local Authorities encouraging a modal shift to more active or public transport where appropriate and seek investment to develop, improve or upgrade existing transport links.

Theme 1: Public Transport

Increasing both the frequency and quality of service provided by public transport is important to encourage a modal shift from personal vehicle usage. Whilst active travel is carbon zero, we recognise that not all journeys are appropriate for walking or cycling. Improving the public transport provided in Somerset whilst transitioning to lower emissions vehicles can significantly reduce emissions derived from Transport.

To achieve this, the workstream will:

- Amend evaluation criteria and contract terms for passenger transport contracts awarded by SCC in the DPS review in March 2021 to encourage usage of lower emission vehicles.
- Develop an innovative rural transport pilot project following on from work currently investigated in South Somerset.
- Commission a data analytics study to identify potential demands for bespoke passenger transport for clusters of working age people who may be attracted to a quality service.
- Develop a detailed proposal for mass-movement rapid transport on the A38 supporting existing priority infrastructure proposals; this could provide an opportunity for a testbed for electric fleets or CAV trials in the long term.
- Explore expanding Demand Responsive Transport Provision, potentially developing additional routes in the morning/afternoon for college students.

Theme 2: Personal Transport

Reducing the demand for car travel is essential for minimising transport emissions. Enabling active travel, via improvements to walking or cycling infrastructure or subsidising the cost of cycling equipment, can eliminate the need for car journeys. Increasing awareness surrounding the impacts associated with short car journeys may contribute to a modal shift in travel; however, under many circumstances car usage is unavoidable. Popularising car sharing schemes can eliminate repetition of similar journeys.

To reduce the demand for car travel and incentivise a modal shift to active travel, some examples of work to be undertaken include:

- Develop a detailed countywide travel behaviour change/travel demand management proposal, focusing on community action and individual responsibility, learning from previous and current activity in Bridgwater.
- Agree walking and cycling capital programme funding allocation.
- Submit Department for Transport (DfT) Pinch Points bid focused on walking and cycling.
- Develop feasibility designs and costed schemes from current Local Cycling and Walking Infrastructure Plans (LCWIPs) while commissioning additional LCWIPs for other towns.
- Lobby Central Government for a dedicated walking and cycling fund.
- Increase awareness of the impact short car journeys can have and highlight the benefits associated with active travel via numerous engagement schemes, such as the 'Think Travel' web portal to access travel-related information.

Theme 3: Logistics, Planning and Innovation

Engaging with relevant communities, stakeholders and organisations is crucial to promote sustainable transport. With new developments, planning strategies can be implemented to minimise the need for travel and thus reduce emissions. A holistic approach to development can reduce emissions derived from logistical operations, such as 'last-mile' deliveries or HGV freight. With the considerable lack of progress made in reducing transport emissions since 1990 across the UK, innovative ideas and concepts are required.

Some objectives to explore for the workstream include:

- Liaise with parish/town councils to produce a list of high priority/biggest difference actions that could be taken relating to transport.
- Organise a commission to ensure engagement with academic experts and industry leaders to identify opportunities to reduce transport emissions.
- Understand logistics patterns, HGV vehicle movements and employee personal vehicle use to develop programs to reduce associated emissions, such as via car or freight share.
- Identify locations suitable for electric vehicle charging points.
- Work with planners and the Built Environment workstream to ensure new developments are designed to reduce the demand for car travel.
- Launch a digital competition to design an app enabling people to reduce demand for car travel.
- Upscale the agile-working Programme used in Shepton Mallet to other district council offices, enabling work from home for all staff within Somerset Local Authorities. Highlighting the benefits from this scheme can incentivise uptake of similar programmes by private sector organisations.

8.8: Waste

Recent research highlights the potential for the UK Waste Management sector to drive reductions to greenhouse gas emissions⁴⁰. Since 1990, emissions have decreased by 70% with an acceleration in annual average abatement between 2012 and 2016 of 10%.

In Somerset, household and non-household waste contributes to a significant proportion of the region's carbon emissions – the majority (>90%) derive from methane produced by the decomposition of biodegradable waste⁴¹.

Somerset's domestic waste and recycling is managed by Somerset Waste Partnership. Somerset is independently ranked as a 'high flying' (top 10%)⁴² area in England in carbon saving from its household waste and recycling services, saving 103kg of a carbon equivalent per person⁴³.

Major progress in the Waste Management sector will only be achieved if waste is considered as a resource whilst increasing management of industrial and commercial waste. The workstream will look at opportunities to move towards a more circular economy and increase consideration of the relationship between Waste Management and other economic activities.

Theme 1: Commercial Waste and the Circular Economy

Nationally, commercial recycling rates are low (30%) and minimal source segregation of waste or separate food waste collection is undertaken. Targeting this sector, in conjunction with the Business, Industry and Supply Chain workstream, can provide potential for considerable emissions reductions and show Somerset's national leadership on the climate agenda.

The workstream will:

- Identify how the Local Authorities can celebrate and share best practice, whilst avoiding 'greenwash' (or the deceptive promotion of an organisation's environmental policies).
- Work with local businesses and relevant partners to identify the support and guidance they require to improve waste management.
- Seek to pilot collaborative procurement for recycling and waste – reducing costs for businesses, improving environmental outcomes and aligning with local needs.
- Create a route-map identifying the steps required to create a more circular economy in Somerset.
- Explore opportunities to ensure that Somerset has the recycling reprocessing industry needed to match its ambitions for the future.

Theme 2: Residential Waste and Behaviour Change

The workstream will explore opportunities to encourage behavioural change across a variety of sectors, such as minimising household waste in the domestic sector and increase recycling 'on the go'. This will be supported by identifying ways to ensure adherence to adequate planning standards for waste management within new housing developments.

This will include:

- Improving domestic waste recycling opportunities by adding in additional recycling to the existing weekly kerbside collection (Recycle More). This will result in reductions to waste by 15% and increase recycling by 20-30%, and improve on our already 'high-flying'⁴² carbon saving performance.

- Introducing more stringent controls that ensure even more waste is processed within the UK and not exported elsewhere. Currently over 90% of Somerset's recycling remains in the UK.
- Roll-out a behavioural change campaign ('Slim my waste, feed my face') in early 2020. This scheme intends to encourage reducing food waste within homes.
- Working with the Built Environment workstream and planning departments to ensure new development planning proposals consider resource management, waste storage, and waste disposal.
- Moving away from landfill by Spring 2020. Whilst reduction, reuse and recycling always remain better, this transition will ensure that the little waste that is leftover is mostly used to generate electricity rather than going into landfill.

Theme 3: Public Sector Waste

The public sector is a major employer in Somerset and can lead by example with how it deals with its own waste. There is potential for considerable improvement within the sector; for example, the current recycling rate in schools is only 25% and recycling across the Local authority's own buildings is patchy. Using the scale of the sector provides an opportunity to shape the market for commercial waste services in Somerset and instigate significant changes within the industry.

The workstream will:

- Develop a joined-up approach across the public sector in Somerset to maximise reuse, separate recycling and minimise waste arisings from the public sector.
- Utilise the buying power across the public sector in Somerset to create a viable commercial market offering environmentally optimal commercial waste recycling.
- Identify if there are any stakeholders in Somerset who may need additional support in order to recycle effectively seek to develop a cost-effective pilot which improves recycling and reduces waste.
- Expand the Schools Against Waste programme and incentivise schools to recycle more (including though rolling out additional services to them such as plastic pots, tubs and trays, cartons/tetrapak recycling).

8.9: Water

Climate projections predict increasing precipitation intensity and variability in the UK, leading to increased risks of flooding, drought and extreme weather events⁴⁴. Flood risks in Somerset are exacerbated by sea level rise, with low-lying regions such as the Levels and moors particularly vulnerable to these changes⁴⁵.

Additionally, predicted climatic changes impact current water management practices and adaptation schemes, which are unlikely to be robust enough to cope with these added pressures⁴⁴. Ensuring future developments consider the most recent climatic projections is required to minimise flood risk and other issues.

The requirement for the Water workstream to be cross-sector in approach is significant; alterations to land usage and management practices in both the natural environment and agricultural ecosystems are likely to impact flood risk, water quality and other aspects of the

hydrological cycle. Ensuring these issues are both accounted for and minimised will be crucial to minimise the secondary consequences associated with project implementation.

Theme 1: Strategy and Policy

Improving existing strategies and policies relating to water will ensure co-ordinated response by all partner organisations, provide long-term risk assessment for predicted climatic changes, and enable access to increased sources of funding.

Examples of reviews and updates to be explored by this workstream are:

- Update internal and statutory strategies to ensure the inclusion of most recent climate change projections and associated risks
- Support the establishment of the Somerset Rivers Authority to deliver adaptation schemes to address projected risks

Theme 2: Data Collection and Analysis

Detailed modelling of changes to the flood, drought and extreme weather profile of Somerset is required to inform evidence-based project development, business cases and feasibility studies.

Initial tasks for this workstream will be to:

- Map changes to flood risk caused by climate change.
- Map changes to coastal erosion caused by climate change.
- Develop integrated flood investment strategies from predicted changes.
- Map priority regions suitable for sustainable drainage (SuDS) projects.

Theme 3: Schemes and Initiatives

Developing projects to adapt to the projected risks of climate change is crucial to ensure the communities of Somerset remain resilient to these predicted impacts.

The workstream will:

- Continue to deliver adaptation schemes to minimise the risks of flooding, drought and coastal erosion.
- Assess pre-existing adaptation schemes and infrastructure to ensure they are resilient to the most recent climate projections.
- Identify opportunities and potential funding to develop water processing infrastructure for future resilience.

8.10: Communications and Engagement

Substantial levels of communication and engagement will be crucial to the success of all the workstreams and delivery of the overall Climate Emergency Strategy. As well as facilitating changes within the areas under the direct control of the five Local Authorities, the success of the Strategy will be underpinned by encouraging action to be taken by the many individuals, communities and other stakeholders.

Whilst many groups and communities are actively engaged with the climate change agenda currently experiencing considerable coverage within the media, some groups prioritise the issue to less of an extent. Receiving feedback from these groups and individuals and encouraging them to engage with the development of the Strategy is a vital action for this workstream.

Theme 1: Engagement and Consultation

Ensuring that everyone in Somerset feels a sense of ownership of the Strategy is fundamental to its success; therefore ensuring as many people as possible from a cross section of society have an opportunity to contribute to the development of the Strategy is essential.

To achieve this, the workstream will:

- Develop Climate Summits in each district in conjunction with Somerset Climate Action Network (SCAN).
- Produce an online forum for on-demand engagement with the Strategy development.
- Organise specific engagement with young people through school and college events.
- Explore further opportunities for ongoing feedback and suggestions for the Strategy and subsequent Action Plan development.
- Work with local communities, towns, wards and parish councils to ensure local interest and community buy-in with the Strategy and associated Action Plan development.

Theme 2: Internal Communications

The five Local Authorities and partners have well-established internal communications channels. These can all be immediately used to engage and inform a significant workforce and seek to develop a significant body of ambassadors for the strategy and source of good practice case studies.

This workstream will:

- Highlight the importance of best practice, encompassing suggestions from all workstreams, within internal communication channels such as employee email and online newsletters.
- Explore opportunities to incentivise partner employee best practice and behaviour change.

Theme 3: External Communications

An appealing online presence will be a major component of the external communications and engagement strategy. Developing a central repository or hub for information, case studies, progress updates, resource packs and relevant materials will be critical in informing the wider community of the climate emergency whilst ensuring community buy-in and contribution to Strategy development. More traditional forms of media, such as press releases, news features or specific events, will supplement the external communications strategy to ensure accessibility for all.

Initial components of this work will include:

- Developing a uniform communications strategy to be implemented at all levels from all five Local Authorities.
- Utilising the Councils' established communications channels, such as traditional PR, in conjunction with the combined social media presence and reach, to maximise engagement opportunities.
- Ensure that documents and resources are available in other, accessible formats.

9: Climate Emergency Strategy Delivery

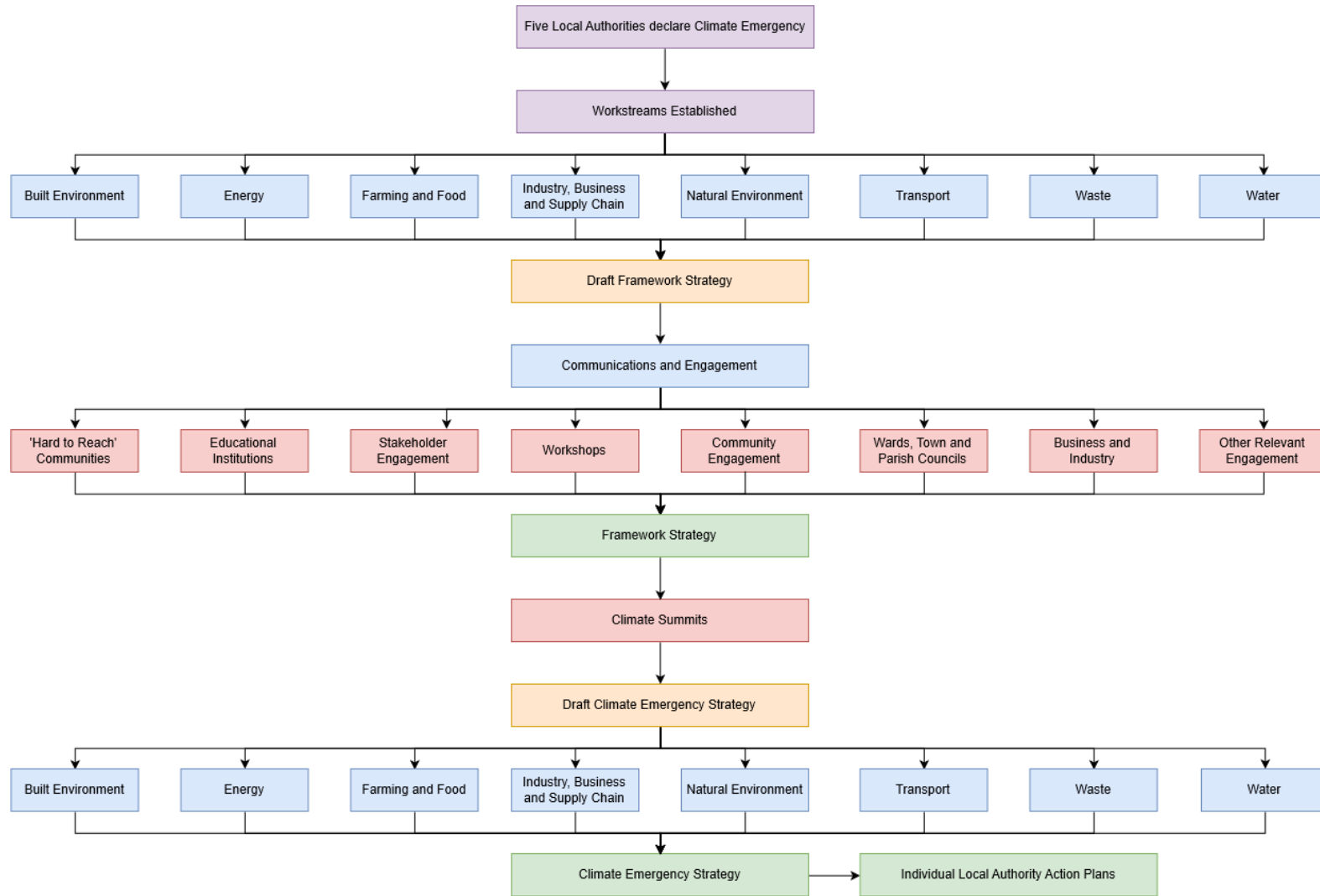
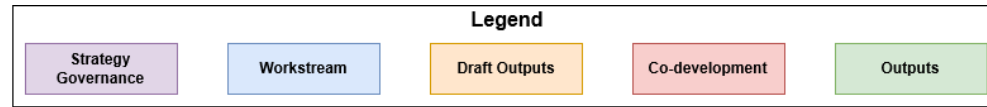
The flowchart below aims to simplify the steps that will be taken in order to develop and deliver the final Climate Emergency Strategy.

Community engagement will be a priority throughout Strategy development. We have chosen to deliver a 'Climate Summit' in each district to provide the opportunity for as many individuals and communities to engage with the development of the Strategy. However, this is only one strand of the engagement strategy. We will also be seeking feedback from an online platform as well as events at local schools and colleges to engage with the young people of Somerset. Each workstream will identify issues requiring stakeholder or sector-specific expertise and look to engage with the relevant academic or industry experts throughout Strategy development. It is hoped that through this engagement and consultation additional or alternative themes will be identified as priority issues for individuals and communities requiring action from the Climate Emergency Strategy.

Whilst workstreams appear independent in the flowchart below, it is important for these groups to work together. A collaborative approach is required to reliably evaluate key issues and develop projects encompassing a range of issues.

Additionally, development of the Individual Local Authority Action Plans is occurring simultaneously to the Climate Emergency Strategy. This means the Action Plans will be implemented alongside the final Strategy, ensuring that action is taken as soon as feasibly possible, once specific evidence-based projects are prioritised and developed following feedback from the public.

However, actions to mitigate and adapt to the impacts of climate change are already in progress across Somerset. Whilst time is being taken to develop an evidence-based Strategy, it is key that the actions being undertaken already are not slowed down by this process. Many projects will continue to be delivered throughout Strategy development, such as those intended to increase Somerset's resilience to flood risks and the continuation of preparation for the roll-out of the Somerset Waste Partnership's Recycle More scheme in 2020.



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11: Appendix

Somerset County Council

Full Council resolves to:

- a) affirm the Council's recognition of the scale and urgency of the global challenge from climate change, as documented by the latest Special Report of the Intergovernmental Panel on Climate Change, and declares a climate emergency; and
- b) mandate the Policy and Place Scrutiny Committee to review and recommend what further corporate approaches can be taken through a SCC Climate Change Strategy and to facilitate stronger Somerset-wide action through collaboration at a strategic, community and individual level; and
- c) pledge to work with partners, including the Heart of the South West LEP, individuals and community action groups across the county to identify ways to make Somerset carbon neutral by 2030, taking into account both production and consumption emissions (scope 1, 2 and 3); and
- d) write to the Secretaries of State for Business Energy & Industrial Strategy, Transport, Environment, Food & Rural Affairs and Housing, Communities & Local Government calling for the creation, provision or devolution of powers and resources to make achievement of the 2030 target possible here in Somerset; and
- e) report to Full Council before the end of 2019 with the actions the Council has and will take to address this emergency; and
- f) allocate £25,000 from the Council's 2018/19 contingency budget and authorise the Lead Director for Economic and Community Infrastructure to utilise this funding to resource the work necessary to support Scrutiny Committee for Policies and Place and to assess any specific recommendations and financial implications. Any unspent allocation will be carried forward into 2019/20 to continue the work.

Somerset West and Taunton District Council

Shadow Full Council resolves:

1. To declare a climate emergency.
2. With partners across the district and region, to start working towards making Somerset West and Taunton carbon neutral by 2030, taking into account emissions from both production and consumption (7).
3. To call on the UK Government to provide guidance and the powers and resources to make carbon neutrality possible by writing to local MPs, the Secretaries of State for Business Energy & Industrial Strategy, Transport, Environment, Food & Rural Affairs and Housing, Communities & Local Government.

4. To develop a Carbon Neutrality and Climate Resilience Plan, starting from July 2019, with a cross party working group and the necessary officer support to assist with investigative work, drafting the plan and the delivery of early projects.

5. To report to Full Council before the end of 2019 with costed proposals for projects for the Council to effectively start addressing the climate emergency, which could include:

a) Enabling more cycling, walking and use of shared and public transport.

b) Providing electric car charging points in car parks and other suitable locations, including for use by council tenants and council vehicles.

c) Adopting high energy efficiency standards and providing for the effective use of recycling services in new buildings through the planning system.

d) Demonstrating and developing a programme for retrofitting high standards of energy saving and insulation in existing council buildings, including housing, and assets; initially focusing on where the greatest benefits could be gained.

e) Promoting waste reduction, reuse and recycling on the go, and supporting community projects.

f) Sourcing electricity used by the council from renewable energy suppliers and providing support for smart energy infrastructure, including demand management and storage.

g) Supporting green businesses and social enterprises.

h) Review of planning policies and investment opportunities for local renewable energy and infrastructure and environmental markets, as well as divestment from fossil fuels.

i) Adaptation for flooding, coastal erosion and other impacts of climate change.

j) The appointment of a specialist officer to develop and champion the delivery of the Carbon Neutrality and Climate Resilience Plan.

6. To provide an annual review and update of the plan thereafter.

7. A provisional budget of £25,000 to be allocated to allow this work, including early projects agreed by the working group, to be undertaken either through resources already available or through commissioning. This sum to include £15,000 as a supplementary budget allocation from the General Fund in 2019/20, to be taken from general reserves and returned if able to be undertaken from already available resources, and £10,000 to be prioritised from the proposed HRA Maintenance Budget in 2019/20.

South Somerset District Council

The Council have agreed to:

1. Note the background information above.
2. Declare its recognition of a 'Climate and Ecological Emergency'.
3. Develop a Strategy by the Full Council meeting on 19th September 2019*, that sets ambitious targets to protect the environment and ecology; to reduce Carbon Emissions; and for a) South Somerset District and b) the Council to become carbon neutral
4. Develop a delivery plan that sets out the necessary policies, projects and actions to deliver the targets, and identifies the resources necessary to enable the delivery of the strategy.
5. Work with councils and other partners in Somerset to develop collaboration, joint approaches and share resources in tackling climate change and protecting the environment

*Now Autumn 2019

Sedgemoor District Council

Proposed Climate Change Motion that Council:

- a) Affirms the recognition of the scale and urgency of the global challenge from climate change, as documented by the latest Special Report of the Intergovernmental Panel on Climate Change
- b) Pledges to work with partners, including the HoTSWLEP, Somerset County Council, Somerset Districts, individuals and community groups to identify ways to make Sedgemoor and Somerset carbon neutral by 2030, taking into account both production and consumption emissions
- c) Joins with the County Council and Somerset Districts in writing to the Secretaries of State for Business Energy and Industrial Strategy, Transport, Environment, Food and Rural Affairs and Housing, Communities and Local Government calling for the creation, provision or devolution of powers and resources to make achievement of the 2030 target possible here in Sedgemoor and Somerset
- d) Allocates up to £25,000 from the Council's Community Development Fund and authorises the Strategic Director (Doug Bamsey) to utilise this funding to resource the work necessary and develop a strategy and actions
- e) Will receive a report before the end of 2019 with the actions that have been and will be taken to address this target.

Mendip District Council

Full Council calls on Mendip District Council to:

1. Declare a 'Climate and Ecological Emergency';
2. Pledge to make the district of Mendip carbon neutral by 2030, taking into account both production and consumption emissions (scope 1, 2 and 3);
3. Call on Westminster to provide the powers and resources to make the 2030 target possible;
4. Work with other councils and governments to determine and implement best practice methods to limit Global Warming to less than 1.5°C;
5. Continue to work with partners across the district and region to deliver this new goal through all relevant strategies and plans;
6. Submit a bid as part of the Council's budget setting process for an additional £100,000 to fund a 'Sustainability' Officer Post for a two-year period to champion the scoping and delivery of the District Council's Climate Emergency 2030 commitment.
7. Report to Full Council every six months with the actions the Council will take to address this emergency.

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Somerset County Council

Cabinet – 18 December 2019

Medium Term Financial Strategy 2020-2023

Cabinet Member(s): Cllr Mandy Chilcott – Cabinet Member for Resources

Division and Local Member(s): All

Lead Officer: Sheila Collins, Interim Director of Finance

Author: Sheila Collins, Director of Finance

Contact Details: 01823 359028

	Seen by:	Name	Date
	County Solicitor	Honor Clarke	13.12.19
	Monitoring Officer	Scott Wooldridge	13.12.19
	Corporate Finance	Sheila Collins	13.12.19
	Human Resources	Chris Squire	13.12.19
	Property	Paula Hewitt	13.12.19
	Procurement / ICT	Simon Clifford	13.12.19
	Senior Manager	Jason Vaughan	13.12.19
	Commissioning Development Team	commissioningdevelopment@somerset.gov.uk	13.12.19
	Local Member(s)	All	13.12.19
	Cabinet Member	Cllr Mandy Chilcott	13.12.19
	Opposition Spokesperson	Cllr Liz Leyshon	13.12.19
	Relevant Scrutiny Chairman	Cllr Anna Groskop	13.12.19
Forward Plan Reference:	FP19/12/01		

Summary:

Having tightened the grip on the Councils finances during 2018/19 and developed a robust budget for 2019/20, the Council has refreshed its approach to developing its longer-term financial plans during the summer and autumn 2019. The key drivers underpinning the council's financial strategy are:

- Protecting front line services and promoting prevention;
- Strengthening financial sustainability by taking a long-term view;
- Ensuring robust budgets based on evidence and best practice, and;
- Further strengthening earmarked reserves to appropriate levels.

This paper sets out how the Council has developed its strategy based on these drivers, including the risks and current uncertainties with it. Although final details may change before budgets are set, the fundamental services strengths of this strategy are not expected to alter and include:

- Investing in transforming services to improve lives for residents;
- Investing in communities (through various initiatives lead by the Leader – details will be in the February budget report);
- Avoiding further service cuts, and rather;
- Protecting front-line services and strengthening prevention activities.

Of course, the Council could deliver many further improvements if the Government recognised the on-going increasing demands on core County Council services and allocated extra Government funding more fairly according to need.

The resulting Medium-Term Financial Plan (MTFP 2020-23) and supporting Capital Programme (2020-23) including details of specific initiatives to deliver the above service improvements will be included in the Scrutiny Committee papers early 2020 and then the final budget proposals for Full Council in February 2020. The plans will be founded on robust, evidenced based spending assumptions against which delivery can be tracked and monitored. Forecasting funding assumptions accurately is particularly challenging in view of the Government only planning to detail funding for 2020/21 in

this year's Financial Settlement (which has not yet been announced). Future years will remain uncertain pending a Comprehensive Spending Review (CSR) now proposed for 2020 and set to include a review of Local Government funding through the Fair Funding Review (FFR) and Business Rates Retention Reviews (BRR). Government have indicated that the CSR will cover multiple years.

For 2020/21, although the Government have not been able to announce the Provisional Local Government Financial Settlement due to the General Election, the Government did issue the Spending Round in September 2019 (known as SR2019) and they have now advised local authorities to rely on this for planning purposes. There were three main implications of SR2019 for this Council:

- An indication that authorities will be able to raise General council tax by 2% without the requirement for a referendum and an additional 2% in relation to adult social care;
- A new one-off grant for 2020/21 only for social care of £1bn nationally, of which the County can expect to receive £10.4m. This was unexpected and since it is one-off has not been relied upon to balance the Councils MTFP, and;
- Confirmation that other 'uncertain' grants (such as better care fund, public health), will continue into 2020/21. The existing MTFP had already assumed this, so SR2019 helpfully confirmed these assumptions.

The current MTFP (2019-22) funding assumptions have been up-dated to reflect SR2019. As soon as the Provisional Settlement is published officers will assess the Councils budget planning assumptions and advise members accordingly. It is currently not known whether this will be before or after Christmas.

It is important to emphasise that although the indicative budgets set out in this paper are based on existing Government Policy, the key areas of focus of this strategy are not expected to alter between now and February 2020 regardless of the outcome of the General Election. Clearly though, the Council will review any policy or funding changes that may be announced and flex this strategy and budgets accordingly before proposing the final budget for 2020/21 and longer-term financial plan to the Full Council in February

2020.

Given that the new Social Care grant is currently one off for 2020/21, the MTFP Strategy has been developed on a prudent basis and has allocated this funding to pump prime further transformation. However, if this funding becomes permanent, the Council will have a welcome opportunity to:

- sensibly re-invest and or invest in some of the place-based preventative services (whether delivered directly or through partners and the voluntary sector), beginning to address current and future unmet need and significantly improve the lives of residents;
- recognise the need to invest in the right skills across the council's workforce, and;
- develop stronger financial resilience that enables a measured, pro-active response to future challenges and provides a basis for driving further transformation.

The detailed planning work that has been carried out on the MTFP (2020-23) shows the latest position to be balanced budget for 2020/21, with a revenue requirement to spend £348.270m in 2020/21, and a modest total gap of £9.5m over the second and third years together. Importantly, this position has been achieved with no additional service cuts, rather through service efficiencies and transformation changes. There are still some items which cannot be finalised such as council tax base, national pay awards and the Local Government Finance Settlement, but reasonable assumptions have been made. However, between now and February 2020 the numbers will alter and the Council's approach to balancing the budget across all three years will be finalised. Further consultation with stakeholders will be carried out in January 2020.

A key part of the improved MTFP process has been to consider the capital programme, contingency and reserves alongside the revenue budget, so that one integrated MTFP is produced.

The MTFP process and budget assumptions have been subject to various reviews and based upon sound judgements which adds greater confidence to the robustness of the forward MTFP planning than in the past. The capital programme for

the next 3 years has been subject to review and challenge, with its funding implications included within the MTFP.

The MTFP Strategy recognises that the Council declared a climate change emergency in February 2019 and is now working with partners to develop a Climate Emergency Strategy. When this strategy is adopted, the Council will need a financial strategy that is flexible enough to reflect agreed priorities.

In looking ahead to the MTFP, it is important to consider progress and confidence in the current financial year's budget. Elsewhere on this agenda the Cabinet will consider the month 7 monitoring position that forecasts a balanced budget with £6.4m of the corporate contingency unallocated, 99% of savings either on track or delivered and management actions underway to manage down any adverse variances as much as possible. Further the implications of any current year's budget variations have been reflected in the forward year's budget requirements as relevant. All these elements add greater confidence to the robustness of the forward MTFP planning than in the past.

Through the Improving Lives Programme, the Council is working to transform the Council into one that is sustainable whilst providing the best possible outcomes for the people of Somerset. The Programme is focused on strengthening our enabling functions to ensure the Council can identify and realise benefits through:

- Commissioning creatively and collaboratively;
- Supporting our communities to be strong and resilient;
- Getting Somerset more up to speed with digital solutions and use developing technology to lead the way it delivers services, and;
- Creating a culture that encourages staff to work more creatively and innovatively.

<p>Recommendations:</p>	<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> 1. Recognise the strengths of this financial strategy for Improving the Lives of Residents in Somerset. 2. Approve the Medium-Term Financial Strategy as a basis for developing the revenue and capital budgets for the next three years (2020-23) for consultation with businesses and Scrutiny Committees in January / February 2020 ahead of consideration by Cabinet and Full Council in February 2020. 3. Endorse the proposed improvement to long term financial resilience and sustainability achieved through this strategy. 4. Recognise that more could be done if Government allocated more funding on a fairer basis according to rising needs, and therefore endorse further lobbying of Government for: <ol style="list-style-type: none"> a. the new Social Care Grant funding (£1bn nationally) to become permanent; b. delivering a multi-year Comprehensive Spending Review (CSR) that recognises rising service needs and removes the currently uncertainty for Government funding beyond 2020/21, and; c. the necessary additional resources and flexibilities that are likely to be required to support the delivery of Somerset's Climate Emergency Strategy priorities in due course.
<p>Reasons for Recommendations:</p>	<p>Preparing a coherent, confident and realistic Medium-Term Financial Plan (MTFP) for the County Council is essential to Ensure that the corporate plan and service delivery priorities of the Council can be achieved, and that financial sustainability can be secured.</p> <p>Furthermore, preparing a robust, balanced and deliverable Budget for the forthcoming financial year, 2020/21, is a Statutory obligation as well as being key to the effective management of the Council and delivery of essential services.</p> <p>The continued lobbying regarding the review of Local Government Funding is necessary to optimise the long-term financial sustainability and stability of the Councils financial position.</p>

Links to County Vision, Business Plan and Medium-Term Financial Strategy:	A robust Medium-Term Financial Plan (MTFP) positions the Council well to achieve the corporate plan and service delivery priorities in a financial sustainable way.
Consultations and co-production undertaken:	<p>High level consultations on the MTFP Strategy approach and financial context have been carried out, and further consultations, as is required will be arranged as the proposals for change are developed, considered by members. These will be done ahead of any required decision making.</p> <p>Discussions to explain the financial context facing the Council in developing this MTFP strategy were held with a range of stakeholders during the autumn. Once detailed proposals are available, and the Provisional Financial Local Government Settlement details are known, further consultation will be carried out in January 2020.</p>
Financial Implications:	This report describes the overall financial position of the Council for future years; all financial implications are described within the report.
Legal Implications:	It is a statutory requirement under the Local Government Finance Act 1992 for the Council to set a balanced budget by 11 March of the preceding financial year, having regards to advice from the Section 151 Officer. The Council is also required to set a council tax requirement and issue precepts to all district councils. These requirements are scheduled to be met at the Full Council meeting on 19 February 2020.
HR Implications:	There are no specific HR implications arising from this report, but as any, relevant specific proposals are created then the normal HR processes will be followed.
Risk Implications:	<p>The key risks are identified on the strategic risk register and particularly within risk ORG0043. This risk is described as:</p> <p><i>“There is a risk to the council’s long-term sustainability if there are significant in-year service overspends, and or if the council suffers significant loss of funding in future years its ability to prepare a robust and sustainable MTFP for 2020/21 onwards may be impacted”</i></p>

The Government helpfully announced their broad intentions for the Local Government Financial Settlement for 2020/21 in Sept 2019, through the Spending Round 2019 (known as SR2019). However, the full details will not be known until the Provisional Local Government Finance Settlement is announced. The General election, held on 12 December 2019, has led to a necessary delay to this announcement. The Government wrote to Local authorities in November 2019 advising them of their intention to publish the Provisional Financial Settlement as soon as practical after the General election and to rely on the information shared in SR2019 for planning purposes in the meantime. As soon as the Settlement is published the council will assess the budget planning assumptions and, advise members accordingly.

It is important to understand that SR2019 referred to 2020/21 only and indicated Governments plans to develop a multi-year Comprehensive Spending Review (CSR) during 020. Uncertainty over funding levels will therefore remain when the Council agrees the MTFP in February 2020 for the final two years of the three-year plan.

As well as uncertainty in Government funding levels, the Council faces substantial on-going challenges to achieve a sustainable balanced budget due to the increasing demand on its key services, especially those for vulnerable children and adults.

It is important that Members understand the risks to approved budgets, maintaining sufficient reserves, balances and contingencies as well as managing a range of mitigations to limit as much as possible potential impacts on core services, especially those prioritised in the County Plan. As the demand for core services continue to rise, savings become ever more difficult to identify and then deliver, transformation initiatives are often complex, and funding levels remain uncertain, it is imperative that expenditure is kept within existing budgets.

Likelihood	4	Impact	4	Risk Score	16
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<p>Other Implications (including due regard implications):</p>	<p><u>Equalities Implications</u> It is essential that decision makers ensure that consideration is given to legal obligations, in particular the need to exercise the equality duty under the Equality Act 2010, to have due regard to the impacts based on sufficient evidence appropriately analysed.</p> <p>This however, does not prevent the Council from making difficult financial decisions, such as decisions which may affect one group more than another. What the duty requires is consideration of all available information, including the potential impacts and mitigations to ensure a fully informed decision is made.</p> <p>There are no specific equalities implications arising from the contents of this report. The development of specific proposals for change will require the preparation of any necessary Equality Impact Assessments to assist with any subsequent decision making.</p> <p><u>Community Safety Implications</u> There are no community safety implications arising from the contents of this report.</p> <p><u>Sustainability Implications</u> There are no sustainability implications arising from this report.</p> <p><u>Health and Safety Implications</u> There are no health and safety implications arising from this report.</p> <p><u>Privacy Implications</u> There are no privacy implications arising from this report.</p> <p><u>Health and Wellbeing Implications</u> There are no health and wellbeing implications arising from this report.</p>
<p>Scrutiny comments / recommendation (if any):</p>	<p>It has not been possible to engage the Scrutiny Committee for Policies and Place with this report due to the recent General Election pre-election period.</p>

1. Background

- 1.1 Throughout the 2018/19 financial year the Council robustly addressed serious financial challenges and when it agreed the balanced budget for 2019/20 in February 2019 it acknowledged the further financial challenges ahead and the need to plan thoroughly to address them in a strategic, rather than tactical manner. The tightened financial grip put in place in 2018/19 resulted in a significant financial turnaround to that financial year's position with an underspend for the year, increased reserves and improvements in the level of in year savings delivered. In February 2019 the Council confirmed that these tighter financial arrangements must and will continue throughout 2019/20
- 1.2 This significant financial turnaround was acknowledged by the external auditor in their value for money (VFM) conclusion for 2018/19 which reached an improved conclusion to 'qualified, except for', considerably better than the previous conclusion of 'adverse'.

In their report to the Audit Committee on 19 September 2019, the auditors said:

"Having considered all the evidence... we are now satisfied that sufficient progress has been made since our Adverse VFM conclusion in 2017/18 to conclude that the financial challenges facing the Council are no longer pervasive to the whole Council".

However, in explaining their rationale for the 'except for' VFM conclusion the auditor said:

"This 'except for' rating recognises that there is still much to do within the Council to return it to a fully sustainable financial position and it is critical that continued effort is directed to ensuring the positive trajectory over the last 12 months continues".

- 1.3 Preparing a robust MTFP, covering multiple years, anchored in the Corporate Plan and priorities of the Council was considered essential in February 2019 and delivering this has been a strong focus for the Council since then. The updated MTFP will cover three financial years, 2020/21 to 2022/23 and draw close links between the revenue planning and capital programme planning.

- 1.4 The Improving Lives Programme has made progress during 2019 to transform and strengthen the key enabling functions and requirements across the organisation. The Programme has refocused managers on the need to promote and focus on prevention; has taken steps to improve our commissioning practice and is developing an innovative system to make it easier to evidence the benefits of our commissioning activity; it has refocused the Council on the benefits of technology and the use of innovative methods to improve and enhance delivery; and it has strengthened the approach to ensure the correct capabilities to transform are present. Some benefits have already been identified through the work of the Improving Lives Programme and these have been reflected within the MTFP proposals where appropriate.

The challenge for the Improving Lives programme over the next three years will be to ensure the Council is able to identify, monitor and realise both financial benefits where a positive community impact is the main objective. The Council will need to invest resources in key transformation projects, identified through the Improving Lives Programme, and ensure the return on this investment is clearly managed.

- 1.5 This report sets out how the budget has been built for 2020-23, revenue and capital, and confirms that the Council will be able to set a robust and balanced revenue budget for 2020/21 and consider detail, firm proposals for 2021/22 and 2022/23. Of particularly crucial importance to this Council in this MTFP period is the need to develop a clear and strong strategy that strengthens the relatively fragile financial resilience. This means further improvement to the level of reserves. A firm capital programme across all three years will also be considered, together with its associated revenue budget implications. The assumptions upon which these plans are based are set out in the report, which also explores the uncertainties and risks that could alter the position ahead of the Full Council meeting in February 2020.

2. Options considered and reasons for rejecting them

- 2.1 The only option is to consider the financial position for the Council and to resolve to address this in line with the Council's priorities and available resources.
- 2.2 Within that requirement, the Council does have some options as to how the budget is balanced for future years. Some of the detail of these options is set out in this report.

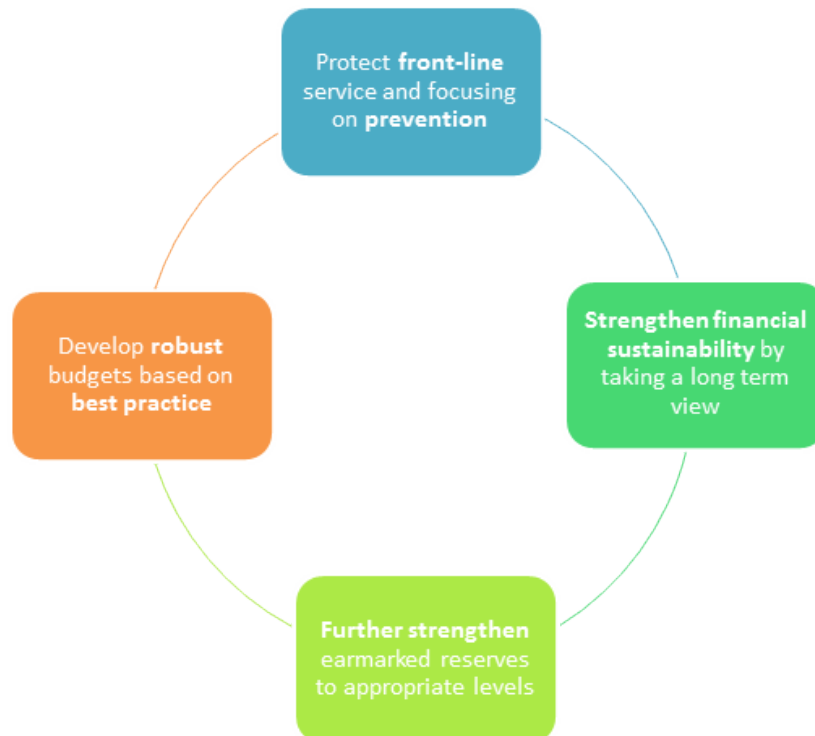
3. Developing the MTFP 2020/23

3.1 The approach to developing the MTFP (2020-23) has been significantly strengthened during 2019, with the core improvements being:

- Scenario planning to assess impact of a range of outcomes for both demand areas and funding streams;
- Increased engagement with stakeholders (including members, staff and business community);
- Supportive challenge sessions, chaired by the Chief Executive, with each Director reviewing the evidence underpinning each revenue pressure, saving and capital bid;
- Completion of a Strategic Manager confidence / validation analysis that captures the basis for a level of confidence across the next three financial years for each revenue service area;
- Review by each service of any in-year service revenue variations (through 2019/20 budget monitoring) to assess the extent of any future year implications;
- Consideration of the Grant Thornton (external auditor) advisory activity carried out in August 2019 to assess the level of confidence in forward demand pressures for the core social care demand led activities;
- Deep dive reviews in September 2019, chaired by the Chief Executive of the Improving Lives Programme workstreams to identify the scale and anticipated timing of activities and to scope any revenue budget implications;
- Monthly review by the Senior Leadership Team (SLT) to identify any cross-cutting anomalies and ensure of coherent organisational approach, and;
- Increased Senior Finance Capacity and experience.

Underpinning these changes is the Councils financial strategy that reflects four key drivers as set out in **Chart 1** below.

Chart 1: Key Drivers of the Councils Financial Strategy



This report sets out how the budget has been built for 2020-23, revenue and capital, and the key assumptions. Of particularly crucial importance to this Council in this MTFP period is the need to develop a clear and strong strategy that strengthens the relatively fragile financial resilience. This means further improvement to the level of earmarked reserves.

- 3.2 The MTFP set out in this report has been built on the principle that the Council needs to understand all the funding and demand pressures upon it in order to be able to prepare a robust plan. Therefore, the budget requirement has been estimated with known pressures across all services across all three financial years. Strategic Managers have been actively engaged in confirming the details for their budgets so that there will be no known, hidden pressures such as unmet inflation or legislative changes. All funding assumptions have been reviewed to produce credible estimates. In this way, a full understanding of spend needs and funding levels for the revenue budget are known before considering how they might be addressed in accordance with the priorities of the Council.

- 3.3 For both the core spending needs and core funding assumptions, scenarios were developed for consideration that assessed the risks and sensitivity of each element. This scenario planning has helped identify the most sensible scenario to propose in the MTFP and to inform the level of resilience (through corporate contingency and reserves) it is prudent for the Council to plan for.

4. Key Revenue Assumptions

- 4.1 This section sets out the assumptions and changes to the revenue budget. The tables at the end of the section (**tables 1,2 and 3 on pages 14 and 15**) analysis this across both service and by type of change.
- 4.2 The Council considered the current MTFP (2019-22) and Revenue Budget at its meeting in February 2019. That report proposed a balanced net revenue budget for 2019/20 and illustrated a modest shortfall of £5.221m for the following two years. At the time it was not considered prudent to drive hard for further savings proposals to be developed to reduce this shortfall in view of the lack of a Comprehensive Spending Review (CSR) beyond 2019/20 and the promise of Local Government Funding Reform by Government (in the form of the Fairer Funding Review and Business Rate Retention).

Core Spending Assumptions

- 4.3 To enable a robust MTFP to be developed, service managers have reviewed their known and anticipated service activities with a view to ensuring that all demand pressures are reflected in the budget proposals. Implicit in reviewing service demands, managers also considered the existing savings proposals factored into their budgets and the achievability of these as well as the known or anticipated implications of any transformation activities. All the changes have been subject to supportive challenge sessions to ensure that they are realistic and robust.

The key assumptions impacting on the level of need to spend and changes are set out in **Table 1** below.

Table 1: Core Spending Assumptions and rationale

Description	Key Assumption	Rationale
Demand	Varies per service area	Assessments made in services
Demography	Varies per service area in Adults and Children's services	Assessments made in services
Inflation (General)	Varies per service area	Assessments made in services
Inflation (Contract)	Varies per service area	Contractual and provider agreements
Pay	2.75% for each year	Estimate of current pay negotiations
Pension	0.2% for 2020/21	Pension Actuary initial valuation
Growth	Varies per service area	Assessments made in services
Prior Year Savings Unachievable	Varies per service area	Assessment of likelihood and confidence of delivery of savings
Efficiencies / Transformation	1% productivity	Service delivery plans

Translating these assumptions into indicative financial implications, results in the tables below. **Table 2** shows the changes to the MTFP between each of the financial years based upon the assumptions above by type and **table 3** shows the movements analysed by service.

Table 2: MTFP (2020-23) Indicative Spending Requirement movement by type

Movement Type	2020/21 £m	2021/22 £m	2022/23 £m
Demand (cost and complexity)	5.504	2.657	3.061
Demography (volume)	1.967	2.209	1.750
Inflation (General)	3.093	4.009	4.834
Inflation (Contract)	3.241	3.440	3.720
Legislation Change	(0.050)	0.000	0.000
Pay	5.580	3.426	3.469
Growth	2.597	(2.011)	(0.169)
Prior Year Savings Unachievable	3.333	0.000	0.000
Efficiencies / Transformation	(7.914)	(0.538)	(2.494)
Total movement *	17.352	13.192	14.172

** This means an increase in spend need of £17.352m in 2020/21, a further increase in 2021/22 of £13.192m and an increase of £14.172m in 2022/23.*

Table 3: MTFP (2020-23) Indicative Spending Requirement movement by service

Movements by Service	2020/21 £m	2021/22 £m	2022/23 £m
Adults Services	0.472	5.064	5.100
Children's Services	4.511	2.608	1.098
Economic & Community Infrastructure	7.818	(0.345)	2.182
Public Health	0.100	0.000	0.000
Corporate & Support Services	3.594	0.124	0.295
Non-Service	0.857	5.741	5.497
Total movement	17.352	13.192	14.172

Details of all the changes will be considered in detail at the Scrutiny Committee meetings in January or February 2020 and then further at Cabinet and the County Council meetings in February 2020. It is important to note that the above changes are focused on transforming services and continual improvements and do not involve new service reductions.

Core Funding Assumptions

- 4.4 In September 2019 the Government published a Spending Review (known as SR2019) followed by a technical consultation including more details in October 2019. At the time the Government stated their intention to issue the Provisional Local Government Financial Settlement in early December 2019. However, the General Election planned for 12 December 2019 means that the Government cannot now publish the Financial Settlement until after then. The Ministry for Housing, Communities and Local Government (MHCLG), have written to all local authorities encouraging them to assume the announcements included in the SR2019 are included in the Settlement.
- 4.5 The Government have confirmed their intention to carry out a Comprehensive Spending Review (known as CSR) during 2020 alongside the Fair Funding Review (FFR), the introduction of 75% Business Rate Retention (BRR) scheme and the Business Rates Reset. As such the assumptions for 2021/22 onwards are much less certain.

- 4.6 This report sets out the current assumptions for funding based on SR2019 and when the Provisional Local Government Financial Settlement is announced these assumptions will be validated.
- 4.7 The main implications for this Council of the Spending Round (SR2019) included three main implications for this Council, as summarised below:
- An indication that Councils will be able to raise General Council Tax by 2% without the requirement for a referendum and an additional 2% in relation to adult social care. The latter was unexpected, although the council had planned for a 2% increase for general council tax. Each 1% council tax increase generates approximately £2.5m in additional annual funding;
 - A new one-off grant for 2020/21 only for social care of £1bn nationally, of which the County can expect to receive £10.4m. This was unexpected and since it is one-off has not been relied upon to balance the councils MTFP (2020-23), and;
 - Confirmation that all other grants (such as better care fund, public health, Revenue Support Grant), will continue and in some cases increase by inflation.

Business Rates

- 4.8 The Spending Round 2019 (SR2019) made it clear that there will be no business rate pilots for 2020/21, meaning that the pilot that Somerset authorities are included in for 2019/20 will cease. This is consistent with the assumption made in the existing MTFP meaning no change is necessary. In anticipation of this the Somerset authorities have indicated to Government their preference to revert to a Somerset authorities wide pooling arrangement for 2020/21. This is factored into the budget assumption for 2020/21 and an increase of 2% has been assumed for future years.
- 4.9 Beyond 2020/21, the Government are still intending to introduce a 75% business rate retention system. The Council will actively engage with Government during 2020 to ensure the optimum system to assist Somerset's economy and financial stability.

Revenue Support Grant (RSG)

- 4.10 The previous four-year settlement allocated £6.075m RSG to the Council for 2019/20, and at the time of setting the previous MTFP, it was considered prudent to assume that RSG would cease altogether with effect from 2020/21. Having reviewed this and in line with SR2019, it now seems likely that RSG will continue into 2020/21. MTFP (2020-23) assumptions have therefore been up-

dated to include this grant and from 2021/22 it is assumed that this will be included within the Business Rates figures as part of the introduction of the 75% Business Rates Retention

New Homes Bonus (NHB)

- 4.11 In respect of New Homes Bonus funding it is expected that 2020/21 will be the final year of the current scheme with funding in 2021/22 and 2022/23 being reduced to legacy payments only. The MTFP therefore assumes a further £0.400m will be received in 2020/21 taking the total funding to the year of just over £2m then reducing to just under £1m in 2021/22 and just over half a million in 2022/23.

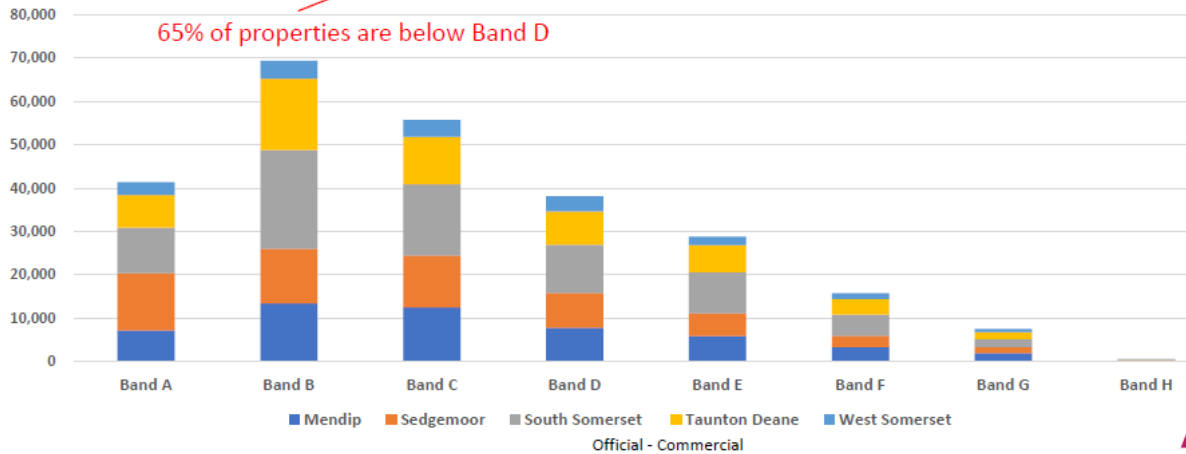
Council Tax

- 4.12 The existing MTFP Council Tax strategy is to increase Council Tax in line with the Government set referendum limit. These new proposals continue that strategy. This is the largest source of income to the council, generating around 77% of total net revenue budget at £256m, with each 1% increase raising around £2.5m annually for the Council. The SR2019 has assumed that council tax will increase by 1.99% (2% being the referendum limit) and a further 2% for Adult Social Precept. Both have been built into the MTFP. For 2021/22 and 2022/23 it is assumed that the general Council Tax limit will continue at 2% and that there will not be any further Adult Social precept increase permitted.
- 4.13 The tax base is calculated by each District Council in December by taking account of the growth in the number of properties, the number of band D equivalent properties and the estimated council tax collection rate. The MTFP assumes an increase of 1.2% across the Somerset for 2020/21 with a slightly reduced rate of growth of 1.1% for 2021/22 and 1% for 2022/23 has been assumed in the MTFP.
- 4.14 The amount of council tax raised in an area is directly impacted on by the banding of properties within that area. For Somerset, the level raised is relatively low because of 65% of council properties being below the average band D level, as illustrated in **chart 2** below.

Chart 2: Number of Properties in each Council Tax Band

Number of Properties in each Council Tax Band

Total number of dwellings on the Valuation List	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Mendip	7,136	13,442	12,535	7,775	5,829	3,267	1,889	129	52,002
Sedgemopr	13,235	12,530	11,903	8,007	5,231	2,660	1,399	61	55,026
South Somerset	10,499	22,770	16,458	11,184	9,521	4,848	1,882	166	77,328
Taunton Deane	7,590	16,600	10,967	7,722	6,304	3,608	1,589	102	54,482
West Somerset	2,920	4,029	3,895	3,468	1,878	1,295	687	48	18,220
Total	41,380	69,371	55,758	38,156	28,763	15,678	7,446	506	257,058
%	16.1%	27.0%	21.7%	14.8%	11.2%	6.1%	2.9%	0.2%	



However, in mid-January each year district will calculate the actual level of council tax collection for the current year and any variation (surplus or deficit) is paid to / by the County. The MTFP has not built in any surplus or deficit from Councils tax as this is a once-off source of funding. In recent years there has been an overall surplus and if this continuous will be added to reserves to further increase our financial resilience.

Somerset River Authority (SRA)

- 4.15 In response to the severe flooding impact in the county in 2014, for 2016/17 the Government permitted the council, to raise 1.25% council tax through a separate precept to fund the SRA. Although raised by the Council this additional funding has no impact on the council's net spend since the SRA expenditure is managed to equal the funding raised (with any annual variations smoothed through an earmarked reserve). When the MTFP (2019-22) was agreed in February 2019, the Government were close to enacting legislation to establish the SRA authority as a separate entity and so both the funding and the expenditure had been excluded from the planning assumptions beyond 2019/20. However, this legislation 'fell' and so it is now assumed that the SRA continues to be a part of the council's budget going forward.

Other Grants

- 4.16 In addition to core Government funding, such as Revenue Support Grant (RSG), the Government allocates some non-service specific grants albeit to funding activities e.g. lead local flood authority. Whilst these are relatively minor, they are included in the net funding of the Council and values are set out below. SR2019 confirmed that the funding for Better Care fund (BCF) and Improved Better Care fund (IBCF) will continue in 2020/21 are included in the Adults Budget. This is a key area to be address going forward through the Comprehensive Spending Review and Fair Funding during 2020 and the MTFP assumes that funding in future years continues at the current level. A summary of the funding assumptions are included in the **Table 4** below:

Table 4: Core Funding Assumptions and basis

Description	Key Assumption	Rationale
Business Rates	2% growth per year	SR2019
Revenue Support Grant	No change	SR2019
Council Tax Increase	1.99% (referendum limit is 2%)	SR2019
Adult Social Care Council Tax Precept	2%	SR2019
Council Tax – tax base growth	1.2% per year	Previous years trends
Somerset Rivers Authority Council Tax Precept	No change	only increase in funding is due to taxbase changes
Other Grants	various	SR2019

The above assumptions translate into the figures set out in **Table 5** below and these figures will be up-dated as relevant once the Financial Settlement and any other information is received, and then reported in the February 2020 Budget report.

Table 5: MTFP (2020-23) Indicative Funding Assumptions

Funding Assumptions	Indicative net revenue funding requirement		
	2020/21 £m	2021/22 £m	2022/23 £m
Lead Local Flood Authority	(0.080)	(0.084)	(0.089)
Inshore Fisheries Conservation Authority	(0.133)	(0.133)	(0.133)
Extended Rights to Free Travel	(0.611)	(0.611)	(0.611)
New Homes Bonus	(2.040)	(0.979)	(0.567)
Rural Services Delivery Grant	(2.400)	(2.400)	(2.400)
Social Care Support Grant	(4.267)	(4.267)	(4.267)
Total Un-Ring-Fenced Grants	(9.530)	(8.473)	(8.066)
Revenue Support Grant	(6.100)	0.000	0.000
Business Rates (including Top Up)	(73.800)	(82.000)	(83.800)
Council Tax (including ASC Precept)	(256.262)	(264.288)	(272.295)
Council Tax Somerset Rivers Authority	(2.578)	(2.606)	(2.633)
Total	(348.270)	(357.368)	(366.793)

5. Summary of Budgets Proposals

- 5.1 The indicative budgets resulting from the above assumptions for changes in services requirement to spend and funding are set out in **Table 6** below. The table shows that the 2020/21 financial year is balanced with a budget gap of £4.707m in 2021/22 and a further £4.828 in 2022/23 making a cumulative shortfall across the MTFP is £9.535m.

Table 6: Indicative MTFP (2020-23) Budgets

	Indicative net revenue budgets		
Service	2020/21 £m	2021/22 £m	2022/23 £m
Adults Services	126.628	131.692	136.792
Children's Services	87.117	89.725	90.823
Economic & Community Infrastructure Services	74.181	73.836	76.018
Public Health	1.253	1.253	1.253
Key Services	289.178	296.506	304.885
Corporate & Support Services	25.890	26.014	26.310
Non-Service	33.384	39.126	44.623
Service Total	348.452	361.645	375.817
Un-Ring-Fenced Grants	(9.530)	(8.473)	(8.066)
General Reserves	0.000	0.000	0.000
Earmarked Reserves	(0.183)	0.430	0.511
Net Budget Requirement	338.740	353.602	368.262
<i>Financed By:</i>			
Revenue Support Grant	(6.100)	0.000	0.000
Business Rates (including Top Up)	(73.800)	(82.000)	(83.800)
Council Tax (including ASC Precept)	(256.262)	(264.288)	(272.295)
Council Tax Somerset Rivers Authority	(2.578)	(2.606)	(2.633)
Total Financing	(338.740)	(348.894)	(358.728)
Budget (Surplus) / Deficit	-	4.707	9.535

5.2 The above is based on best known and estimated details at this stage and the number is expected to change before the final Budget report is completed in February 2020. This report will include:

- Director assurance narrative regarding their ability to deliver their services within the proposed budgets for their services;
- Details of each proposed efficiency and transformation change, enabling scrutiny, and;
- Proposals for next steps to identify further efficiencies and transformational changes in years 2 and 3 to ensure a balanced budget across the whole MTFP period. (This needs to factor in the uncertainty the council faces as a result of the Local Government Funding review plans).

- 5.3 Given that the new Social Care grant is currently one off for 2020/21, the MTFP Strategy has been developed on a prudent basis and has allocated this funding to pump prime further transformation. However, if this funding becomes permanent, the Council will have a welcome opportunity to:
- sensibly re-invest or invest in some of the place-based services (whether delivered directly by us or through partners and the voluntary sector), beginning to address current and future unmet need and significantly improve the lives of residents;
 - recognise the need to invest in the development of the council's workforce, and;
 - develop stronger financial resilience that enables a measured, proactive response to future challenges and continuing driver for transformation.

6. Capital Programme

- 6.1 The Council approved the current capital programme as part of setting the budget in February 2019. Work has been undertaken during the summer to identify new schemes which are set out in **Table 7** below. All the changes have been subject to supportive challenge sessions to ensure that they are realistic and robust.
- 6.2 The indicative 3-year capital is set out below alongside the funding. The funding reflects the current position but will be updated for any announcement on government grants that would reduce the requirement for borrowing.

Table 7: proposed additional schemes for Capital Programme 2020-23

Service Area	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Schools - Primary and Secondary Sector	6.255	3.661	3.661	13.577
Local Enterprise Partnership	0	0	0	0
Economic Development	3.142	3.142	1.700	7.984
Highways Engineering Projects	0.970	0.200	0.200	1.370
Highways and Traffic Management	29.139	29.665	30.915	89.719
Support Services	1.669	4.443	1.751	7,864
Somerset Waste Partnership	0	0	0	0
Early Years and Community Services	0	0	0	0
Flood and Water	0	0	0	0
Schools - SEN and Access	0	0	0	0
Other Services	0.939	0.839	1.670	3.448
	42.113	41.949	39.898	123.961

Financing	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Borrowing	6.583	7.801	7.285	21.669
Capital Receipts	2.030	3.583	2.181	7.793
Capital Fund/ Revenue	0	0	0	0
Government Grants	30.350	30.350	30.400	91.100
3rd Party Contributions	3.151	0.216	0.032	3.399
Estimated funding	42.114	41.949	39.898	123.961

7. Councils Financial Resilience

7.1 There is a statutory obligation on the Council to set a robust, deliverable and balanced budget for the forthcoming financial year. There are several considerations that underpin the judgement about robustness, including:

- How the budget was created, including the reasonableness of the assumptions about pressures and income/funding. Commentary on this is set out in the report above;
- How proposals for change have been developed, tested and reported. The development of proposals is ongoing and will be reported to the Cabinet and Council in January and February 2019;

- The adequacy of any revenue contingency to manage external shocks to the budget without requiring in-year remedial action to control spending. This is referred to below;
- The strength of the mechanisms for monitoring how proposals for change will be implemented. This is referred to below;
- The adequacy of routine budget monitoring to ensure control. Members already receive monthly budget monitoring reports, which have been improved over recent months. While further improvements to the reports are planned it is considered that the data used in the reports is already sound, and;
- The strength of the reserves - which is considered further below.

7.2 In these budget proposals the Council is actively looking across the next three years to maximise the further improvement to the Councils long-term financial resilience and sustainability. Although considerable improvements were made in 2018/19 and have continued into 2019/20, this progress must continue to achieve long-term solid resilience. Full details of the reserve levels in the MTFP (2020-23) will be reported in the February 2020 budget report, while the paragraphs below set out the strategy to develop resilience further that will underpin these numbers.

7.3 Throughout the planning set out above, consideration has also been given to enhancing long-term resilience, particularly in developing the strategies / approaches to the following aspects, each considered in more detail in the following paragraphs:

- Capital receipts flexibilities
- Replenishment of earmarked reserves
- Level of corporate contingency.

Capital receipts flexibility

7.4 Since the Spending Review 2015, the Chancellor of the Exchequer has permitted local authorities to help deliver more efficient and sustainable services, by allowing authorities to spend up to 100% of their capital receipts on the revenue costs of reform projects. Although initially this flexibility on the use of capital receipts was limited to those receipts received between 1 April 2016 and 31 March 2019, this was extended for a further three years in the Local Government Financial Settlement published in February 2018.

7.5 This Council has previously made use of this flexibility to reform services to become more efficient and sustainable: since 1 April 2016, the council has received (or anticipates), an estimated total of £29.9m capital receipts by the

end of 2019/20, of which it expected to have used £17.3m to fund this strategy by 31 March 2020. Looking ahead to the MTFP (2020-23) the Council proposes to eliminate reliance on capital receipts to fund projects to reform services as much as possible, preferring instead to recognise where costs will be on-going in the base budgets and fund transformation investments from earmarked reserves. This has the effect of releasing any capital receipts to either fund the capital programme and or enhance long term financial sustainability through being able to establish best practice approaches to funding of short-life assets (such as vehicles and ICT equipment). The Council is also considering, elsewhere on this meeting's agenda, an Investment Strategy which is clear that the Council will seek to optimise its own property assets more proactively as opportunities arise. Details will be included in the detailed budget proposals to be considered by Full Council in February 2020.

Corporate Contingency

- 7.6 In view of the experience of significant in year adverse service variations, the prudent strategy in the Council has been to sustain a relatively high corporate contingency. This contingency allows the council to deliver within its resources despite unexpected, unplanned spending needs. Examples could include: extreme winter weather affecting the highways or our older residents, or perhaps the inability to deliver a proposal for change following consultation or further investigation. The size of the contingency will depend on the potential risks to the budget that are envisaged.
- 7.7 In setting the MTFP in February 2019, the level of contingency was sustained at £7.2m for 2019/20 to mitigate against recent history of non-delivery within budgets. However, in anticipation of improving resilience through reserves and tighter financial controls, this was reduced to £4.5m for subsequent years. In setting the next MTFP (2020-23) consideration has been given to these improved circumstances, including increased reserves, sustained tighter financial controls and a 7 month in-year position with £6.4m of the corporate contingency yet to be allocated. Alongside a review of the manager budget assurance exercise carried out in late summer 2019, it is considered appropriate to sustain the level of corporate contingency at the reduced level proposed in February 2019 throughout the next MTFP. It is recommended that this be reviewed once 2019/20 financial year is complete and it may be appropriate to reduce further beyond 2020/21

Reserves

7.8 The Council holds reserves for two purposes:

- A General Fund, which is in place to afford general resilience in the event of unexpected, adverse events befalling the council, and;
- Earmarked Reserves, which hold funds for specific purposes

7.9 The General Fund was significantly replenished during 2018/19 and is expected to be £19.7m as at the end of 2019/20. This is slightly in excess of the range 3-5% of net revenue budget, that is considered sensible for a local authority. The relatively fragile position for this Council means this higher level is justifiable and the MTFP (2020-23) proposed to sustain this level. As financial resilience continues to strengthen, this level will be reviewed annually.

7.10 For earmarked reserves, that is those held for specific purposes, the assessed level for this authority is considered, by the Section 151 Officer, to be too low. This view was confirmed by the external auditor in their value for money conclusion for 2018/19, as set out in **paragraph 9.3** below.

In response, the MTFP strategy proposes an approach that will strengthen this resilience over the period of the MTFP through the addition to reserves for three aspects:

- Short term increases to pump-prime transformation: specifically allocating the one-off additional social care grant to enable service transformation and drive greater and longer-term service and financial benefits and value from this resource;
- Changes to reflect further improved practice (and therefore resilience e.g. vehicle and equipment replacement reserves / workforce reserve), and:
- Changes to increase overall resilience.

7.11 Further analysis of all earmarked reserves, including the robustness of recovery plans for negative reserves continues and full details of proposed levels of reserves will be included in the February 2020 budget report. This will be alongside a revised policy for managing reserves internally to optimise transparency and accountability.

8. Monitoring the Delivery of Proposals for Change

- 8.1 In order to deliver the Councils financial strategy, the authority has moved away from an MTFP approach based on the savings that can be achieved each year, to a longer-term view which identifies key areas of transformation (large and small) early and tracks progress towards the realisation of identified benefits. The Business Change Team are working with the Finance team to ensure there is a strong benefit tracking system and the right support and capability in place to manage the change required effectively.
- 8.2 The Improving Lives programme transformation activity will pave the way for this early identification through the development of a robust commissioning gateway system and through working alongside managers as part of the service planning cycle. Development for Managers will ensure they are focused on prevention, managing demand and on the benefits of taking a more technological approach to service delivery.

9. Going Concern and the Auditor's Value for Money Assessment

- 9.1 In September 2019, Grant Thornton, our external auditors reminded us that they were required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).
- 9.2 The Auditors' test that "management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements". As such the Section 151 Officer (the Director of Finance) prepared a Going Concern Statement for the auditors during the summer 2019 and they concluded that:

"our work confirmed that management's arrangements for assessing going concern are adequate and management's use of the going concern assumption as a basis for the preparation of the financial statements is reasonable. We have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern for the foreseeable future".

- 9.3 The Auditor is also required to give a Value for Money (VFM) assessment each year. Having had an adverse opinion for 2017/18, the auditors carried out a thorough review before reaching an improved conclusion for 2018/19, 'qualified, except for'. Whilst an important acknowledgement of the significant improvements made, the audit did emphasise that:

" This 'except for' rating recognises that there is still much to do within the Council to return it to a fully sustainable financial position and it is critical that continued effort is directed to ensuring the positive trajectory over the last 12 months continues".

- 9.4 The strengthened approach to MTFP planning as discussed throughout this report, is reflective of the Councils response to this improved position and keenness to improve further. As well as addressing service pressures and funding changes, the links between the revenue and capital programme plus the long-term financial resilience of the Council all contribute to the management responses to the recommendations put forward by Grant Thornton.

The Section 151 Officer will include their formal assessment of the robustness and adequacy of the level of reserves and balances, as required in accordance with S25 of the Local Government Act 2003 in the February 2020 budget report. In advance of then it is expected that CIPFA (the Chartered Institute for Public Finance and Accountancy) will have published their analysis of the Councils financial resilience aimed at helping Chief Finance Officers assess financial sustainability. This analysis is backward looking and will not therefore tell the council anything new. It is not a predictive tool, but the work to develop this strategy has absolutely focused on looking forward in the context of the current situation.

10. Timetable and Plan of Action

It is intended that there will be update reports on the development of the MTFP to each meeting of the Cabinet through the period until the Full Council meeting in February 2020. The various Scrutiny meetings will be kept updated also.

Wednesday 18 th December 2019	Cabinet – Full Meeting	Strategy Paper
Friday 24 th January 2020	Scrutiny Policies, Children and Families – Full Meeting	Review of Strategy Paper and Final MTFP Detailed Report
Wednesday 5 th February 2020	Scrutiny Policies and Place – Full Meeting	Review of Strategy Paper and Final MTFP Detailed Report
Wednesday 29 th January 2020	Scrutiny Policies, Adults and Health – Full Meeting	Review of Strategy Paper and Final MTFP Detailed Report
Monday 10 th	Cabinet – Full Meeting	Review Final MTFP

February 2020		
Wednesday 19 th February 2020	Full Council Meeting	Setting of the 2020/21 Revenue Budget and Council Tax, plus MTFP (2020-23) and Capital programme
<i>Wednesday 26th February 2020</i>	<i>Full Council Meeting – RESERVE</i>	<i>Will only go ahead if budget is not agreed at meeting on 19th February</i>

Note: The Scrutiny, Cabinet and Council meetings will receive the detailed proposals for review.

11. Background Papers

11.1 Medium Term Financial Plan report to Council – February 2019

[MTFP Plan Feb 2019](#)

11.2 Month 6 Revenue Budget Monitoring Report to Cabinet – Policy and Place Scrutiny November 2019

[Month 6 Revenue Report](#)

11.3 External Audit report to Audit Committee September 2019

[VFM Conclusion](#)

11.4 Grant Thornton (External Auditor) Value For Money demand led services report – link to Scrutiny Adults & Health and Scrutiny Children & Families meetings in October and November 2019

[VFM Report - Scrutiny](#)

Decision Report – Cabinet
 Decision Date – 18th December 2019

Investment Strategy

Cabinet Member(s): Cllr Mandy Chilcott – Cabinet Member for Resources
 Division and Local Member(s): All
 Lead Officer: Sheila Collins, Interim Director of Finance
 Author: Jason Vaughan. Strategic Finance Manager & Deputy S151 Officer
 Finance Contact Details: SDCollins@somerset.gov.uk 01823 359028

	Seen by:	Name	Date
	County Solicitor	Honor Clarke	12/12/2019
	Monitoring Officer	Scott Wooldridge	12/12/2019
	Corporate Finance	Sheila Collins	12/12/2019
	Human Resources	Chris Squire	12/12/2019
	Property	Paula Hewitt / John Cooper	12/12/2019
	Procurement / ICT	Simon Clifford	12/12/2019
	Senior Manager	Sheila Collins	12/12/2019
	Commissioning Development Team	commissioningdevelopments@somerset.gov.uk	12/12/2019
	Local Member(s)	All	12/12/2019
	Cabinet Member	Cllr Mandy Chilcott	12/12/2019
	Opposition Spokesperson	Cllr Liz Leyshon	12/12/2019
	Relevant Scrutiny Chairman	Cllr Anna Groskop for Scrutiny Place	12/12/2019
Forward Plan Reference:	FP/19/10/13		
Summary:	This report outlines the three options available to the Council to make investments and generate a financial return to support the delivery of council priorities. Those options are the investment of surplus cash through our Treasury Management activities, further investment in property assets that the council already owns and the purchasing of new		

	<p>property assets. Considering the risks, returns and ease of implementation the Council propose to focus initially on generating increased revenue returns through the current Treasury Management Portfolio. It is forecast that a more diversified approach to investments could lead to additional income of over £1m over the next two years.</p> <p>The Council will also actively explore options for further investment in property that it already owns. The current governance and delegation arrangements that are in place for the Council’s Treasury Management Strategy and Financial Regulations, are robust and fit for purpose and do not need to be changed. For clarity, the responsibility for determining the precise timing of any investment and the decision about which fund to invest in is currently delegated to the Section 151 Officer to enable timely decision making.</p> <p>An investment strategy of actively purchasing new property assets for financial return involves risk that requires additional due diligence and strengthened governance arrangements.</p>
<p>Recommendations:</p>	<p>It is RECOMMENDED that the Cabinet endorses and recommends that Full Council agrees to:</p> <ol style="list-style-type: none"> 1. Build on its current Treasury Management investment activities to generate higher returns, protect against inflationary risks, sustaining a prudent balance of risk and reward. 2. Pro-actively consider options for further investing in existing Council owned property to optimise the value from these assets. 3. Consider other investment opportunities that may arise from time to time subject to appropriate due diligence and governance arrangements being in place.
<p>Reasons for Recommendations:</p>	<p>To ensure suitable governance arrangements are in place for any investment decisions including transparency, risks and returns.</p>
<p>Links to County Vision, Business Plan and Medium-Term Financial Strategy:</p>	<p>The Medium-Term Financial Strategy includes proposals to build upon Treasury Management investment activities.</p>

Consultations and co-production undertaken:	None.
Financial Implications:	By building on the approach to Treasury Management investments, it is expected that there will be increased income which can be built into the 2020/21 Budget.
Legal Implications:	<p>The Local Government Act 2003 requires the Council to operate the overall treasury function regarding the CIPFA Code of Practice for Treasury Management in the Public Services. The Code requires Full Council to receive as a minimum, an annual strategy and plan in advance of the year, a mid-year review, and an annual report. The Council complies with these requirements.</p> <p>The Secretary of State issued statutory guidance in 2018 regarding 'Local Government Investments' which came into effect from 1 April 2018.</p> <p>The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. The guidance applies to all local authorities, who hold or during the next financial year intend to hold financial or non-financial investments, solely or in part to generate revenue income.</p> <p>For each financial year, a local authority should prepare at least one Investment Strategy. The Investment Strategy needs to be approved by the Full Council prior to the start of the financial year.</p> <p>Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, a Treasury Management Strategy in line with the requirements of the Treasury Management Code, or any other publicly available document, the disclosures required to be included in the Investment Strategy can be published in those documents.</p>
HR Implications:	There are no HR implications arising directly from this report.

Risk Implications:	The risks associated with Treasury Management are dealt with in the Annual Treasury Management Strategy, Annual Investment Strategy, and Treasury Management Practice documents.
Other Implications (including due regard implications):	<p><u>Equalities Implications</u> There are no specific equalities implications arising from the contents of this report.</p> <p><u>Community Safety Implications</u> There are no community safety implications arising from the contents of this report.</p> <p><u>Sustainability Implications</u> There are no sustainability implications arising from this report.</p> <p><u>Health and Safety Implications</u> There are no health and safety implications arising from this report.</p> <p><u>Privacy Implications</u> There are no privacy implications arising from this report.</p> <p><u>Health and Wellbeing Implications</u> There are no health and wellbeing implications arising from this report.</p>
Scrutiny comments / recommendation (if any):	<p>The Audit Committee is the nominated body to provide scrutiny for Treasury Management.</p> <p>In addition, the established reporting to the Cabinet and Full Council on the proposed Annual Treasury Management Strategy and mid-year review provide opportunities for all members to scrutinise performance and risk management.</p>

1. Background

1.1 In the 2019-22 Capital Strategy (Investment Strategy) report to the Cabinet and County Council meetings in February 2019, the possibility of investing £100m for financial gain was identified as an option to be explored pending the appropriate strategy and governance being put in place. The proposed approach was subject to approval by the Cabinet and County Council.

1.2 The introduction of Prudential Code lifted the restrictions on local authority borrowing and allowed authorities the local freedom to borrow provided they could afford the repayment costs. This has provided local authorities with significant freedoms and with the reductions in funding has seen significant borrowing by several councils in order to purchase new properties for purely commercial returns.

2. Updates and Changes to the landscape

2.1 The National Audit Office and the Public Accounts Committee have recently raised several concerns about some of the investment activity by councils where they have been borrowing to purchase various property assets. They have suggested that some local authorities are exposing themselves to too much financial risk through borrowing and investment decisions in relation to their sizes. There is a concern that some are not providing enough transparency around their activities and decision-making processes. There is also a concern that there may not be enough expertise to fully understand the complex transactions that they are approving.

2.2 External Auditors are also looking at the accounting treatments adopted by some councils and have raised issues around the approaches of not including Minimum Revenue Provision (MRP) costs in the accounts. If these costs were included, then some of the Business Cases would not provide a sensible return or would be very marginal for the risks involved.

2.3 The Public Works Loan Board (PWLB) is the main source of funding for local authority borrowing and is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

2.4 On 9th October 2019, HM Treasury, without warning, imposed a 1% premium on all loans from the PWLB. Within the letter to all Local Authority Chief Finance Officers, it cited the following:

"Some local authorities have substantially increased their use of the PWLB in recent months, as the cost of borrowing has fallen to record lows. HM Treasury is therefore restoring interest rates to levels available in 2018, by increasing the margin that applies to new loans from the PWLB by 100bps (one percentage point) on top of usual lending terms".

"This restoration of normal PWLB lending rates will apply to all new loans with immediate effect. The Government will monitor the impact of this change and keep rates policy under review".

2.5 The increase in rate obviously reduces the potential returns from any new investments and has a negative impact upon any business case. This combined with some auditor concerns how some councils have accounted for the repayment costs (MRP) has meant that the financial returns from new property purchases are now very marginal for the risks involved. The rate change has already been an impact with a significant reduction in local authority borrowing.

3 Treasury Management

3.1 The Council invests its surplus cash through its Treasury Management investments processes which are well established and heavily governed. Full Council approves the Treasury Management Strategy Statement on an annual basis, and this sets out the range and limits of the investment and borrowing activity. The day to day decision making is delegated to the Section 151 Officer who must comply with the limits set out in the Treasury Management Strategy and provide members with an update on treasury management activities during the year.

3.2 A key principle in Treasury Management is to protect the Council's assets so this involves assessing the risks of each investment. To help do this the Council has appointed Arlingclose as its Treasury Advisors who provide regular updates on the credit risks as well as advice on the Treasury Strategy.

3.3 One of the key risks to the Council's Treasury Management Portfolio is the loss of capital value if the return on investments is below inflation. The returns from the investment portfolio have fallen below inflation and to help mitigate against this the Council began a programme to diversify. In 2017 a £10m investment into the CCLA property fund was made with the intention of making further longer-term strategic investments of this type in due course. The returns from this investment have consistently been above inflation at around 4% per annum. The current approved Treasury Management Strategy and associated limits are sufficient to enable further similar investments without additional decisions. The responsibility for determining the precise timing of any investment and the decision about which fund to invest in is delegated to the Section 151 Officer to enable timely decision making. Ahead of any decision, the Section 151 Officer will take the usual advice from the councils external treasury advisors Arlingclose. One of the key objectives will be to achieve a higher return than that which is currently being achieved by short term investments in banks, Money Market Funds and other local authorities by taking a more longer-term view and trying to achieve a more diversified portfolio of investments.

3.4 By achieving a higher return on investments, the Council will protect itself against inflationary risk and the devaluing of its cash assets. Based upon current cash flow projections it is estimated that the Council's strategic investments could be increased from the current level of £10m (that is currently invested with CCLA) to around £60m. This strategy of increasing our Strategic Investments and reducing our short-term investments would generate an additional income of over £1m over the next 2 years. Taking this approach will expose the Council to risks on the capital values of the investment but these will only be realised if the investments are sold and the intention is to hold these investments for the longer term.

3.5 The existing governance arrangements around Treasury Management Activity are strong and robust and therefore no changes are needed to these for decision making purposes. The 2020/21 Treasury Management Strategy Statement will be considered by Cabinet and Full Council in February and will set out both the level of Strategic Investments and the different types of investments that will be used to deliver a more diversified portfolio.

4 Investing in Property that the Council already owns

4.1 The Council is ambitious to optimise the value from property assets that it currently owns and will consider opportunities to invest in these properties to generate either a higher sales value (capital receipt) if the property is surplus to service needs, or to generate an on-going income stream for the Council. For these properties, that is ones the council already owns, developing firm proposals to enhance value will likely be timelier than for any property the council would need to purchase.

4.2 The decision to invest will be considered through the usual process for capital schemes with a report to Cabinet and will be considered against the other priorities and competing capital schemes. The Business Case will need to clearly demonstrate that it works financially and the higher sales value or increased income more than cover the borrowing costs.

4.3 If approved the scheme will be added to the Capital Programme and the costs of the scheme will be reported through the usual quarterly Capital Programme monitoring reports to members. The borrowing costs and increase income will be included in the Medium-Term Financial Plan and monitored through the usual monthly budget monitoring reports to Cabinet and Scrutiny.

5 Purchasing New Properties for Investment Returns

- 5.1 For the Council to consider an approach of a major investment programme for purchasing new properties that generate a financial return it would need to create an Investment Strategy which set out the following:
- Criteria for which 'properties' to invest in, including specification of the balance / mix of a portfolio (i.e. asset types), and;
 - Clear governance arrangements and democratic accountability ensuring transparent and open decision making and rigorous due diligence (property, legal, financial).
- 5.2 It would be essential that appropriate governance arrangements were put in place to ensure that there is robust appraisal of any potential investments that may be made. Examples of the type of arrangements that may be considered include:
- Investment Board – comprising members, officers and professional advisers (as required) to review and provide views on potential investment decisions to be undertaken by either the Cabinet Member for Resources or the Section 151 Officer. This Board would need to meet regularly for the Cabinet Member or Section 151 Officer to be able to act swiftly on any opportunities presented to the Board
 - Gateway process – to determine whether to pursue a proposal. Clear criteria need to be pre-determined and rigorously applied
 - Cabinet / Cabinet Member for Resources / Section 151 Officer approval – the Council's constitution (Cabinet Scheme of Delegation) would need amending to clarify the proposed decision-making arrangements and any limits or internal consultation requirements prior to the exercise of delegated powers.
- 5.3 Depending on the property assets that the Council might be invested in it may be necessary to have a:
- Shareholder Board - comprising members and professional advisers to ensure effective oversight of the property portfolio and alignment with corporate priorities;
 - 'Property' Company – 'arms-length' company would be required to make any investments in properties for financial gain (rather than economic prosperity).
- 5.4 Some of the principal risks that the Council would need to address in formulating its approach to non-treasury investments are:
- Failing to identify realistic net gains – being over-ambitious could lead to investments with an inappropriate level of risk
 - Some investments will not pay back immediately, requiring an investment approach which is affordable in cash-flow terms
 - Not setting out clear parameters for investment areas (e.g. retail, commercial, residential portfolio mix)

- An inability to secure adequate commercial skills / resources to advise on the investment options
- Allowing insufficient time to set up rigorous due diligence, governance and transparent democratic accountability
- Not establishing 'smart' democratic processes to ensure investments can be approved at pace.

5.5 Considering the above, the recent restrictions that government have put in place, which means that any assets that are purchased must be within the 'economic area' of Somerset, and the additional costs of borrowing following the rate rise by the PWLB means that this route is now less attractive and more restricted. The experience from other councils shows that were we to actively undertake significant programme of activity in this area, the existing governance arrangements would need to be strengthened.

5.6 This however does not stop the Council from taking advantage of any opportunities that may arise from time to time. Such opportunities will be subject to appropriate due diligence with a full business case including the full costs, returns and risks and can be considered within the existing governance framework.

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