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County Council
Wednesday 20 February 2019
10.00 am Council Chamber - Shire Hall, Taunton

To: The Members of Somerset County Council

You are requested to attend the Meeting of Somerset County Council on Wednesday 20 February 2019 to transact the business set out in the agenda below.

Anyone requiring further information about the meeting, or wishing to inspect any of the background papers used in the preparation of the reports referred to in the agenda please contact Scott Wooldridge on 01823 357628 or democraticservices@somerset.gov.uk

Issued By Scott Wooldridge, Strategic Manager - Governance and Risk - 12 February 2019

Guidance about procedures at the meeting follows the printed agenda.

This meeting will be open to the public and press, subject to the passing of any resolution under Section 100A (4) of the Local Government Act 1972.

This agenda and the attached reports and background papers are available on request prior to the meeting in large print, Braille, audio tape & disc and can be translated into different languages. They can also be accessed via the council's website on www.somerset.gov.uk/agendasandpapers

RNID typetalk

Council Chamber and Hearing Aid Users

To assist hearing aid users, Shire Hall has infra-red audio transmission systems. To use this facility we need to provide a small personal receiver that will work with a hearing aid set to the T position. Please request a personal receiver from the Committee Administrator and return it at the end of the meeting

AGENDA

Item County Council - 10.00 am Wednesday 20 February 2019

Full Council Guidance notes

1 **Apologies for Absence**

2 **Declarations of Interest**

Details of Cabinet Member interests in District, Town and Parish Councils will be displayed in the meeting room. The Statutory Register of Member's Interests can be inspected via the Community Governance team.

3 **Minutes from the meetings held on 28 November 2018** (Pages 7 - 38)

Council is asked to confirm the minutes of the meetings are accurate**.**

4 **Chair's Announcements** (Pages 39 - 40)

5 **Public Question Time**

(see explanatory notes attached to agenda)
This item includes the presentation of petitions. Details of any public questions / petitions submitted will be included in the Chairman's Schedule which will be made available to the members and to the public at the meeting.

For Decision

6 **Report of the Leader and Cabinet - for decision** (Pages 41 - 422)

To consider a report with recommendations from the Leader of the Council, arising from the Cabinet meetings held on 19 December 2018, 23 January 2019 and 11 February 2019.

The recommendations relate to:

- Capital Strategy (Investment Strategy) 2019/20-2021/22
- Capiral Programme 2019/20-2021/22
- Revenue Budget and the Medium Term Financial Plan 2019/20-2021/22
- Treasury Management Strategy Statement 2019-20

7 **Report of the HR Policy Committee** (Pages 423 - 438)

To consider a report with recommendations by the HR Policy Committee.

8 **Report of the Monitoring Officer** (Pages 439 - 444)

The recommendations relate to:

- Appointments Schedule (to follow)
- Appointment of a S151 Officer (Chief Financial Officer)
- Appointment of Data Protection Officer

9 **Annual Report of the Corporate Parenting Board**

To follow.

10 **Requisitioned items** (Pages 445 - 448)

To consider a report setting out any requisitioned items submitted for the Council's consideration.

For Information

11 **Report of the Leader and Cabinet - Items for Information** (Pages 449 - 464)

To receive reports by the Leader of Council summarising key decisions taken by him and the Cabinet, including at the Cabinet meetings held on 19 December 2018, 23 January 2019 and 11 February 2019.

(Note: Member Questions to the Leader and Cabinet Members will be taken under this item)

12 **Report of the Scrutiny Committee for Policies and Place** (Pages 465 - 468)

To consider a report by the Chair of the Scrutiny Committee for Policies and Place.

13 **Report of the Scrutiny Committee for Policies, Adults and Health** (Pages 469 - 472)

To consider a report by the Chair of the Scrutiny Committee for Policies, Adults and Health.

14 **Report of the Scrutiny Committee for Policies, Children and Families** (Pages 473 - 478)

To consider a report by the Chair of the Scrutiny Committee for Policies, Children and Families.

15 **Annual Report of the Cabinet Member for Children and Families** (Pages 479 - 494)

To receive the annual report of the Cabinet Member for Children and Families.

16 **Annual Report of the Cabinet Member for Education and Transformation**

To receive the annual report of the Cabinet Member for Education and Transformation (to follow).

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SOMERSET COUNTY COUNCIL – FULL COUNCIL MEETINGS

GUIDANCE FOR PRESS AND PUBLIC

Recording of Meetings

The Council in support of the principles of openness and transparency allows filming, recording and taking photographs at its meetings that are open to the public providing it is done in a non-disruptive manner. Members of the public may use Facebook and Twitter or other forms of social media to report on proceedings and a designated area will be provided for anyone who wishes to film part or all of the proceedings. No filming or recording will take place when the press and public are excluded for that part of the meeting. As a matter of courtesy to the public, anyone wishing to film or record proceedings is asked to provide reasonable notice to Julia Jones, Senior Community Governance Officer, County Hall, Taunton, Somerset, TA1 4DY 01823 357628 democraticservices@somerset.gov.uk so that the Chairman of the meeting can inform those present.

We would ask that, as far as possible, members of the public aren't filmed unless they are playing an active role such as speaking within a meeting and there may be occasions when speaking members of the public request not to be filmed.

The Council will be undertaking audio recording of some of its meetings in Shire Hall as part of its investigation into a business case for the recording and potential webcasting of meetings in the future.

A copy of the Council's Recording of Meetings Protocol should be on display at the meeting for inspection, alternatively contact the Committee Administrator for the meeting in advance

Members' Code of Conduct Requirements

When considering the declaration of interests and their actions as a councillor, Members are reminded of the requirements of the Members' Code of Conduct and the underpinning Principles of Public Life: HONESTY; INTEGRITY; SELFLESSNESS; OBJECTIVITY; ACCOUNTABILITY; OPENNESS; LEADERSHIP. The Code of Conduct can be viewed at: http://www.somerset.gov.uk/organisation/key-documents/the-councils-constitution/

EXPLANATORY NOTES: QUESTIONS/STATEMENTS/PETITIONS BY THE PUBLIC

General

Members of the public may ask questions at ordinary meetings of the Council, or may make a statement or present a petition – **by giving advance notice**.

Notice of questions/statements/petitions

Prior submission of questions/statements/petitions is required in writing or by e-mail to the Monitoring Officer – Scott Wooldridge (email: democraticservices@somerset.gov.uk) by 5.00pm three clear working days before the meeting i.e. 5.00pm on Thursday 14th February 2019. The Monitoring Officer may edit any question or statement in consultation with the author, before it is circulated, to bring it into an appropriate form for the Council.

In exceptional circumstances the Chairman has discretion at meetings to accept questions/ statements/ petitions without any prior notice.

Scope of questions/statements/petitions

Questions/statements/petitions must:
(a) relate to a matter for which the County Council has a responsibility, or which affects the County;
(b) not be defamatory, frivolous or offensive;
(c) not be substantially the same as a question/statement/petition which has been put at a meeting of the Council in the past six months; and
(d) not require the disclosure of confidential or exempt information.

The Monitoring Officer has discretion to reject any question that is not in accord with (a) to (d) above. The Monitoring Officer may also reject a statement or petition on similar grounds.

Record of questions/statement/petitions

Copies of all representations from the public received prior to the meeting will be circulated to all members and will be made available to the public attending the meeting in the Chairman's Schedule, which will be distributed at the meeting. Full copies of representations and answers given will be set out in the minutes of the meeting.

Response to Petitions

Normally the Council will refer any petition to an appropriate decision maker for response – see the Council's Petition Scheme for more details. The organiser will also be allowed 2 minutes at the meeting to introduce the petition, and will receive a response from a relevant member (normally a Cabinet member).

If a petition organiser is not satisfied with the council's response to the petition and the petition contains more than 5000 signatures (approximately 1% of Somerset's population) the petition organiser can request a debate at a meeting of the County Council itself. The Chairman will decide when that debate will take place.

Access and Attendance

The County Council meeting in Shire Hall is open to the public but there is limited capacity for health and safety reasons. The Council Chamber in Shire Hall is located on the first floor of the building. Shire Hall is used principally by the Courts Service and their staff are responsible for security arrangements at the main entrance**. All those attending the council meeting and the courts are required to pass through the security 'gate'. At peak times this can take well over ten minutes – so please arrive early.**

If numbers attending exceed capacity then priority will be given to those who have registered to speak at Public Question Time and thereafter admittance will be on a first come, first served basis.

The design of Shire Hall and the listed Council Chamber is not ideal for those using wheelchairs, with restricted widths in corridors and elsewhere, but council officers will ensure they have access to the meeting if at all possible.

COUNTY COUNCIL

Minutes of a Meeting of the County Council held in the Council Chamber, Shire Hall, Taunton on Wednesday 28 November 2018 at 10.00 am

Present: Cllr C Aparicio Paul, Cllr M Best, Cllr N Bloomfield, Cllr A Broom, Cllr M Chilcott, Cllr J Clarke, Cllr P Clayton (Vice-Chair, in the Chair), Cllr S Coles, Cllr A Dance, Cllr H Davies, Cllr M Dimery, Cllr B Filmer, Cllr D Fothergill, Cllr G Fraschini, Cllr A Govier, Cllr A Groskop, Cllr D Hall, Cllr P Ham, Cllr M Healey, Cllr N Hewitt-Cooper, Cllr James Hunt, Cllr John Hunt, Cllr D Huxtable, Cllr M Keating, Cllr A Kendall, Cllr C Lawrence, Cllr M Lewis, Cllr L Leyshon, Cllr J Lock, Cllr T Munt, Cllr T Napper, Cllr F Nicholson, Cllr G Noel, Cllr L Oliver, Cllr J Parham, Cllr H Prior-Sankey, Cllr F Purbrick, Cllr L Redman, Cllr B Revans, Cllr M Rigby, Cllr D Ruddle, Cllr G Verdon, Cllr L Vijeh, Cllr W Wallace, Cllr A Wedderkopp, Cllr J Williams, Cllr R Williams and Cllr J Woodman

95 **Apologies for Absence** - Agenda Item 1

Apologies for absence were received from: Cllr A Bown, Cllr M Caswell, Cllr T Lock, Cllr D Loveridge, Cllr M Pullin, Cllr N Taylor and Cllr J Thorne.

The Leader of the Council wished those who were unwell a speedy recovery.

96 **Declarations of Interest** - Agenda Item 2

Members' written notifications of interests were affixed to the Notice Board at the back of the Council Chamber for the duration of the meeting.

Cllr Prior-Sankey declared an interest as the Taunton Deane Borough Council member of Somerset Waste Board.

97 **Minutes from the Council meeting held on 18 July and the Extraordinary meeting on 17 October 2018** - Agenda Item 3

The Minutes of the meeting held on 16 May 2018 and the addendum to the Minutes of the Council meeting held on 21 February 2018 were accepted as a true and accurate record and were signed by the Chair.

98 **Chair's Announcements** - Agenda Item 4

The Chair informed members of the visits he had made in July, August, September, October and November 2018 and thanked the Vice-Chair for attending those events he was unable to.

99 **Public Question Time** - Agenda Item 5

(1) Public Questions / Statements / Petitions (under 5000 signatures) and elected member questions: Notice was received of questions / statements / petitions regarding: Public Questions / Statements:

1. Bid for Cycling and Walking Scheme
From Chris Rix

Response from Cllr John Woodman, Cabinet Member for Highways and Transport

2. Safe Passage
From Melanie Hudson

Responses from Cllr Frances Nicholson, Cabinet Member for Children and Families

3. Six Acres
From Cheryl Freeman

Response from Cllr Mandy Chilcott, Cabinet Member for Resources

4. New Social Value Contracts
From Nigel Behan, Unite

Response from Cllr David Fothergill, Leader of the Council

5. Getset
From Nigel Behan, Unite

Response from Cllr Frances Nicholson, Cabinet Member for Children and Families

6. Broadband
From Andrew Lee

Response from Cllr David Hall, Cabinet Member for Economic Development, Planning and Community Infrastructure

7. Council Spending
From Eva Bryczkoswki

Response to Q1 from Cllr David Fothergill, Leader of the Council and Q2 & Q3 from Deputy Leader of the Council, Cllr Mandy Chilcott Cabinet Member for Resources

8. Public Transport
From David Redgewell

Response from Cllr John Woodman, Cabinet Member for Highways and Transport

Full details of the questions and responses given at the meeting and / or in writing following the meeting are set out in Appendix A to these Minutes.

100 **Report of the Leader and Cabinet – for decision** - Agenda Item 6

(1) The Council considered a report by the Leader and Cabinet which set out the recommendations to Council regarding the expansion of the Capital Investment Programme following consideration at Cabinet on 17 October 2018, Treasury Management mid-year 2018-19 and the Heart of the South

West Joint Committee following consideration at Cabinet on 19 November 2018.

(2) The Leader, Cllr Fothergill, reminded members that difficult budget decisions had been taken in February and September 2018. As a result of the decisions taken the overspend had now come down to £2.36m with a relatively high success rate of delivering the decisions. He was confident that by the end of the year that it would be a balanced budget. There was no intention to raise council borrowing.

(3) Members were also reminded of the progress of the Heart of the South West Joint Committee which was a unique partnership of 17 authorities and 2 national park authorities to attract investment into the South West to increase productivity in the area.

(4) There was some discussion about the repercussions of decisions on local residents, borrowing debts and the cost of servicing them, and costs of waste vehicles.

(5) The recommendations were proposed by Cllr David Fothergill and seconded by Cllr David Hall.

(6) The Council **RESOLVED** by majority to:

(a) **Expansion of the Capital Investment Programme**
approve the expansion of the Capital investment Programme in 2019/20 to commit a sum of up to £10m to facilitate the purchase of waste vehicles and depot infrastructure for the Somerset Waste Partnership, provided that it can be proved that this offers better value for money than the vehicles being supplied by the private sector provider.

(b) **Treasury Management mid-year 2018-19**
endorse the Treasury Management Mid-Year Report for 2018-19.

(c) **Heart of the South West Joint Committee**

a) Note the progress report setting out the work of the Heart of the South West (HotSW) Joint Committee since its establishment in March 2018;
b) Agree to delegate the development and endorsement of the HotSW Local Industrial Strategy (LIS) to the HotSW Joint Committee (noting that final approval of the HotSWLIS rests with the HotSW Local Enterprise Partnership (LEP) and the Government);
c) Note the Budget statement for 2018/19 set out in Appendix B and that in accordance with the decisions taken at the time the Committee was established, the Council is asked to make provision for a financial contribution towards the costs of the Joint Committee for 2019/20 in line with the 2018/19 contribution (£10,500). A further budget update will be provided in advance of the 2019/20 financial year and any additional contribution requested (including in-year) will be submitted as a fully costed agreed proposal within a work programme and only after all other potential sources of funding have been exhausted.

d) Agree the Budget and Cost-sharing Agreement set out in Appendix B to this report.

101 **Report of the Monitoring Officer – for decision** – Agenda Item 7

(1) The Council considered a report from the Monitoring Officer regarding appointments to committee and outside bodies, the appointment of the Deputy Section 151 officer, and Data Protection Officer.

(2) The Leader paid tribute to all members who sat on committees and gave their time. He also thanked the current Deputy Section 151 officer, Martin Gerrish, who would be leaving his post shortly, for his hard work over the years and wished him every success for the future.

(3) Members were reminded of the procedure when sending substitute members to committee and Board meetings.

(4) The recommendations were proposed by Cllr David Fothergill and seconded by Cllr Christine Lawrence.

(5) The Council **RESOLVED** by majority to:

1. approve the changes to Committee and Outside Bodies appointments – see section 3.1 and Appendix 1 to this report.
2. appoint the post of Strategic Finance Manager – Adults, Health and Children, currently held by Elizabeth Watkin, as a Deputy Section 151 Officer.
3. appoint the post of Data Protection Manager, currently held by Lucy Wilkins, as the Council's Data Protection Officer.

102 **Strategy for Single Use Plastics** – Agenda Item 8

(1) The Council considered a report regarding the reduction in single use plastics: a strategy for Somerset County Council. The Strategy sets out the issues that the Council is trying to address and how it will tackle this important matter.

(2) Cabinet Member for Economic Development, Planning and Community Infrastructure, Cllr David Hall, informed members that this not only set out a framework for the Council's own activities but also how it would work with its partners and providers. The strategy was designed to be deliverable with tasks to be carried out in stages in a realistic timeframe.

(3) Cllr John Clarke said that the Council should be eliminating single use plastic wherever possible and proposed a slight amendment to the recommendation to replace the word reduce with eliminate in Objective 5 of the strategy and minimise with reduce in Objective 6.

(4) This was seconded by Cllr Martin Dimery, who thanked officers for their support with the strategy but felt there should not be any room for ambiguity.

(5) Cllr Hall recognised the ambition in the proposal but stated the report had been crafted to make sure it could be delivered and was comfortable with

the wording as it stood. Cllr Liz Leyshon seconded the report and recommendations and wanted to see a reduction in plastic particularly in cafes.

(6) The Council then voted on the amendment to the recommendation proposed by Cllr Clarke but there was only a minority in favour of this so the amendment failed.

(7) The Council then voted on the original recommendation put forward by Cllr Hall and it **RESOLVED** to:

1. note the growing concern locally, nationally and globally about the impact single use plastics are having on our environment, and that action is needed to reverse this trend of negative impacts. The Council can act positively in reducing the use of plastics, and can use its position of influence with partners, providers and stakeholders, and this Strategy is designed to provide a framework for this work.

2. adopt the strategy "Reduction in the use of Single Use Plastics: A Strategy for Somerset County Council" shown at Appendix A to the report.

103 **Requisitioned Items** – Agenda Item 9

1. 100 years of women county councillors

(1) The Council considered a requisitioned item proposed by Cllr Bill Revans and seconded by Cllr Christine Lawrence recognising the contribution of Councillor Norah Fry the first woman Somerset County Councillor.

(2) Members were given further information about Cllr Fry who was elected to Council in 1918 and later became an alderman in 1938 and was one of the first women JPs in the country. Cllr Revans paid tribute to Cllr Fry and explained she was a pioneer in many fields and an advocate for better services for people with learning disabilities and contributed greatly to the health and education of the county.

(3) The Council **RESOLVED** unanimously to recognise the contribution of Councillor Fry and commemorate the contribution of women to the council over the last 100 years, by asking the Chief Executive to work with the Chair of the Council to identify and name a prominent meeting room after her.

2. Opposing the closure of Norton Manor Camp and relocation of 40 Commando out of Taunton Deane

(1) The Council considered a requisitioned item on the closure of Norton Manor Camp proposed by Cllr Simon Coles and seconded by Cllr Alan Wedderkopp.

(2) Cllr Coles introduced the motion and explained that Taunton had hosted military forces for many years and 40 Commando had been in the town since 1942. They had been given freedom of the borough and the service

they provide is exemplary. They also benefitted local businesses, schools and the community.

(3) Cllr Wedderkopp seconding the proposal said the military personnel and their families were here so long that they had become Tauntonians and it was important to keep the camp here.

(4) The proposal read:

1) The Council opposes the decision of the Government to close Norton Manor Camp and relocate the Royal Marines out of Taunton Deane, will support the retention of 40 Commando Unit and stands behind the local 40 Commando community of serving and veteran Royal Marines who want the Camp to remain in Taunton Deane;
2) the Leader of the Council write to the Secretary of State for Defence strongly opposing the closure of the Camp, urging him to remove Norton Manor Camp from the list of sites to be disposed of on the MOD website, and
3) the Leader of the Council write to all of Somerset's Members of Parliament pointing out that the County is in danger of losing 40 Commando Royal Marines and urging them to take up the importance of Norton Manor Camp to the County of Somerset and to Taunton Deane in particular in Parliament and oppose its closure and the relocation of 40 Commando to another area, and that the Chief Executive should report back to the whole Council placing copies of any replies received on the public record.

(5) Cllr Giuseppe Fraschini agreed with opposing the closure of the camp but proposed an amendment stating 'Somerset County Council acknowledges and supports the local MP for Taunton Deane and other elected representatives to retain 40 Commando at Norton Manor Camp. In support the Council therefore resolves that:
1. it will continue to work with the local MP, Taunton Deane Borough Council, and other elected bodies to advance the case for retaining 40 Commando at Norton Manor Camp
2. the Leader of the Council be asked to write to the Secretary of State outlining the Council support for the campaign and opposing the closure of the camp urging him to remove Norton Manor Camp from the list of sites to be disposed of
3. the Leader of the Council to be asked to write to all Somerset Members of Parliament urging them to support the campaign to retain 40 Commando at Norton Manor Camp and to recognise the importance of Norton Manor Camp to the wider economy of Somerset.

(6) Cllr David Fothergill seconded the amendment and said the best approach to this was to support the campaign spearheaded by the local MP.

(7) Cllr Andy Kendall suggested that this proposal be deferred and it me re-written in a way that the whole council could agree on as it was such an important matter. This was seconded by Cllr John Hunt.

(8) Cllr Liz Leyshon then proposed another amendment 'That all Somerset County Councillors work together with all Somerset's MPs and every

elected representative to advance the case for retaining 40 Commando at Norton Manor Camp.'

(9) Cllr Mark Keating said it was important not to defer this and come to a conclusion today and work with the elected MP of Taunton Deane about this.

(10) Cllr John Hunt seconded Cllr Leyshon's amendment and felt it could be supported by all councillors.

(11) Cllr Mike Rigby also suggested deferring the proposal so that it could be discussed and a new proposal be put together that all members could agree on.

(12) Cllr David Huxtable then called for named vote on and this was supported by more than 10 members.

(13) Cllr Jane Lock also suggested finding a suitable form of words outside of the meeting to support the proposal.

(14) Cllr Faye Purbrick agreed this matter could not be delayed as the next meeting of the Council was in February and felt it needed to be moved forward today.

(15) The Chair then asked for members to move to the vote on this item and asked for the Monitoring Officer to advise members on the approach. There were three amendments put forward and the Monitoring Officer suggested that the amendment that would counter the other two should be voted on first 'To defer this matter to the next meeting to allow for cross-party working in terms of joined wording' proposed by Cllr Andy Kendall and seconded by Cllr John Hunt. If this was agreed it would counter the other proposals.

(16) Cllr Kendall asked that the words 'to get 100% council backing or as many as possible' be added to his suggested amendment. The Monitoring Officer then clarified the wording of the proposal 'To defer the item and for all 5 group leaders to work together collectively to bring forward a requisitioned item in respect of 40 Commando and Norton Manor Camp to the February meeting of Council.'

(17) Cllr Rigby explained that the camp was not scheduled for closure until 2028 and that a deferment seemed to be the sensible solution to agree the wording until the February meeting.

(18) The Monitoring Officer then asked for members to vote if they were in agreement with the amendment proposed by Cllr Kendall.

Vote cast as follows:

For	**Against**
Cllr Best	Cllr Aparicio Paul
Cllr Bloomfield	Cllr Clayton
Cllr Broom	Cllr Filmer
Cllr Clarke	Cllr Fothergill

Cllr Coles Cllr Dance Cllr Davies Cllr Dimery Cllr Govier Cllr John Hunt Cllr Kendall Cllr Leyshon Cllr Jane Lock Cllr Munt Cllr Prior-Sankey Cllr Redman Cllr Revans Cllr Rigby Cllr Wedderkopp	Cllr Fraschini Cllr Groskop Cllr Hall Cllr Healey Cllr Hewitt-Cooper Cllr James Hunt Cllr Huxtable Cllr Keating Cllr Lawrence Cllr Lewis Cllr Napper Cllr Nicholson Cllr Noel Cllr Oliver Cllr Parham Cllr Purbrick Cllr Ruddle Cllr Verdon Cllr Vijeh Cllr Wallace Cllr J Williams Cllr R Williams Cllr Woodman

(19) The Monitoring Officer declared that the votes were 19 in favour of the amendment with 27 against and so that amendment failed.

(20) Members were then asked to vote on the amendment put forward by Cllr Leyshon and seconded by Cllr John Hunt. ‘That all members of the Council work with all Somerset MPs to advance the case to retain 40 Commando at Norton Manor Camp’.

(21) Cllr Woodman asked if this amendment was any different to the next amendment because it appeared they both appeared to be very close in wording.

(22) The Monitoring Officer confirmed that there was a single amendment which is very similar to the first recommendation but Cllr Fraschini’s proposal contained two further proposals unlike Cllr Leyshon’s which made it different. This was then put to the vote.

(23) Cllr Fothergill then proposed a new amendment that Cllr Leyshon’s amendment be incorporated as point 4 of Cllr Fraschini’s amendment.

(24) Cllr Govier stated that the vote had already started on Cllr Leyshon’s proposal and therefore it should continue.

(25) Cllr Leyshon said she had proposed an amendment which was very short and simple deliberately aimed at attracting cross party support.

(26) The Chair announced he was going to put this to the vote.

(27) Cllr Fraschini said he was happy with the amendment proposed by Cllr Fothergill to his amendment.

(28) Cllr Govier stated again that the vote had already started and it needed to continue.

(29) The Monitoring Officer said unless there were any further points of clarity the vote should commence on Cllr Leyshon's proposal.

Vote cast as follows:

For	**Against**
Cllr Best Cllr Bloomfield Cllr Broom Cllr Clarke Cllr Coles Cllr Dance Cllr Davies Cllr Dimery Cllr Govier Cllr John Hunt Cllr Kendall Cllr Leyshon Cllr Jane Lock Cllr Munt Cllr Prior-Sankey Cllr Redman Cllr Revans Cllr Rigby Cllr Ruddle Cllr Wedderkopp	Cllr Aparicio Paul Cllr Clayton Cllr Filmer Cllr Fothergill Cllr Fraschini Cllr Groskop Cllr Hall Cllr Healey Cllr Hewitt-Cooper Cllr James Hunt Cllr Huxtable Cllr Keating Cllr Lawrence Cllr Lewis Cllr Napper Cllr Nicholson Cllr Noel Cllr Oliver Cllr Parham Cllr Purbrick Cllr Verdon Cllr Wallace Cllr J Williams Cllr R Williams Cllr Woodman
Abstain	
Cllr Vijeh	

(30) The Monitoring Officer declared that the votes were 20 in favour of the amendment with 25 against and 1 abstention so the amendment failed.

(31) Cllr Fothergill said he withdrew his amendment to Cllr Fraschini's amendment.

(32) Cllr Redman asked for clarification about the vote that members were being asked to vote on Cllr Fraschini's amendment and that if it was then passed it would became the substantive motion and members would be asked to vote on this again. This was confirmed as correct.

(33) Cllr Prior-Sankey asked for details about the campaign that the Taunton Deane MP was promoting. It was suggested that this could be discussed after the meeting.

(34) The amendment as originally proposed by Cllr Fraschini and seconded by Cllr Keating was then put to the vote. This read ‘Somerset County Council fully acknowledges and supports the campaigning work of Rebecca Pow, MP for Taunton Deane and other elected representatives to retain 40 Commando at Norton Manor Camp. In support the Council therefore resolves that:
1. It will continue to work with the local MP and Taunton Deane Borough Council to advance the case for retaining 40 Commando at Norton Manor Camp.
2. The Leader of the Council be asked to write to the Secretary of State outlining the council support for Rebecca Pow MP’s campaign and opposing the closure of the camp urging him to remove Norton Manor Camp from the list of sites to be disposed of.
3. The Leader of the Council be asked to write to all of Somerset’s Members of Parliament urging them to support the campaign to retain 40 Commando at Norton Manor Camp and to recognise the important role of Norton Manor Camp to the wider economy of Somerset.

(35) Votes cast as follows:

For	**Against**
Cllr Aparicio Paul Cllr Clayton Cllr Filmer Cllr Fothergill Cllr Fraschini Cllr Groskop Cllr Hall Cllr Healey Cllr Hewitt-Cooper Cllr James Hunt Cllr John Hunt Cllr Huxtable Cllr Keating Cllr Kendall Cllr Lawrence Cllr Lewis Cllr Napper Cllr Nicholson Cllr Noel Cllr Oliver Cllr Parham Cllr Purbrick Cllr Rigby Cllr Verdon Cllr Vijeh Cllr Wallace Cllr J Williams Cllr R Williams Cllr Woodman	
Abstain Cllr Best Cllr Bloomfield Cllr Broom	

Cllr Clarke Cllr Coles Cllr Dance Cllr Davies Cllr Dimery Cllr Govier Cllr Leyshon Cllr Jane Lock Cllr Munt Cllr Prior-Sankey Cllr Redman Cllr Revans Cllr Wedderkopp	

(36) The Monitoring Officer declared that the votes were 29 in favour of the amendment, no votes against and 16 abstentions, so the amendment was carried.

(37) This then became the substantive motion for councillors to vote upon.

(38) Votes cast as follows:

For	Against
Cllr Aparicio Paul Cllr Clayton Cllr Clarke Cllr Dimery Cllr Filmer Cllr Fothergill Cllr Fraschini Cllr Govier Cllr Groskop Cllr Hall Cllr Healey Cllr Hewitt-Cooper Cllr James Hunt Cllr John Hunt Cllr Huxtable Cllr Keating Cllr Kendall Cllr Lawrence Cllr Lewis Cllr Napper Cllr Nicholson Cllr Noel Cllr Oliver Cllr Parham Cllr Prior-Sankey Cllr Purbrick Cllr Redman Cllr Rigby Cllr Verdon Cllr Vijeh	

Cllr Wallace Cllr J Williams Cllr R Williams Cllr Woodman	
Abstain Cllr Best Cllr Bloomfield Cllr Broom Cllr Coles Cllr Dance Cllr Davies Cllr Leyshon Cllr Jane Lock Cllr Munt Cllr Revans Cllr Wedderkopp	

(39) The Monitoring Officer declared that there were 34 votes in favour, no votes against and 11 abstentions, so the substantive motion was carried.

104 **Report of the Leader and Cabinet - Items for Information** - Agenda Item 10

(1) The Council considered a report that summarised the key decisions taken by the Leader and Cabinet Members and officers between 10 July 2018 and 19 November 2018, together with items of business discussed at Cabinet meetings on 12 September 2018, 17 October 2018, 5 November 2018 and 19 November 2018.

(2) Cllr Clarke asked the Leader, Cllr Fothergill, if he would support the council writing with cooperation from all group leaders to make an open letter to the Government about our position as a council. He proposed the following wording: "All members of all parties of Somerset County Council call on Her Majesty's Government to recognise the serious financial position of Somerset County Council. In the past five years we have made savings and efficiency measures of around £145m but recent cuts and likely further savings will potentially impact the health and well-being of our community and increase risks for our most vulnerable. We believe it is time for a greater recognition of the issues our communities face. We ask that action is taken in the forthcoming local government settlement to address the long-term financial security of public services in Somerset many of which remain at risk despite the measures we have taken. Specifically, we ask the following:

1. That the government recognise and positively addresses the inequalities of financial support through a revised Fairer Funding model.
2. That the Government allow Somerset to consider implementing a two-year Children's Services precept in 2019/20 and 2020/21 of up to 3%.
3. That the Government allows Somerset greater flexibility in settings its precept by removing Council tax cap.

(3) Cllr Fothergill responded and said he fully endorsed this and hoped other leaders would and that this could be sent to the Government.

(4) Cllr Andy Kendall then asked the Leader about the refurbishment of county hall and the connection with exploring a unitary authority for Somerset.

(5) Cllr Fothergill responded and said work was ongoing with the district councils and there were a number of different options open but members needed to wait and see what came out of the process. The refurbishment of A Block needed to happen to allow the council to move out of 7 other premises and for staff to move into A Block.

(6) Cllr John Woodman responded to a written question from Cllr Terry Napper regarding the A361 near Glastonbury.

(7) Cllr Christine Lawrence presented the Annual Report of the Cabinet Member for Public Health and Wellbeing. The Council was informed that this year the focus was on influencing across the health and wellbeing system and developing a more joined-up approach. Cllr Lawrence encouraged members to fill in the 'Fit for my Future' consultation online to give their views on health services.

(8) Cllr David Hall presented the Annual Report of the Cabinet Member for Economic Development, Planning and Community Infrastructure. The report focused on key highlights form the past year including the Heart of the South West Local Enterprise Partnership, the Heart of the South West Productivity Strategy, Superfast Broadband, Somerset Energy Innovation Centre, Hinkley Point C and Waste.

(9) Cllr Hall responded to a written question from Cllr Amanda Broom about Cresta Pool. Cllr Broom also welcomed Cllr Nicholson's views regarding the impact on children following the pool's closure.

(10) Cllr David Huxtable presented the Annual Report of the Cabinet Member for Adult Social Care. The report highlighted work during the past year which included the strategy of 'Promoting Independence', the expansion of the 'Home First' scheme, Community Agent scheme, Extra Care Housing, and the transformation of learning disability services.

(11) Cllr Revans asked for Cllr Huxtable's thoughts regarding the Home First scheme and response to delayed transfer of care as universally successful as he had received anecdotal information that it was not. He also asked for more information about the carers service. Referring to the possible sale of Six Acres centre, he also asked for a message to be given to Discovery regarding the managing their communications with families very sensitively.

(12) Cllr Huxtable responded to Cllr Revan's questions and said that success of the response on delayed transfer of care and Home First referred to the saved bed days and that people continued to be able to return to home quicker and regain independence in their own home. It was necessary for providers to change their business model and he was happy to discuss this further outside of the meeting.

(13) Cllr Munt asked for information about a performance bond for Discovery as she did not know what this was. She was informed this came into effect in the event of provider failure. A briefing to explain this more fully would be arranged.

(14) There was further conversation about concerns regarding the lack of outings for some people who were users of learning disability facilities, the need to continue to improve service and being sensitive to language used in communications.

Full details of the submitted questions and responses given at the meeting and / or in writing following the meeting are set out in Appendix A to these Minutes.

105 **Report of the Scrutiny Committee for Policies, Adults and Health** – Agenda item 11

(1) The Council received and noted the report from the Chair of the Scrutiny for Polices, Adults and Health Committee Cllr Hazel Prior-Sankey. She said that there had been a lot of health items brought to the committee to look at and invited all members to come to the committee.

(2) Cllr Prior-Sankey asked for the briefing note regarding Six Acres and Discovery outlining when a decision was due to made about this to sent out to members as soon as possible.

106 **Report of the Scrutiny for Policies, Children and Families Committee** - Agenda Item 12

(1) The Council received and noted the report from the Chair of the Scrutiny for Policies, Children and Families Committee Cllr Leigh Redman. He thanked members and officers who had contributed to the In Care Fund.

107 **Report of the Scrutiny for Policies, and Place Committee** - Agenda Item 13

(1) The Council received and noted the report from the Chair of the Scrutiny for Policies and Place Committee Cllr Anna Groskop. She praised the work of the committee and said that some amendments to reports and recommendations had been sent to decision makers after being reviewed by the committee. Cllr Groskop was commended for her role as Chair.

108 **Annual Report of the Cabinet Member for Economic Development, Planning and Community Infrastructure** – Agenda Item 14

This was taken under agenda item 10.

109 **Annual Report of the Cabinet Member for Public Health and Wellbeing** – Agenda Item 15

This was taken under agenda item 10.

110 **Annual Report of the Cabinet Member for Adult Social Care** – Agenda Item 16

This was taken under agenda item 10.

111 **Annual Report of the Somerset Armed Forces Community Covenant Partnership** – Agenda Item 17

(1) Chair of the Somerset Armed Forces Covenant Partnership, Cllr Rod Williams, updated the Council on the partnership's work since the last report in November 2017. The main activities during this time included the annual Partnership Conference, support for Armed Forces Day, 40 Commando Royal Marines climbing demonstration at County Hall, the opening of Trenchard Way, unveiling of the Poppy of Honour, poppy appeal, and partnership work on the creation of 'Somerset Wood'.

(2) There was some discussion regarding the link between this and the Joint Strategic Needs Assessment and also regarding the mental health and wellbeing of former military personnel.

(3) The Council commended the report and noted it.

(The meeting ended at 13.10)

CHAIR of the Council

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Appendix A - Public/Member written submitted questions to County Council November 2018

PQ/MQ	From	Topic	Question/statement	Response
PQ1	Chris Rix	Bid for Cycling and Walking Scheme	Will Somerset County Council commit to work with TDBC and ourselves to prepare and prioritise a major scheme bid for cycling and walking for the Taunton Area? Taunton has enormous scope for high levels of cycling, which would reap large transport, environmental and public health benefits. The joint 20 year transport vision wants to double cycling from its current 9% level. Sustainable transport should be at the heart of transport planning for our Garden Town. The current network is fragmented and many neighbourhoods simple do not have cycling as an option due to hostile road conditions. We have produced a quality assessment of the network (see leaflet) which we believe is feeding into your planning work. It was suggested to us that we try to secure funding through the Small Improvement Scheme process. We did a lot of work on two of the 15 hotspots from our initial survey but neither were taken forward. We are therefore convinced that we should be seeking serious resources through the same mechanism that the County uses for its numerous new road projects.	Cllr John Woodman, Cabinet Member for Highways and Transport

Answer:

The Council is currently developing a local cycling and walking infrastructure plan for Taunton. When the plan is finalised we are keen to explore all opportunities for funding the implementation of the plan. Our small improvement schemes programme is currently fully committed. At the moment there is no obvious funding source for a 'major scheme bid' for walking and cycling available to this Council. However, we hope that the Government will make provision for such a fund as part of the Comprehensive Spending Review.

PQ/MQ	From	Topic	Question/Statement	Response
PQ2	Melanie Hudson	Safe Passage	My name is Melanie Hudson I am part of Refugee Support Group (South Somerset). We have 9 committee members and 7 helpers who are backed up by 56 online members. Some of our members support the resettlement of refugees in the local area by offering English lessons. Our main focus though is raising money through holding events throughout the year, collecting clothing and blankets to be	Cllr Frances Nicholson, Cabinet Member for Children and Families

			sent to crisis areas throughout the world and raising awareness of the plight of refugees in the twenty first century. We are strongly supported in our request to you by LARA (Langport Area Refugee Action group) which has eight committee members, six helpers and fifteen email correspondents and supporters. LARA are actively supported by Long Sutton Quakers and the Vicar of Langport and the surrounding village parishes. LARA runs an ongoing collection of essential supplies for refugees: the success of this is evidence of community willingness to help refugees. LARA also organises fundraising events and an annual party for Syrian refugees resettles across the county. I would like to start by thanking Somerset County Council for the work you have already done in supporting refugees. Our council have worked hard on Refugee resettlement and resettled 27 families through the VPRS scheme in the last three years. You have taken on the serious responsibility of working with families themselves and supporting them to create a new life here. Thank you for taking the decision to transform the lives of the 27 families. This year is the 80th Anniversary of the Kindertransport, the scheme through which Britain welcomed 10,000 child refugees, over 2 years. This anniversary marks the best of what Britain is about. As part of this anniversary, we are joining a national campaign with Safe Passage, led by Lord Alf Dubs, himself a Kinder child, to call on Central Government to start a fully-funded scheme for 1000 child refugees to be resettled in the UK every year. If the UK were to take 1000 children a year spread across the UK, each local authority would take just 3 children. Lord Dubs has spoken eloquently and movingly about this campaign on television and national radio and we look to Somerset CC to support this important humanitarian initiative. Other Councils have already pledged to create additional resettlement places.	

			Hammersmith and Fulham Council have offered 100 places for child refugees over 10 years and Perth and Kinross Council in Scotland have offered 20 places for child refugees. We hope that Somerset would wish to show leadership on the issue and we would pledge to support the Council to resettle 15 child refugees. So, we are here to ask two questions? 1. Will you work with us to continue to make Somerset a welcoming place? 2. Will you commit to resettle 3, 4 or 5 child refugees in 2019 if Central Government creates a new fully funded scheme.	

Answer:
Thank you for your question.

As you have said the County Council has been resettling families under the Vulnerable Persons Resettlement Scheme since March 2016 including 48 children arriving within family units, both under the Syrian scheme and under the Vulnerable Children's Resettlement Scheme. The work of volunteers and support groups has been and is invaluable, as is the work of schools and colleges. As you know, this work continues.

We continue to meet our statutory duties to child refugees and unaccompanied asylum-seeking children under the Government funded scheme, even though the actual level of funding provided the Government does not meet all our costs. There is a current shortfall in Government funding of £891,000.

We cannot volunteer to take more children than this as we do not have enough foster carers to look after them. There is a national shortage of foster carers; this is reflected here in Somerset, and we are doing our level best to recruit foster carers for all sorts and conditions of children. Last year we ran a recruitment campaign specifically for foster carers for unaccompanied asylum-seeking children, but there was only one applicant.

It is clear from your question that there are many groups who wish to do their part and are doing it. It would be immensely helpful if you and colleagues could do all you can to support the finding of potential foster carers for unaccompanied asylum-seeking children who could come forward for assessment.

PQ/MQ	From	Topic	Question/Statement	Response
PQ3	Cheryl Freeman	Six Acres	Has a decision been taken to sell the Six Acres site in Taunton?	Cllr David Huxtable, Cabinet Member for Adult Social Care

Answer:

No formal decision has yet been taken to sell the Six Acres site or any part of it. There is a prospective purchaser and we are ready to progress discussions with them as and when the site is no longer required by the service at which point the proper procedures and governance will, of course, be worked through. However, I am aware that a council issued press release stated: “Somerset County Council are selling the site” and this is clearly misleading and I apologise for that. For clarification, we are looking to sell the site but have not yet committed to or concluded a sale. I hope that clears up the situation.

Adult Social Care are progressing with the already established plans for transforming day opportunities for people with a learning disability into more community focused, skills based opportunities. As Somerset County Council has been approached with an offer on purchasing part of the Six Acres campus site, this has brought forward the planning for people getting a much better range of options and outcomes sooner. Officers are confident that everyone currently attending will have their needs met in advance of the closure at the end of March.

PQ/MQ	From	Topic	Question/Statement	Response
PQ4	Nigel Behan	New Social Value Contracts	On Monday 19th November the Chancellor of the Duchy of Lancaster, David Lidington, announced new government procurement measures: **New 'Social Value' contracts to revolutionise government procurement** **https://www.gov.uk/government/news/new-social-value-contracts-to-revolutionise-government-procurement** **The Register reported that:** “Capita, Serco and Sopra Steria are drafting "living wills" with the government in case they collapse – a measure agreed to after the Carillion debacle.	David Fothergill, Leader of the Council

<table>
<tr><td></td><td></td><td></td><td>After the multinational construction firm was liquidated in January, the extent of the government's reliance on it became clear as it struggled to gather the information necessary to step in and take over.

This put the spotlight on other outsourcing deals, with the government under pressure to make better preparations for a similar crisis – as well as re-igniting calls for more transparency around crucial contracts.

As a result, the Cabinet Office is attempting to put some safety nets in place so it won't get caught out if another firm was to collapse."

a) Does Somerset County Council have similar arrangements with its (commissioned and) outsourced providers to ensure service continuity and minimise the risk of failure?
b) Is there a "living will" type arrangement in place for the outsourced Learning Disability Service to Discovery/Dimensions UK Ltd in case they collapse? If not, will there be?</td><td></td></tr>
<tr><td colspan="5">A) For large, complex, long-term and strategically important contracts being procured by Somerset County Council, the Authority will generally adopt the approach that performance bonds will be sought from suppliers so as to safeguard the financial stability of services being delivered in the event that service providers begin to experience financial difficulties.

This is supported by contract terms and conditions that seek to understand the service provider's business continuity arrangements, that guarantee that the Authority has step-in rights in the event of a serious failure or breach of contract and that ultimately failing contracts can be terminated and walked away from. In these circumstances, the scenario would be covered under performance management clauses in the contract and also dealt with under Exit/Termination clauses, such as what happens if an insolvency event occurs and what is our recourse.

B) So do we have a "living will" arrangement - No is the short answer. There is no need for any 'living will' type arrangement in place with Discovery or Dimensions UK. In the event Discovery were to fail or become insolvent Dimensions UK would take over operation of the Services as the parent company. In the event Dimensions UK were to fail or become insolvent, as a separate legal entity Discovery could potential continue trading albeit without the support of Dimensions UK. There is also a Performance Bond in place. Somerset County Council</td></tr>
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is reassured that the current arrangements in place are more than sufficient that a "Carillion" type even would be highly unlikely to occur in the Discovery contract.

Discovery have a Business Continuity Plan and Service Continuity Plans for each of their services which are refreshed annually. In the event of a critical incident Somerset County Council have access to these plans in order to provide support to Dimensions UK to take over the running of the service in the event of a whole service failure.

PQ/MQ	From	Topic	Question/Statement	Response
PQ5	Nigel Behan	Getset	In the Getset Public Consultation (http://www.somersetconsults.org.uk/consult.ti/Getset/consultationHome) it is stated: "The County Council, like councils across the country, has had its funding from central Government significantly reduced in recent years. As a result, we have had to consider ways to reduce spending in all our services. Considerable savings have already been made by working differently and more efficiently, but we also have to consider savings that can only be made by reducing the levels of service we provide." And: "Our proposal is that the County Council stops providing getset support for children and families with additional needs at Level 2. This would mean the groups and activities that the getset Level 2 service currently provides, along with the targeted work that supports individual families would stop." And also: "Please note: As well as the getset groups above, there are an estimated 427 similar groups and activities that are run by other people or organisations that provide the same kind of support for children and families with both universal (Level 1) and additional needs (Level 2). These are run by many different community groups and organisations, often in community venues such as libraries and churches, and sometimes in children's centres. This includes health run sessions such as local healthy child clinics, young parents support and breastfeeding support which will continue."	Cllr Frances Nicholson, Cabinet Member for Children and Families

			Can you supply the risk register associated with the 427 groups taking on additional work and, if there is no additional capacity identified, are there examples in other local authority areas were they have removed similar provision?	

Answer:

There is work underway now to identify the support and capacity that exists in Somerset. The public consultation will also help to inform this and will be used to inform the equality impact assessment that will help to identify where there are any gaps in support for our most vulnerable children and families. This in turn will inform the final recommendations for the future of getset to cabinet in February 2019, alongside any detailed exit and transition plans for group activity and individual family work as appropriate.

PQ/MQ	From	Topic	Question/Statement	Response
PQ6	Andrew Lee	Broadband	Openreach are about to be offered more work on getting superfast broadband to Somerset homes. The money they are returning to be spent on a new project could surely be given to someone else just as easily to do the job properly. When the Connecting Devon and Somerset project was set up - to which SCC contributed £10m, parishes and various community organisations were contacted by SCC and CDS with documentation promising the project would deliver 90% broadband coverage. This project has, according to latest figures from the House of Commons library (published this month), failed to delivery 90% coverage in 4 out of 5 of constituencies in the SCC area (only Yeovil has over 90%). These figures though are after Gigaclear has been working on an additional project to extend coverage. That may not have gone well but it has increased coverage. The problems with Gigaclear are well documented. The fact is the best ranked constituency in Somerset - that of Yeovil - is ranked 492 out of 650 constituencies in the UK. Somerton & Frome is ranked 616. Why has SCC not held Openreach to account when we are still way off having 90% coverage. In Somerton & Frome coverage is actually only 81%. Why have Somerset businesses been left lagging far behind the rest of the country, despite £94m being spent on the project? And why should Openreach continue to do yet more work in Somerset on the broadband project?	Cllr David Hall, Cabinet Member for Economic Development, Planning and Community Infrastructure

Answer:

Thank you Andrew for your question.

Turning first to broadband coverage, central government estimated that overall two thirds of all broadband infrastructure in rural England would be provided commercially. However commercial coverage across Somerset at 40% is lower than this and CDS has already funded 46% of the superfast coverage across the whole county with a further 8% coverage planned in the Phase 2 contracts.

The Government announced in December that it had achieved its target of 95% superfast broadband coverage nationally. However, this is an average figure for the whole country including urban areas and also includes all the commercial-funded provision.

Superfast coverage for Somerset is made up 2 elements: Commercial Broadband deployment by companies such as BT and Virgin and CDS deployment.

When CDS entered into contract with BT/Openreach for phase 1, a process called an Open Market Review (OMR) was used to identify commercial build scope and scale. Information from operators about their commercial deployment plans identified areas where commercial deployment was not planned and informed the areas where the phase 1 contract should deliver.

The phase 1 contract target for superfast delivery was for 278,000 premises which when added to commercial build that had already taken place and the build which commercial providers had shown they were planning to deliver should have provided a total superfast deliver of 90% superfast coverage for the CDS area.

BT/Openreach delivered its contractual target of 278,000 and in fact surpassed this figure by a significant amount. The shortfall in delivery is a result of commercial providers failing to deliver on the commercial deployment plans. Whilst CDS and SCC can express disappointment at the lack of commercial deployment we have no commercial levers to require any telecom provider to undertake commercial deployment.

I can confirm that BT/Openreach will be carrying out further Superfast Broadband deployment as part of the Connecting Devon and Somerset (CDS) Broadband Programme. However, I must explain that this is a result of a contractual commitment for BT/Openreach to return money to the CDS programme as take-up of superfast broadband rises.

Turning to your question about Somerset lagging behind the rest of the Country, it is important to say that whilst CDS is the biggest programme in England, its deployment area is extremely rural and therefore the cost of deployment is significantly more due to the dispersed nature of premises.

The constituencies that top the ranking tables are almost all urban areas where deployment is far easier and much less costly.

PQ/MQ	From	Topic	Question/Statement	Response
PQ7	Eva Bryczkowski	Council Spending	The Council has stated that it has had to make difficult decisions regarding having to make savage cuts in services. Employees affected by these cuts have had to make far far more difficult decisions on what to spend their money on – which bills do they pay first, mortgage/rent, heating and other costs, as they are increasingly plunged into debt, particularly the employees you have decided to make redundant. 1. Regarding capital spending and the refurbishment of part of County Hall, (which has been reported will cost 9.9 million pounds), as a council tax payer, I believe that this capital could be spent on more sorely needed things. Surely that's not the ONLY thing the Council can spend it on, and I'm wondering whether the Council can provide other examples of what the money could be spent on? 2. Regarding Council Tax, this could be raised up to the limit allowed by the government. It might seem controversial but the Council could explain to council tax payers what the money is needed for and why it had to be raised. Rather than another consultation, (which I believe is not necessary up to a certain amount, if I'm not mistaken), the Council could consider doing this to avoid some of the savage cuts it has decided to make. 3. Regarding employees being made redundant, when I was a care assistant for 16 years, many employees at risk did not get suitable jobs. I am wondering whether councillors, (I realise you are in a very difficult situation), can demonstrate that you have empathy with the people affected by these cuts and redundancies imposed on employees. You say that we are all in it together. Prove it by at least cutting the salaries of the highest earners to the level of the average employee, or better still, to the level of some of the lowest earners. They can afford it and this would save money. The Council might respond by stating that we need to pay them high salaries. I would like to quote something:-	*Response by Leader of the Council, Cllr David Fothergill*

			To make the rich work harder we pay them more. To make the poor work harder we pay them less. Some may think this is a controversial statement, but, in other words, let's have equality for all employees. They all contribute in important ways. Finally, again, I fully appreciate that the Council is in a difficult financial position. I'd like to suggest, if at all possible, that the Council consider having a moratorium on present and future planned cuts, ('savings' sound better, but they ARE cuts), and aim for a win-win outcome between the Council and people affected by the cuts. Not compromise, where the more powerful party ends up getting a lot more than the least powerful. A win-win with the people affected, and when negotiating with the relevant trade unions. We all need to work together for the good of all the employees, groups, and individuals affected by the situation we find ourselves in.	

Answer:

1. This plan is about ensuring one of the Council's key assets is fit for purpose while saving money by bringing staff back to County Hall and relinquishing costly leased premises elsewhere in Taunton.

   There has been no significant investment in this listed building since the 1980s and as an invest to save project it will also yield an immediate and ongoing payback for the Council amounting to over £700,000 revenue savings annually.

   Over £6.4 million, two thirds of the total cost, is taken up by the essential works including a replacement of the boiler and heating system, asbestos removal and electrical works which are needed to keep County Hall and the Crown Courts at Shire Hall functioning.

   The remaining £3.5 million will achieve the immediate and ongoing revenue savings of over £700,000, generated by modernising the offices so staff can be moved in from several other buildings in the Taunton area, ending significant lease costs.

   Importantly, these works will also free up C Block for sale or redevelopment at substantial benefit to the Council, as it will become surplus to needs.

   You ask about alternative spending and further proposals for capital spending will be presented to Scrutiny meetings and the Cabinet over the next month or so. All of these are aimed at improving our infrastructure to either release savings, generate income or ensure that the Council's statutory obligations are met.

2. All of the Council's financial planning for the future is based upon raising the Council tax to the maximum permitted by government regulation. For 2019/20 this is 3% for our core Council Tax and a further 1% for the Adults Social Care precept. The Council does not need to consult if the intention is to raise the Council Tax by up to these levels.

   If there is any suggestion of raising the Council Tax above the referendum limit (currently 3% for 2019/20) then the Council would have to undertake a referendum of local residents. There is no intention to follow this route at this time as the prospect of a positive vote for an additional increase is extremely limited and the cost and disruption of the referendum itself is significant.

3. Like all local authorities, we have to live within our resources. This does mean that teams will be restructured as we look to change the way in which services are commissioned and delivered. It also means that we have improved many of our services, such as children's and adults' social care, with our highways continuing to be recognised as top-performing. Independent reports, such as our Peer Review and Ofsted, demonstrate an improving council.

   You have asked whether councillors empathise with people affected by reductions to services and who are faced with the prospect of redundancy. This is something that I have witnessed during my career in other organisations as well as Somerset County Council and of course I feel for those who are affected. I do know that officers are doing as much as they can to support those who apply for voluntary redundancy and to redeploy those who are faced with compulsory redundancy.

Regarding your points about pay and equality, this Council would never suggest we pay people less so that they work harder. We are part of national terms & conditions that are agreed with trade unions and we uphold the principles and value of robust job evaluation when assessing what to pay for roles. This applies to all roles, from business support staff to social workers to directors. There have been no gratuitous pay increases for our senior staff and annual pay awards for the leadership team follow national agreements. We regularly compare the number of senior staff and their pay with other relevant organisations and we are most certainly not at the top end. You may also recall that there was a restructure of our leadership team, earlier this year, which resulted in a post being made redundant. All of the information on senior salaries is, of course, publicly available.

PQ/MQ	From	Topic	Question/Statement	Response
PQ8	Mr David Redgewell	Public Transport	1.We want to see Somerset Council supporting the bid from the Great Western Railway Community Fund for the West Somerset Railway to run the service for 60 days from Bishops Lydeard to Taunton next summer. 2. We want the West Somerset Councils and Minehead Town Council to work together to improve the buses between Taunton and Minehead and also to ensure that local buses in Taunton are well connected to the Railway.	Cllr John Woodman, Cabinet Member for Highways and Transport

			3.The council should also ensure that good bus passenger waiting facilities are available at Minehead railway station. 4.What liability does the County Council as owners of the West Somerset Railway have regarding the remedial work directed by the Office of Road and Rail? 5.Will the County Council make a statement to the Transport Select Committee “Health of the Bus Market”on how their partnerships work with local councils, parish councils and local bus operators such as First – which led services under threat continuing.	

I would like to thank Mr Redgewell for his questions and statements regarding public transport. Responding to each point in turn.

We are very happy to discuss with GWR and West Somerset Railway what support they need for the bid to the Great Western Railway Community Fund. However, we are not in a position to be able to offer any financial support.

I note your aspiration to improve bus services between Taunton and Minehead, and the link to the railway. This is a commercial service, but we are happy to participate in any discussions that may be taking place regarding improvements to the service and customer waiting facilities.

In response to the query regarding the Council’s liabilities, any remedial works identified by the Office of Road and Rail are the responsibility of West Somerset Railway PLC as the Statutory Railway Operator.

Finally, I can confirm that we will be submitting a short paper to the Transport Select Committee enquiry which will outline the challenges of bus provision in our rural County.

PQ/MQ	From	Topic	Question/Statement	Response
MQ1	Amanda Broom	Cresta Pool	In October, the government have launched a new “Drive to ensure all children can swim by the end of primary school”. This drive will see the government rolling out more swimming lesson, extra teaching and improved guidance – supported by £320 million PE and Sport Premium. Considering that Somerset County Council would not sell the Cresta pool to the community of Chard, can I ask if Somerset County Council will be lobbying the Government to see if some of the intended money can be used to help primary	Cllr David Hall, Cabinet Member for Economic Development, Planning and Community Infrastructure

			schools in and around Chard get their pupils to swimming lessons? This is in light of most primary schools having now seen a decrease in the amount of swim time for pupils since the closure of the Cresta pool.	

Answer:
Thank you Amanda for your question.

We welcome the commitment by the Government to ensuring that every child learns to swim by the end of primary school.

The PE and Sport Premium is a grant that has been around for a few years now (since the 2012 Olympics). The grant must be used to fund additional and sustainable improvements to the provision of PE and sport for the benefit of primary-aged pupils in order to encourage the development of healthy, active lifestyles.

The premium will be paid to schools by the County Council or Education Funding Agency (dependent on their status) and it will be for each school to decide on their priorities for use of this funding.

We are expecting some guidance from Swim England following the recent announcement. Amanda - officers will ensure you are provided with a copy of the guidance when it becomes available.

PQ/MQ	**From**	**Topic**	**Question/Statement**	**Response**
MQ2	Terry Napper	A361	What is the mechanism to change the A361main route? Could you explain the process required to remove the designation as a county freight route on A361 between Cannards Grave and Glastonbury?	*Cllr John Woodman, Cabinet Member for Highways and Transport*

Answer:

The Council's freight route designations form part of the Local Transport Plan. The Council will be refreshing the LTP strategy including its transport policies over the next eighteen months or so. There will be a consultation as part of the refresh process followed by a Cabinet decision to adopt the revised plan. There is currently no intention to change the freight route designations as part of this refresh.

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COUNTY COUNCIL

Minutes of an Extraordinary Meeting of the County Council held in the Council Chamber, Shire Hall, Taunton on Wednesday 28 November 2018 at 10.00 am

Present: Cllr C Aparicio Paul, Cllr M Best, Cllr A Broom, Cllr P Clayton (Vice-Chair in the Chair), Cllr J Clarke, Cllr S Coles, Cllr A Dance, Cllr H Davies, Cllr M Dimery, Cllr B Filmer, Cllr D Fothergill, Cllr G Fraschini, Cllr A Govier, Cllr A Groskop, Cllr D Hall, Cllr M Healey, Cllr N Hewitt-Cooper, Cllr James Hunt, Cllr John Hunt, Cllr D Huxtable, Cllr M Keating, Cllr A Kendall, Cllr C Lawrence, Cllr M Lewis, Cllr L Leyshon, Cllr J Lock, Cllr T Lock, Cllr T Napper, Cllr G Noel, Cllr L Oliver, Cllr J Parham, Cllr L Redman, Cllr B Revans, Cllr G Verdon, Cllr W Wallace, Cllr A Wedderkopp, Cllr J Williams, Cllr R Williams, Cllr J Woodman.

112 **Apologies for Absence** - Agenda Item 1

Apologies for absence were received from: Cllrs Nigel Taylor, Mike Caswell, John Thorne, Tony Lock, Mike Pullin and Dave Loveridge.

113 **Declarations of Interest** - Agenda Item 2

Members' written notifications of interests were affixed to the Notice Board at the back of the Council Chamber for the duration of the meeting

114 **Public Question Time** - Agenda Item 3

There were none.

115 **Electoral Division name change proposal – Report of the Constitution and Standards Committee** - Agenda Item 4

(1) Strategic Manager for Partnerships Governance, Julian Gale, introduced the report which set out a recommendation from the Constitution and Standards Committee to change the name of the Wellington Electoral Division to the Wellington and Rockwell Green Electoral Division.

(2) Members were informed this followed consideration of proposals to change the names of four electoral divisions to better reflect their local geography and community identities.

(3) Electoral division names were normally decided by the Electoral Commission at the time of a boundary review but because it was half way through the boundary review timetable the legislation allowed the Council to amend electoral division names in accordance with the required process. This had been quite a laborious procedure.

(4) Cllr Andrew Govier, representing Wellington, explained that the recommendation was non-political and had the support of Wellington Town Council.

(5) The Council RESOLVED unanimously to agree to change the name of the Wellington Electoral Division to the Wellington and Rockwell Green Electoral Division and inform the Electoral Commission accordingly.

The Council also noted that the Committee had not made any recommendations for changes to the names of the:
(a) Castle Cary Electoral Division
(b) Blackdown and Neroche Electoral Division
(c) Watchet and Stogursey Electoral Division.

(The meeting ended at 1.26pm)

CHAIR

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Chairman's Information Sheet No. 3

Information

for County Councillors

From:	Nigel Taylor, Chair of Somerset County Council

Date:	28/11/2018– 19/02/2019

To:	All County Councillors

Chairman's Report – 28/11/2018- 19/02/2019

December 2018

6 December — The Vice Chair attended the British Empire Medal Presentation as a guest of the Lord Lieutenant.

7 December — The Vice Chair attend the David Copperfield Presentation at The Warehouse Theatre, Ilminster as a guest of the Mayor of Ilminster.

13 December — The Vice Chair and consort attended the Mayor of Taunton's Christmas Carol Service held at St Mary Magdalene Church, Taunton.

18 December — The Chair visited the local Royal Mail Sorting Office in Taunton.

18 December — The Vice Chair attending Bridgwater and Taunton College Christmas Concert.

January 2019

25 January — The Chair and Mrs Taylor attend the Evening Reception at Haynes Motor Museum, Sparkford for Girlguiding South West.

26 January — The Chair attended the tree planting at the Somerset Wood.

28 January — The Chair attended a Holocaust Memorial Day service at St Johns the Evangelist Church, Taunton.

30 January — The Chair attended a Royal Visit at Frome Medical Centre.

31 January	The Chair and Mrs Taylor were guests of the Mayor of Chard at the CATS presentation of Cinderella.

February 2019

15 February	The Vice Chair and consort attended as a guest of the Mayor of Yeovil at the annual charity ball held at Westlands Entertainment Centre, Yeovil.
16 February	The Vice Chair and consort attended the Mayor of Burnham on Sea's Charity Fund Raising event at The Oaktree Arena.
19 February	The Chair and Mrs Taylor attended as guests of South Somerset's Chairman to the Civic Evening held at the Octagon Theatre, Yeovil.

Somerset County Council
County Council
– 19 February 2020

Report of the Leader and Cabinet – Items for Decision

Cabinet Member: Cllr D Fothergill – Leader of the Council
Division and Local Member: All
Lead Officer: Scott Wooldridge, Strategic Manager-Governance & Democratic Services and the Monitoring Officer
Author: Scott Wooldridge, Strategic Manager-Governance & Democratic Services
Contact Details: 01823 357628

1. Summary

1.1 This report sets out the Leader's and Cabinet's recommendations to Council arising from their consideration of reports at the Cabinet meetings on 22 January and 10 February 2020.

Note: The references in this report to Papers A and B relate to the relevant reports considered by the Cabinet containing specific recommendations to the County Council meeting on 19 February.

1.2 **Paper A (the Medium Term Financial Plan 2020/21 – 2022/23, including the Revenue Budget, the Capital Strategy, the Minimum Revenue Provision statement and the Section 25 Statement from the Section 151 Officer)** was considered by the Council's three scrutiny committees during January ahead of the Cabinet meeting on 10 February.

All three Scrutiny Committees received an update and overview that summarised the key messages from the Medium-Term Financial Plan (2020-23) Strategy Report considered and approved by Cabinet on 18 December 2019. It also included an overall assurance narrative from the Cabinet Member for Resources and the Section 151 Officer alongside more details about the key areas of focus for transformation in the next few years, and further explanation of the reasons for movements in levels of spend and funding between years over the MTFP period.

All three Committees considered the information presented in detail and provided challenge to both the Cabinet Member for Resources, the Section 151 Officer and other Cabinet Members and Directors present. All of the Committees noted the report and none made any formal recommendations to the relevant Cabinet Member or the wider Cabinet, however each Committee made comments and observations regarding the proposed MTFP that they wished to be noted:

Scrutiny for Children and Families Committee:

- Supported the financial strategy and welcome the long-term view as presented;
- Noted that the Director of Children's Services was content with the rebasing of the budget for the 2020/21 financial year, representing a 7.9% on year increase;
- Noted the uncertainty of some grant funding, as this represented about 4% of the Children's Services budget and the potential impact on future funding/spending;
- Supported the Director of Children's Services and staff and to encourage the Director and Cabinet to continue to seek and develop innovative solutions

Scrutiny for Adults and Health Committee:

Welcomed the fact that the budget did not include any further cuts (apart from those previously announced) and agreed that the Committee would raise the need for the costs of the 'Agenda For Change' to be funded by Central Government and not be sliced from local budgets. The Committee requested whether the Cabinet Member could write to the appropriate Government Minister to request that any additional costs incurred as a result of the Government's Policy 'Agenda for Change' are met from central government funding.

Scrutiny for Policies and Place Committee:

The Committee, who have overall responsibility for corporate scrutiny, noted that whilst full and final details for the funding that the Council expected to receive would be included in the Cabinet and Full Council reports being prepared for February 2020, all funding known at this stage was included in the report.

Members further noted the on-going risks within approved budgets, the levels of reserves, balances and contingencies, as well as the mitigations aimed at limiting the impact on core services, especially those prioritised in the County Plan. The report included the relevant service pressures and movements within the balanced budget position as well as the relevant service transformation activities.

During discussion the committee questioned the forecast around the Minimum Revenue Provision for future generations and were advised that historic debt was forecast until 2070 to gauge a long term view. Emphasis was placed on the pressure around Children's and Adult's Services and what could be done to mitigate pressures around demographic demands and that a decision was still to be made in relation to continue the existing Small Improvement Schemes (SIS).

The Cabinet considered the MTFP paper, feedback from Scrutiny and at its meeting on 10 February it endorsed the recommendations in Paper A and further agreed for these to be recommended to Full Council for approval.

Members are reminded to consider the Section 151 Officer's statement in Appendix L regarding the robustness of the estimates and the adequacy of the reserves and balances.

1.3 **Paper B (Treasury Management Strategy Statement 2020-21)** was considered by the Audit Committee on 30 January. No specific recommendations were made by the Audit Committee to the Cabinet meeting on 10 February. The Cabinet agreed at their meeting on 10 February for the proposals in Paper B to be recommended to Full Council for approval.

2.0 Recommendations

2.1 Medium Term Financial Plan 2020/21-2022/23 - see Paper A and its appendices that Cabinet considered and endorsed at its meeting on 10 February 2020.

The Council is recommended to:

1. Take account of the Section 151 Officer's assessment of the robustness of budget and adequacy of reserves on the budget proposals as set out in **Appendix L.**

2. Agree the net revenue budget in 2020/21 of **£338,370,800.**

3. Agree to increase the level of the general Council Tax by 1.99%, which will provide a further £4.924m to support the Councils expenditure on services.

4. Agree to increase Council Tax by a further 2% for the adult social care precept, which will provide a further £4.949m to support the growth in demand for services.

5. Agree to continue the Council Tax precept of £12.84 within the base budget for the shadow Somerset Rivers Authority (representing no increase). This results in a Council Tax Requirement of £2,562,543.

6. Agree the precept requirement of **£257,292,090** for 2020/21 and set the County Council precept for Band D council tax charge at **£1,289.20** for 2020/21. This is a rise of £0.95 per week for a Band D property.

7. Note that the amount of council tax payable for dwellings listed by valuation band, calculated in accordance with the proportion set out in Section 5(1) of the Local Government Act 1992, shall be as follows:

Valuation Band	Amount £
A	859.47
B	1,002.71
C	1,145.96
D	1,289.20
E	1,575.69
F	1,862.18
G	2,148.67
H	2,578.40

8. Approve the use of earmarked reserves as follows:
    a. Contribution to Social Care Transformation Reserve £4.472m
    b. Contribution to Insurance Fund Reserve £2.067m
    c. Contribution to Budget Equalisation Reserve £4.562m
    d. Contribution to Social Care Volatility Reserve £2.343m
    e. Draw from Corporate Priorities Reserve £5m (£4.831m in 2020/21, and £0.169m in 2021/22)
    f. Draw from various service Earmarked Reserves £2.047m.

9. Agree the proposals for transformation (as set out in **Appendices A to G)**, and delegate the implementation to the relevant Director(s) following due process.

10. Agree that due regards have been taken to any equalities implications identified and risk implications prior to any decision being taken in relation to the recommendations in this report, noting the initial equalities impacts.

11. Agree to keep the current Members' Allowances Scheme unchanged for 2020/21, noting the work being undertaken ahead of the County Council elections in 2021.

12. Note that the Leader of the Council, Cabinet Member for Resources, Chief Executive and Section 151 Officer will oversee and monitor the delivery of the proposals for transformation and report on progress as part of the budget monitoring reports.

13. Delegate authority for the development of any additional alternative proposals for transformation that may be necessary to the Chief Executive in consultation with the Section 151 Officer and relevant Director(s).

14. Delegate powers to the Section 151 Officer following consultation with the Leader of the Council, to finalise budget proposals following analysis of the final Local Government Financial Settlement and confirmation of the Business Rates income.

15. Approve the allocation of the Schools' Block element of the dedicated schools grant (DSG) as set out in **section 6** of the report.

16. Delegate approval of the final formula factors for individual schools 2020/21 to the Cabinet Member for Children and Families, the Cabinet Member for Education and Transformation and the Cabinet Member for Resources.

17. To note the Capital Strategy and adopt the Prudential Code Indicators set within the document.

18. Approve the proposed additions to capital programme for the period 2020/21 to 2023/24 of £123.961m, as set out in **section 9** of the report.

19. Approve that the Chief Executive and the Senior Leadership Team, following appropriate consultation and after giving due regard to the information contained within any associated impact assessments, are given delegated authority to decide on the individual capital projects to be delivered within block allocations.

20. Approve that the Section 151 Officer is given delegated authority to accept any additional grants or funding that is made available to the County Council together with authority to consequently expand the approved capital programme, providing there are no negative revenue budget implications as a result of that action.

21. Approve the continuation of the current MRP Policy for 2020/21.

2.2 **Treasury Management Strategy Statement 2020/21 –** see Paper B and its appendices that Cabinet considered and endorsed at its meeting on 10 February 2020.

The Council is recommended to :

1. **Adopt the Treasury Management Strategy (as shown in Section 2 of the report);**

2. **Approve the Treasury Investment Strategy (as shown in Section 3 of the report) and proposed Lending Counterparty Criteria (attached at Appendix B to Paper B);**

3. **Adopt the Prudential Treasury Indicators in section 4 of the report.**

3. Options considered and consultation undertaken

3.1 Options considered and details of consultation undertaken in respect of the recommendations set out above are set out in the reports and appendices within Papers A and B.

4. Implications

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

In accordance with the requirements of the Localism Act 2011 the Authority is required to approve a Council Tax Requirement on an annual basis. In order to calculate a balanced budget the Council has to calculates its Budget Requirement by estimating all future revenue income and forecasting future expenditure requirements and taking into account movements to or from reserves.

The obligation to make a lawful budget each year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer.

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

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

5. Background Papers

5.1 These are set out within Papers A and B and their appendices.

Cabinet
- 11 February 2019

Paper A

Capital Strategy 2019/20 - 2021/22

Cabinet Member(s): Cllr Mandy Chilcott, Cabinet Member for Resources
Division and Local Member(s): All
Lead Officer: Peter Lewis, Director of Finance
Author: Ben Bryant, Accountant, Corporate Finance
Contact Details: 01823 359576

	Seen by:	Name	Date
	County Solicitor	Honor Clarke	28/01/19
	Monitoring Officer	Scott Wooldridge	18/01/19
	Corporate Finance	Peter Lewis	28/01/19
	Human Resources	Chris Squire	28/01/19
	Property	Paula Hewitt / Claire Lovett	28/01/19
	Procurement / ICT	Simon Clifford	28/01/19
	Senior Manager	Peter Lewis	28/01/19
	Commissioning Development Team	Vikki Hearn	29/01/2019
	Local Member(s)		
	Cabinet Member	Cllr Mandy Chilcott	28/01/19
	Opposition Spokesperson	Cllr Liz Leyshon	29/01/2019
	Relevant Scrutiny Chairman	Cllr Anna Groskop for Scrutiny Place	29/01/2019
Forward Plan Reference:	FP/18/12/07		
Summary:	The Cabinet considered the proposed Capital Programme for 2019/20 and beyond at its meeting on 23 January for recommendation to the Council on 20 February. That programme shows an investment of £224m in the County. The Capital Strategy appended to this report, which is new for 2019/20, gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services. There is also an overview of associated risk and how it is managed along with the implications for future financial sustainability. Most significantly, this strategy introduces the concept of non-treasury investments and how they might contribute towards supporting the revenue budget of the Council in future years. The proposals in regard of non-treasury investments are not yet fully formulated so this report seeks delegated authority for a small group of members and officers to design the governance arrangements and ambitions for this part of the strategy.		

Recommendations:	1. That the Cabinet recommends the Capital Strategy 2019/20-2021/22, and the prudential indicators contained within, to the Council for consideration and approval at their meeting on 20 February 2019 (as set out in Appendix 1). 2. That the Cabinet and Council agree to delegate authority to the Section 151 Officer, in consultation with the Leader, Deputy Leader, Opposition Spokesperson for Resources, Monitoring Officer and County Solicitor, to design the governance arrangements and remit of the non-treasury investments for recommendation to, and approval by, the Cabinet and the Council before the end of July 2019.
Reasons for Recommendations:	This is a new requirement of statutory guidance for 2019/20 and as a result must be considered and approved by the Council alongside the Capital Programme. The non-treasury investment proposal requires further investigation and deliberation before firm recommendations can be made to the Cabinet for implementation.
Links to County Vision, Business Plan and Medium Term Financial Strategy:	The Capital Strategy provides an overview of Capital Expenditure, Capital Financing and Treasury Management, all of which contribute of the delivery of the County Vision. Furthermore, the non-Treasury investment proposal is aimed to produce a positive net revenue income stream for the Council which would contribute towards the delivery of all objectives.
Consultations and co-production undertaken:	The Capital Programme has been subject to Scrutiny (in December 2018), but this strategy has not been the subject of wider consultation at this time. It is proposed that, should it be necessary, there will be further consultation on non-treasury investments as the proposals are developed.
Financial Implications:	There are no specific financial implications arising directly from this report, although the contents of the report shape and influence a range of other financial matters, including the Capital Programme, for which detailed financial implications are set out in the relevant reports.
Legal Implications:	The Local Government Act 2003, section 15(1), requires a local authority "…to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify…".

	The Secretary of State issued statutory guidance in 2018 regarding 'Local Government Investments' which came into effect from 1 April 2018. 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. 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. 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.
HR Implications:	There are no specific HR implications arising from this report.
Risk Implications:	The section of the Strategy that relates to non-treasury investments identifies a range of risks that could emerge from such an approach. It is essential that the further development of these proposals, through the working group, clearly identifies and evaluates the risks associated with non-treasury investments of the type described in the Strategy. It is only after that evaluation that an appropriate risk score can be identified. **Likelihood** | | **Impact** | | **Risk Score** |
Other Implications (including due regard implications):	**<u>Equalities Implications</u>** There are no Equalities implications arising from this report **<u>Community Safety Implications</u>** There are no Community Safety implications arising from this report **<u>Sustainability Implications</u>**

	There are no Sustainability implications arising from this report **Health and Safety Implications** There are no Health and Safety implications arising from this report **Privacy Implications** There are no Privacy implications arising from this report **Health and Wellbeing Implications** There are no Health and Wellbeing implications arising from this report
Scrutiny comments / recommendation (if any):	The Capital Strategy will be considered by the Audit Committee on 31 January 2019; feedback will be given to the Cabinet as part of its deliberations prior to making any recommendations to Council.

1. Background

1.1. As is set out in the Capital Strategy attached to this report, it is a new requirement for 2019/20. The Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2. The Strategy addresses the capital components of the wider financial strategies adopted by the Authority. It identifies the links and relationships that need to be made in considering and implementing the Capital Programme to support the Corporate Asset Management Plan objectives. This is done through the Medium Term Financial Plan (MTFP) and alerts services to the governance and control framework within which the investment planning and delivery takes place.

1.3. Perhaps of significant interest in this Strategy is the introduction of the proposal to consider non-treasury investments (Treasury Investments are dealt with in the Treasury Management Strategy Statement elsewhere on the agenda for the Cabinet meeting on 11 February). With central government financial support for local public services declining, the Council intends to explore investing in non-treasury investment options purely or mainly for financial gain. With this in mind a sum of £100m has been noted in the Capital Programme as being identified for this purpose pending the appropriate strategy and governance being put in place.

1.4. The attached document sets out a range of considerations that should be taken into account in developing the Council's approach to non-treasury investments. This report then seeks delegated authority to the Section 151

Officer to engage with a small working group as part of the development and preparation of detailed proposals for the governance of non-treasury investments for consideration and agreement by the Council.

2. Options considered and reasons for rejecting them

2.1. It is now a regulatory requirement that a Capital Strategy is produced for consideration and agreement by the Cabinet and Council so there is no other option but to present this document.

2.2. In regard of non-treasury investments, the proposal is to consider suitable governance and investment arrangements to proportionally manage risk and deliver a suitable financial return to the Council to support the revenue budget. Within this proposal there are options, in terms of the type of investment considered, that are set out in the Strategy.

2.3. An alternative option is to avoid making any non-treasury investments. This should be part of the deliberations of the working group that is proposed to be set up as a result of this report.

3. Background Papers

3.1. The most significant background papers for this report are:

- Capital Programme 2019/20 – Cabinet 23 January 2019
- Treasury Management Strategy Statement – Cabinet 11 February 2019

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Appendix 1

Somerset County Council

Corporate Capital Strategy 2019/20– 2021/22

Capital Strategy Report 2019/20

Contents

1. Background and Context

This capital strategy is a new report for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

It addresses the capital components of the wider financial strategies adopted by the Authority. It identifies the links and relationships that need to be made in considering and implementing the Capital Programme to support the Corporate Asset Management Plan objectives. This is done through the Medium Term Financial Plan (MTFP) and alerts services to the governance and control framework within which the investment planning and delivery takes place.

The Capital Programme is the term used for the Council's rolling plan of investment in both its own assets and those of its partners. The programme spans multi-years and contains a mix of individual schemes, many spanning more than one year. Some schemes will be specific investment projects while others may provide for an overarching schedule of thematic works e.g. "Highways".

Investing in assets can include expenditure on:

- Infrastructure such as highways, open spaces, coast protection;
- New build;
- Enhancement of buildings through renovation or remodelling;
- Major plant, equipment and vehicles;
- Capital contributions to other organisations enabling them to invest in assets that contributes to the delivery of the Council's priorities.

The Capital Programme is distinct from the Council's revenue budget which funds day-to-day services, but they are both linked and are managed together. This ensures they contribute to the Council's objectives set out in its County Plan and Corporate Asset Management Plan to achieve the most beneficial balance of investment within the resources available.

There is a strong link with the Treasury Management Strategy[1] that provides a framework for the borrowing and lending activity of the Council supporting the historic investment programme. Asset information can be obtained from the Corporate Property Group which manages the built estate as Corporate Landlord. Additional (non-property information) can be found within various service plans maintained by Services.

[1] Treasury Management Strategy link: *to be added when approved at Full Council*

2. Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

The Council has the ability to set a de-minimis level to capture only significant assets, however does not opt to do so. This allows the Council to review every item of expenditure and capitalise as appropriate.

- For details of the Council's policy on capitalisation, see the accounting policy (No.14 PPE) within the annual statement of accounts: http://www.somerset.gov.uk/information-and-statistics/financial-information/budgets-and-accounts/

In 2019/20, the Council is planning capital expenditure of £196.230m. The following table shows our planned spend for the future:

Table 1: Estimates of Capital Expenditure in £ millions

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Capital Expenditure	103.606	126.733	196.230	103.633	71.598

This table includes both the current approved capital programme and the proposed 2019/20 programme due to be put to Full Council on 20th February 2019. For example, the 2019/20 budget of £196.230m is made up of £106.829m current programme and £89.4m 2019/20 proposed new schemes.

Service managers bid annually to include projects in the Council's capital programme. Bids are collated by corporate finance who calculate the financing cost (which can be nil if the project is fully externally financed). The bids are appraised against a set criterion including a comparison of service priorities against financing costs. The Senior Leadership Team undertakes a final review before the draft capital programme is then presented to relevant Scrutiny Committee(s) prior to its consideration by the Cabinet in January for recommendation to Council in February each year.

For full details of the Council's 2019/20 capital programme, see the council's website at : http://democracy.somerset.gov.uk/ieListDocuments.aspx?CId=134&MId=731&Ver=4

All capital expenditure must be financed, either from external sources (government grants and other contributions such as S106 and CIL), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
External sources	86.155	103.401	124.301	53.561	29.966
Own resources	5.550	1.540	2.736	1.335	0
Debt	11.901	21.792	69.193	48.737	41.632
TOTAL	**103.606**	**126.733**	**196.230**	**103.633**	**71.598**

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Planned MRP budgets are as follows:

Table 3: MRP for the repayment of debt in £ millions

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Own resources	0.000	1.039	2.269	3.910	4.927

- The Council's full minimum revenue provision statement is available here: *link to MRP statement going to audit committee in Jan19*

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP, lease principal repayments and capital receipts used to replace debt. The CFR is expected to increase by £66.924m during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
TOTAL CFR	**366.115**	**386.868**	**453.792**	**498.619**	**535.324**

Asset management: To ensure that capital assets continue to be of long-term use and support the county plan, the Council has an asset management strategy in place.

- The Council's asset management strategy can be read here: http://www.somerset.gov.uk/organisation/council-buildings/. This strategy is due for renewal and is planned to be updated during 2019.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £10.772m of capital receipts in the current financial year.

Table 5: Capital receipts in £ millions

	2017/18 actual	2018/19 forecast	2019/20 budget
TOTAL asset sales	**7.799**	**10.772**	**9.850**

Ministry of Housing, Communities and Local Government (MHCLG) have issued a 'flexible use of capital receipts' directive. This allows transformation projects which will save revenue budget to be funded from capital receipts. This directive was issued in 2016 and is extend until 2021/22. The Councils use and planned use of this can be found…*Summary to be presented to Cabinet [link]*

3. Treasury Management

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

The budget for debt interest paid in 2019/20 is £16.12m, based on an average debt portfolio of £356.3m at an average interest rate of 4.52%. The budget for investment income in 2019/20 is £1.53m, based on an average investment portfolio of £160m at an interest rate of 0.95%. (These figures are net of balances held on behalf of external investors i.e. the Local Enterprise Partnership).

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

Projected levels of the Council's total outstanding debt (which comprises borrowing, Private Financing Initiatives (PFI) liabilities, are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: External Debt and the Capital Financing Requirement in £ millions

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
Short term debt	8.360	10.000	10.000	10.000	10.000
Long term debt *	316.101	309.606	306.483	301.285	294.708
Assumed debt not yet taken	0.000	21.792	90.985	139.723	181.355
PFI & leases	44.118	42.948	41.972	40.970	39.872
Total external borrowing	**368.579**	**384.346**	**449.440**	**491.978**	**525.935**
Capital Financing Requirement	**366.114**	**385.443**	**450.733**	**493.447**	**527.551**

*(reduces for MRP & debt repayment)

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit
Authorised limit – borrowing	415.631	486.981	536.356	578.973
Authorised limit – PFI and leases	53.948	53.972	53.970	53.872
Authorised limit – total external debt	469.579	540.953	590.326	632.845
Operational boundary – borrowing	385.631	456.981	506.356	548.973
Operational boundary – PFI and leases	47.948	46.972	45.970	44.872
Operational boundary – total external debt	433.579	503.953	552.326	593.845

4. Investment Strategy

Treasury investments: arise from receiving cash before it is paid out again. Investments made for service reasons or for the purpose of generating a positive income (net of costs) are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield; that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

This capital strategy contains the prudential indicators approved by the council. The Treasury management strategy contains further details on treasury investments criteria and governance. There are also 3 Treasury management indicators that are set out in section 4 of the TMS for the adoption by the authority.

- the treasury management strategy is here *to be added when approved at Full Council*

Non-Treasury investments: describing the Council's approach to this is a new requirement of the Ministry of Housing, Communities and Local Government (MHCLG) and is also an area that members have indicated that they wish to investigate.

With central government financial support for local public services declining, the Council intends to explore investing in non-treasury investment options purely or mainly for financial gain. With this in mind a sum of £100m has been proposed in the Capital Programme as being identified for this purpose pending the appropriate strategy and governance being put in place. With financial return being the main objective, the Council accepts that there will almost certainly be higher risk on non-treasury investments than with treasury investments, hence robust procedures are required to ensure that all investments are thoroughly understood and well managed.

To create an Investment Strategy (for non-treasury investments), the framework must include:

- Criteria for which 'assets' to invest in, including specification of the balance / mix of a portfolio (i.e. asset types);
- Clear governance arrangements and democratic accountability ensuring transparent and open decision making and rigorous due diligence (property, legal, financial);
- Clear long term corporate strategies to set Council priorities, including:
    - Setting out balance of focus on local economic prosperity v income generation

    - Management of existing property assets (i.e. sell or retain), where relevant;

- Adequate resource, mainly across finance, legal and property to:

    - carry out due diligence on potential opportunities

    - support activity to manage investments once made;

- Sufficient investment funds to support the set-up costs, and;

- Sufficient flexibility within the Council's resources, for example in regard of CFR headroom.

Options for investment opportunities include:

- Physical assets, such as property and land. The Council does not have any of these held for investment purposes at present, although assessment of existing assets for alternative use not yet been undertaken. While this asset type does present the opportunity for local growth stimulation as well as the income and growth potential, a large investment is needed to produce a diversified portfolio, there are considerable set up costs and the time lag to generating a return can be significant.

- Businesses, such as solar farms, an energy company or innovation companies. The Council invests in none of these at present. This investment type can be quicker to deliver a return (than property) and can still support local economic growth, but there are still challenges to find opportunities and the need to secure relevant expertise to appraise business cases.

- Financial, such as loans, banks or investment funds. This asset type is easier to invest with more predictable costs than the other classes, and there are in-house skills to handle these investments. This asset also presents the opportunity for more diversification and better liquidity, although returns can be more volatile and there are ongoing fees. The Council will also need to maintain a close watch on the headroom within its CFR to ensure that this is not breached.

Given that non-treasury investments will be a new approach for Somerset County Council, it is essential that there are carefully considered governance arrangements put in place to ensure that there is robust appraisal of any 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 (to minimise optimism bias);

- Cabinet / Cabinet Member for Resources / Section 151 Officer approval – the Councils 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.

Depending on the assets that might be invested in, and particularly in regard of property investments, 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).

Some of the principal risks that the Council needs 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 / resource 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, and;
- The Government are taking steps to tighten this area of local authority investment – they have indicated they may go further in the near future.

In order that commercial investments remain proportionate to the size of the Authority, they will be subject to an overall maximum investment limit, which will be set by the Council in due course. At present the suggested indicative future value of these investments is £100m per the draft Capital Programme; there is no potential investment return built into the MTFP at this time apart from a notional £250k identified as a pipeline saving in 2020/21. If and when any income is built into the revenue budget, then contingency plans will need to be in place should expected yields not materialise.

It is proposed, in the covering report to this Strategy, that the Cabinet delegates authority to small working group of members and officers to create the necessary governance, systems and processes to ensure that the non-treasury investment approach can be realised within 2019/20.

5. Other long-term liabilities

In addition to debt of £368.579m detailed above, the Council is committed to making future payments to cover its pension fund deficit. This is reported in the 2017/18 accounts at £802.463m (as at 31/03/2018). It has also set aside £11.530m (as at 31/03/2018) to cover risks of insurance claims, business rate appeals and other legal claims. The Council is also at risk of having to pay for contingent liabilities but has not put aside any money because of the low risk and uncertainties around potential value.

Governance: Decisions on incurring new discretional liabilities will initially be considered by service managers for discussion with the relevant director. If it is recommended that the liability may be undertaken then the relevant director will consult with the Chief Finance Officer (S151 officer), Monitoring Officer and County Solicitor before any recommendation is made to the Senior Leadership Team prior to any decisions taken. Depending on the extent of the liability envisaged, it may be necessary to make a formal decision through a democratic process. The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported quarterly to audit committee. New liabilities exceeding £500m are reported to Cabinet and Full Council for approval.

- Further details on provisions and contingent liabilities are on pages 123 and 134 of the 2017/18 statement of accounts: http://www.somerset.gov.uk/information-and-statistics/financial-information/budgets-and-accounts/

6. Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 8: Prudential Indicator: Proportion of financing costs to net revenue stream

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Financing costs (£m)	19.930	24.315	23.266	26.661	28.922

Proportion of net revenue stream	6.39%	5.97%	6.91%	8.15%	8.60%

- Further details on the revenue implications of capital expenditure are on pages [X] to [X] of the 2019/20 revenue budget [link]

Sustainability: Due to the long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend into the future years. The Interim Finance Director is satisfied the proposed capital programme is prudent, affordable and sustainable. This follows scrutiny of all capital bids against set criteria:

Key	
Grant/ contribution funded	Fully financed from external funding (i.e. No SCC requirement)
Part funded - part debt financed	Significant external funding. Some requirement for SCC debt
Contractually committed schemes	Schemes underway with contracts. Revenue cost implications to withdraw
Statutory/compliance	Subject to value for money assessment before they are undertaken
Invest to save and reduce operational costs	Full business case provided to evidence payback vs debt costs
Invest to generate a net income stream	Full business case provided to evidence payback vs debt costs
Invest in wider economic growth	Full business case provided to evidence payback vs debt costs
Response to public/partner requests	Non statutory, with no external funding or direct payback
Discretionary schemes	Non statutory, with no external funding or direct payback

Only schemes that will have full approved funding in place are consider as part of the capital programme and the cost impact of borrowing forms part of the revenue medium term financial planning.

7. Knowledge and Skills

The Council employs professionally qualified and experienced staff in all positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer will always be a qualified accountant with substantial experience and there is a range of significant experience and expertise within the Treasury Team. Where necessary, the Council pays for junior staff to study towards relevant professional qualifications, for example CIPFA.

Where the Council needs additional resources, external validation of officers work or where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing additional resources directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Minimum Revenue Provision Statement 2018/19

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended], local authorities are required to charge a Minimum Revenue Provision (MRP) to their revenue account in each financial year. Before 2008, the 2003 Regulations contained details of the method that local authorities were required to use when calculating MRP. This has been replaced by the current Regulation 28 of the 2003 Regulations, which gives local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance (issued by the Secretary of State).

An underpinning principle of the local authority financial system is that all capital expenditure must be financed either from capital receipts, capital grants (or other contributions) or eventually from revenue income. The broad aim of prudent provision is to require local authorities to put aside revenue over time to cover their Capital Financing Requirement (CFR). In doing so, local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits (often referred to as 'useful economic life').

The guidance requires the Authority to approve an Annual MRP Statement each year and recommends several options for calculating a prudent amount of MRP.

Having reviewed the options suggested by the guidance and considered the historic information available to the authority for previous years capital expenditure funded from un-supported borrowing, the Authority proposes an MRP policy based on two distinct components:

1. An element based on the period the capital expenditure provides benefit to the authority, as per the maximum useful economic lives (UEL) in the table below:

ASSET CLASS	MAXIMUM UEL
Freehold Land	999 years
Freehold Buildings	99 years (dependant on specific-asset information provided by the Council's RICS qualified valuation team)
Leased Land	Length of lease term or asset UEL, whichever is lower
Leased Buildings	Length of lease term or asset UEL, whichever is lower
Plant & Equipment (owned)	10 years

Plant & Equipment (leased)	Length of lease term or asset UEL, whichever is lower
IT	7 years
Intangible (software licences)	Length of licence term
Infrastructure	64 years
Heritage	999 years
Assets Held for Sale	Dependant on the asset class prior to being reclassified as held for sale

For un-supported loans funded capital expenditure prior to 1st April 2018 there was no direct link between individual assets and their funding types, so it has not been possible for the authority to analyse the CFR (as at 31st March 2018) by specific loans-funded assets. It is the Council's intention to apportion the CFR balance (as at 31st March 2018) of £366.115m over the weighted average life (based on the useful economic lives) of the Council's entire asset portfolio – as reported in the 17/18 published accounts.

Any capital expenditure funded from un-supported borrowing post 1st April 18 will have a direct link to the benefit being received (asset) on the accounting system, it is therefore the Council's intention to put aside revenue for this element of the CFR on an asset by asset basis – having considered the useful economic lives in the table above.

Paragraph 40 of the statutory guidance suggests that the MRP should normally commence in the financial year following the one in which the expenditure was incurred, so capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

2. An additional element to ensure the authority has enough put aside to meet the repayment dates of the loans when they fall due.

Paragraph 14 of the statutory guidance identifies a concern over an authorities' ability to fully provide for its debt based on current levels of MRP. As relying on continuing access to PWLB to repay debt when it falls due does not represent a prudent approach, we are planning to make an additional MRP payment of £0.400m each year (incrementally) over and above the MRP charge identified in point 1. This planned incremental increase each year will ensure we have enough put aside to meet the repayment dates of existing debt instruments when they fall due. This has been confirmed by a detailed review of the current debt maturity profile. We will continue to monitor the MRP and repayment profile of the Council's debt instruments, and if future borrowing creates a potential shortfall, we will increase the additional MRP accordingly to ensure significant provision is put aside.

NB. This proposal excludes leased assets, as their MRP requirement has been met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability when the rent is paid.

Based on the Authority's Capital Financing Requirement on 31st March 2018, the budget for 2018/19 MRP has been set as follows:

	31.03.2018 CFR £m	**2018/19 MRP £m**
Capital Expenditure		
Capital expenditure before 01.04.2018	366.115	1.039
Additional Contribution		
Additional Contribution (2018/19)	-	0.400
Total	**366.115**	**1.439**

Cabinet

Paper B

23 January 2019

Capital Programme 2019/20-2021/22

Cabinet Member(s):	Cllr Mandy Chilcott - Cabinet Member for Resources
Division and Local Member(s):	All
Lead Officer:	Peter Lewis - Interim Director of Finance
Author:	Ian Trunks - Finance Manager, Capital
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	Seen by:	Name	Date
	County Solicitor	Honor Clarke	08/01/2019
	Monitoring Officer	Scott Wooldridge	08/01/2019
	Corporate Finance	Ben Bryant	08/01/2019
	Human Resources	Chris Squire	08/01/2019
	Senior Manager	Peter Lewis	08/01/2019
	Local Member(s)	All	
	Cabinet Member	Mandy Chilcott	08/01/2019
	Opposition Spokesperson	Liz Leyshon	08/01/2019
	Relevant Scrutiny Chairman	Anna Groskop Leigh Redman	08/01/2019
Forward Plan Reference:	FP/18/11/04		
Summary:	The Council continues to invest in Somerset to provide new school places, transport infrastructure and to improve our facilities to meet the needs of the community and to support continued economic growth. However, the Council's financial position requires all capital spend projects to contribute directly to achieving the objectives set out in the Council's Business Plan and to be supported by a robust business case. The £224.121m programme set out in this report is funded by various means, including ring-fenced grant from central government or other organisations, and development-related receipts such as Community Infrastructure Levy (CIL) and S106, neither of which can normally be used to run day-to-day council services. If the Council has to borrow to support capital funding (approximately £51.951m of the total required), then there is a revenue cost arising, which needs to be provided for in the Council's budget. Therefore, where projects are proposed to be funded by borrowing, it is preferable that they either make a positive return and/or contribute to reducing the Council's revenue costs in the longer term. However, the statutory requirement to make adequate provision for school places, which is not backed by Government grant, means that substantial borrowing is driven by this need. Further efforts will be made during 2019 to secure more Government		

	Basic Need Grant to support the provision of school places. There will be an overall, strategic approach to funding the capital programme, with all sources of funding other than borrowing deployed, where permitted by grant or other conditions, in a non-earmarked manner to reduce the pressure on borrowing and its consequent revenue costs. While there are a number of block allocations set out within this programme, it should be noted that Cabinet and Council are being requested to delegate to senior officers the approval of specific schemes within the block allocations.
Recommendations:	**That the Cabinet agrees and recommends to County Council:** 1. Approval of the proposed capital programme for the period 2019/20 to 2022/23 of £224.121m, shown in Appendix A. Full details of individual schemes are available online as background papers. It is to be noted there is an existing programme approved in 2018/19 that overlaps with this one; 2. That the Chief Executive and the Senior Leadership Team Officer, following appropriate consultation and after giving due regard to the information contained within any associated impact assessments, are given delegated authority to decide on the individual projects to be delivered within block allocations; 3. That the Section 151 Officer is given delegated authority to accept any additional grants or funding that is made available to the County Council together with authority to consequently expand the approved capital programme, providing there are no negative revenue budget implications as a result of that action.

Reasons for Recommendations:	In accordance with the Council's Constitution, any capital programme proposed as part of setting the annual budget, requires approval by the County Council.
Links to Priorities and Impact on Service Plans:	The capital programme describes the projects that will support the Council to identify investment and resources to help enable the delivery of the key priorities in the County Plan.
Consultations undertaken:	The views of Somerset's residents determine the priorities set out in the County Plan. This in turn determines the capital programme priorities. Relevant stakeholders should be consulted when individual schemes are being developed.
Financial Implications:	The financial implications arising from this report are all included within the detail of the report.
Legal Implications:	In determining its capital programme for the year, the Council is required to have regard to the "Prudential Code" established in the Local Government Act 2003.
HR Implications:	There are no direct HR implications arising from this report. However, staffing levels to deliver the programme, design and implementation need to be considered.
Risk Implications:	Failure to identify and deliver a funded capital programme could reduce the ability to meet the County Plan priorities as well as negatively impact the quality of the council's assets and hence services provided. Similarly, being overambitious with the programme will give rise to revenue financing pressures that could require offsetting service savings elsewhere. **Likelihood** 2 **Impact** 4 **Risk Score** 8
Other Implications (including due regard implications):	It is essential that decision makers ensure that consideration is given to the legal obligations and in particular to the need to exercise the equality duty under the Equality Act 2010 to have due regard to the impacts based on sufficient evidence appropriately analysed.

	When formulating capital proposals, services are required to consider the potential impact of any proposals on protected and vulnerable groups and specific cross-cutting issues covering key areas such as Equalities, Community Safety, Sustainability, Health and Safety, Business Risk and Privacy. This is done with a view to identifying possible actions to mitigate negative impacts, considering whether proposals should be taken forward and identifying any opportunities to promote equality.
Scrutiny comments / recommendation (if any):	This report was taken to the relevant Scrutiny Committees; Policies & Place and Children & Families, who met in December. The Scrutiny for Policies and Place Committee acknowledged the importance of SCC's ability and necessary resources to negotiate the be possible contributions to infrastructure projects from the development of housing in Somerset. The outcomes of the deliberations of Scrutiny Committees will be made available to Cabinet and Full Council.

1. Background

1.1. This report introduces the proposed capital programme for 2019/20. The programme primarily relates to the assets which are held or used by the Council to operate or support the services provided to Somerset residents and covers such assets as Schools and Highways. Capital expenditure involves the acquisition, creation or enhancement of fixed assets with a long-term value to the Council. It does not pay for the day-to-day running costs of council services which are met from the Revenue Budget.

1.2. Given the financial pressures that are being faced by the Council as identified in the Medium Term Financial Plan there is a need to improve the Council's financial self-reliance. This can be done through investing in infrastructure and assets that will result in lower maintenance costs or improve the local economy and create jobs/workspaces.

1.3. With an increased focus on achieving maximum effect from capital investment, along with an increased focus on the Council's strategic priorities this will enable the Council to obtain maximum value from assets.

1.4. To date capital programme approvals have been given on an annual basis with only consideration given to future years. However, this leads to unintended consequence, with bigger projects, lasting more than one year, requiring further approvals to complete them. Hence this report now proposes to seek approval for the anticipated Capital Programme up to 2022/23. This will allow for better project planning of whole schemes and enables commissioners to procure under best value frameworks.

1.5. The capital programme has been prepared considering the current live schemes, revised estimates and updated forecasts of capital resources, where appropriate. Bids for projects were sought from all services over the period of August / September 2018 in readiness for this budget round.

1.6. In order to seek to prioritise the bids that have been received from services, they have been judged against set criteria. The criteria are listed below:

Key	
Grant/ contribution funded	Fully financed from external funding (i.e. No SCC requirement)
Part funded - part debt financed	Significant external funding. Some requirement for SCC debt
Contractually committed schemes	Schemes underway with contracts. Revenue cost implications to withdraw
Statutory/compliance	Subject to value for money assessment before they are undertaken
Invest to save and reduce operational costs	Full business case provided to evidence payback vs debt costs
Invest to generate a net income stream	Full business case provided to evidence payback vs debt costs
Invest in wider economic growth	Full business case provided to evidence payback vs debt costs
Response to public/partner requests	Non statutory, with no external funding or direct payback
Discretionary schemes	Non statutory, with no external funding or direct payback

2. Capital Programme 2019/20

2.1. The Council continues to deliver significant capital investment across the region which will provide improved infrastructure and facilities whilst supporting the Somerset economy. This programme proposes spending in the following areas:

Indicative four year Impact of 2019/20 Programme

Service Area	2019.20	2020.21	2021.22	2022.23	Total
Highways and Traffic Management	27,801,000	28,904,000	31,099,000	32,128,300	**119,932,300**
Highways Engineering Projects	30,949,000	5,836,000			**36,785,000**
Schools - Primary and Secondary Sector	13,544,700	7,118,100	5,270,400	3,800,000	**29,733,200**
Economic Development	6,190,000	6,790,000	1,500,000	1,500,000	**15,980,000**
Early Years and Community Services	3,856,600	2,868,500	2,000,000	2,100,000	**10,825,100**
Support Services	5,795,000	190,000			**5,985,000**
Schools - SEN and Access	700,000	700,000	700,000	700,000	**2,800,000**
Other Services	564,400	561,800	259,000	695,000	**2,080,200**
	89,400,700	**52,968,400**	**40,828,400**	**40,923,300**	**224,120,800**

2.2. Despite the level of planning of this programme, it is almost inevitable that there will be changes in year and/or additional funding opportunities. These will need to be addressed as business cases for investment as they arise throughout the year. In addition, during 2019/20 additional capital plans will be developed for subsequent years, which will be considered in the budget round for 2020/21

2.3. The Senior Leadership Team have considered the level of forecast capital resources available alongside the requests from services for capital schemes. Given the current economic pressures the Council's ambition is to deliver a programme that has the optimum combination of schemes which deliver the County Plan and maximise the resources available. All bids were reviewed and challenged and only those which fulfil the above criteria are being proposed as part of the programme.

3. Risks Associated with the capital programme

3.1. The proposed capital programme requires additional borrowing. The risk to the Council is one of affordability; the revenue cost implications are highlighted below in Section 4.6.

3.2. As part of the process, services have been asked to identify the impacts of not proceeding with the bid. These key risks are listed below.

3.3. Schools Basic Need Programme

3.3.1 In 2018/19, the Council approved a programme to provide additional schools basic need places over four years. This was in part funded by up to £120m of borrowing. A further investment programme was proposed for 2019/20 and the subsequent three years, but this has now been reviewed in the light of the financial pressures upon the Council. The proposed schools programme for 2019/20 and beyond is now based upon available DfE grant, S106 contributions and the existing borrowing approval given in February and May 2018. This programme has been designed to meet the needs up to 2021. Appendix B shows the basic need requirements this funding seeks to fulfil.

3.3.2 It should be noted that the schools and number of places required as detailed in the appendix is only our projected need at this point in time, up to 2021, and is subject to change as the programme develops over the next few years.

3.3.3 The Council will continue to seek further funding to support the addition of school places and avoid the requirement for borrowing. There are some bids already underway.

3.3.4 It should be noted the pressure on school places is anticipated to continue beyond 2021. Outline proposals for future development needs are being prepared and appropriate funding will be sought. Therefore, members may expect to receive further capital bids in future years to allow commissioning of the schemes in a timely manner. Every effort will be made to secure funding that avoids significant additional borrowing.

3.4. Highways

Capital expenditure on the bulk of Highway schemes is funded through DfT grants. The value of grant is determined by our status as a highway authority. SCC is currently graded at the highest level (Band 3), which is reviewed annually. There is a risk that a reduced programme could lead to a reduction in our rating and therefore less grant being awarded.

Within the 2019/20 bid there is an element set aside for traffic signals. An ongoing programme is required to replace ageing signals. Some of the assets are more than 15 years old and are at a high risk of failing. The added risk to the Council is the responsibility of any claims for damages should a signal fail.

3.5. ICT Transformation

The ICT capital bid has been revised from an initial £4.5m down to £2.535m. This is viewed as the minimum requirement in order keep services updated and secure at an acceptable level.

This level of investment does not fully optimise the ICT infrastructure nor allow for significant upgrade in certain areas.

3.6. Fleet Management

The Fleet Management bid has been revised to extend the replacement programme from 7 years to 8. Whilst this saves capital expenditure in the short term there are additional revenue implications associated with this; increase in maintenance charges, higher risk of vehicles breaking down, reduced levels of receipts from selling older vehicles, etc. It has been judged that the reduction in borrowing costs will outweigh the additional running costs.

3.7. Small Improvement Schemes

Small Improvement Schemes (SIS) are officer and member led applications for minor highway scheme improvements. With capital funding reduced from £2m per annum to £1m per annum, the SIS programme will be reprofiled over a longer timeframe. Schemes may therefore take longer to design, appraise and implement than previously envisaged.

4. Capital Resources

4.1. Funding of the capital programme can come from a diverse range of resources, which includes capital grants, capital receipts, and contributions from third parties, borrowing and direct revenue funding.

The estimated funding for the 2019/20 capital programme can be seen below:

Financing	2019.20	2020.21	2021.22	2022.23	Total
Borrowing	19,879,900	8,586,200	10,960,000	12,525,300	51,951,400
Government Grants	39,964,800	39,482,300	27,648,000	27,648,000	134,743,100
3rd Party Contributions	29,556,000	4,899,900	2,220,400	750,000	37,426,300
Estimated funding	**89,400,700**	**52,968,400**	**40,828,400**	**40,923,300**	**224,120,800**

It is important to note that the above figures are forecasts, both in amount and timing, and are subject to change. The risk of change to our future programme increases the further into the future we try to forecast.

At present, we are estimating that we may need up to £51.951m of new borrowing to fund the capital programme as presented.

Irrespective of current funding planned now, the Authority continues to actively seek alternative funding for projects (particularly schools), with any funds secured reducing the requirement to borrow.

4.2. Capital Grants

Predicting capital grants creates an element of volatility in our funding assumptions. They form a significant proportion of funding for the capital programme. The grants are received from Government departments including the Department for Education (DfE) and the Department for Transport (DfT). Whilst these Government grants are allocated by specific central government departments, they are not ring-fenced.

The table below shows the estimated grants to be received from central government in 2019/20 will be £39.965m

	2019.20
Un Ring Fenced Grant	
School Basic Need	9,744,700
School Condition Allocation	3,800,000
Transport Maintenance Block	18,116,000
Integrated Transport Block	2,209,000
Highways Incentive Scheme	3,773,000
Pothole Action Fund	1,750,000
	39,392,700
Ring Fenced Grant	
Specialist Provision	572,100
Total Grant	**39,964,800**

The Schools Condition Allocation is currently an estimate as no indicative figures have been provided by the DfE.

The County and District Councils in Somerset continue to strive to be successful with submissions to Government for funding from the housing infrastructure fund (forward funding and marginal viability bids). This funding is important to Somerset in achieving the significant additional school places in this County, as well as essential highway schemes. Failure to secure these bids may result in a sub-optimal school place provision.

4.3. 3rd Party Contributions

The Authority attracts contributions from external business such as Section 106 Agreements or the Community Infrastructure Levy (CIL).

Within the proposed programme only contributions that are either received or secured through arrangement are included. Further funding is expected but cannot be guaranteed until developments progress; in order to balance the capital programme where grant funding is not known, then borrowing is inserted instead.

Failure to negotiate adequate funding from developers through Section 106 Agreements or the CIL, will result in the specific schemes being reviewed for affordability. Failure to secure sufficient funding may result in a sub-optimal school place provision.

4.4. Capital Receipts

The proposed capital programme does not rely on the generation of capital receipts.

As part of the investment strategy the Council continues to make full use of the 'flexible use of capital receipts' directive. This allows transformation projects which will save revenue budget to be funded from capital receipts through the flexibility permitted by Central Government.

Forecast potential receipts from the sale of assets in 2019/20 is £9.5m. This is subjective on various factors, such as the operational need for assets or market rates.

4.5. Capital Fund

The Capital Fund is formed from revenue sources of income and has been set aside as a contingency in case the need arises. The benefit of doing this allows the council to fund schemes in design and feasibility stages that may not proceed. In 2019/20 £1m will be used for the cashflow of the M5 Jct25 scheme that will attract developer funding in future years.

4.6. Prudential Borrowing

Under Prudential Code rules the Council has the power to finance capital schemes using Prudential Borrowing, often from the Public Works Loans Board, which is the main source of funding available to the Council where external funding cannot be obtained. The costs associated with borrowing are charged to the revenue account which recognises that borrowing is not a free resource but has a cost. Affordability that is the key constraint to taking borrowing.

The following provides an illustration of the potential cost of borrowing for the proposed capital programme.

	2019/20	2020/21	2021/22	2022/23
Cost of borrowing for the proposed 2019/20 capital programme	**85,891**	**1,482,377**	**1,987,906**	**2,497,168**
Cost of borrowing for the current 2018/19 capital programme	1,631,915	3,020,813	3,022,553	2,963,555
Total cost of borrowing (MRP + interest)	**1,717,807**	**4,503,190**	**5,010,459**	**5,460,723**
Current provision for the cost of borrowing associated to 2018/19 programme	1,424,000	2,112,000	2,585,000	2,585,000
Impact on MTFP	**293,807**	**2,391,190**	**2,425,459**	**2,875,723**

The full year effect of this will depend upon the timing and length of borrowing and the interest rate at that time. This will need to be factored into revenue estimates in due course.

5. Capital Investment

5.1. A number of councils have embarked on significant commercial property investment programmes, which have attracted the attention of the press and of Government. The latter has altered a number of the regulations governing local authority capital investment and borrowing in order to restrain excesses in this area.

5.2. However, such investment does present an opportunity for this Council to generate much needed net cash income after allowing for the cost of the schemes themselves. With this in mind, a provision of £100m additional borrowing has been included within this draft programme to purchase investment opportunities. It is expected these investments would be self-funded whilst also generating a return, hence there is no revenue provision made for the borrowing costs of the £100m.

It is essential that the Council prepares and then agrees a robust commercial investment strategy that guides this part of the programme and ensures compliance with the latest regulations in this area.

6. Minimum Revenue Position

6.1. The Council is required by law to make a statement on the Minimum Revenue Provision (MRP). This is the annual provision made from the revenue budget in line with our statutory requirements and is central to managing debt liabilities and generating the potential for headroom for new borrowing if affordable and required.

6.2. The Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) have developed new policy guidance on the Minimum Revenue Provision that councils will need to adopt. SCC's policy is to always provide a prudent provision for debt that meets the statutory requirements. A full MRP statement will be presented alongside the revenue budget reports in due course.

7. Prudential Indicators relating to capital investment

7.1. Somerset County Council is required to monitor its overall level of debt in line with the CIPFA Prudential Code for Capital Finance under the Local Government Act 2003. This code, which is also subject to review, sets out a framework for self-regulation of capital spending; in effect allowing councils to invest in capital schemes which meet service delivery objectives as long as they demonstrate affordability, prudence and sustainability.

In order to facilitate the decision making process and support capital investment decisions, the code requires the Council to agree and monitor a number of prudential indicators. These indicators cover affordability, prudence, capital expenditure and debt levels. The indicators are described within the Capital Strategy.

8. Background Papers

8.1. Appendix A – 2019/20 Capital Programme Overview
Appendix B – Proposed School Places Funded Through Capital Programme

2019/20 Capital Programme Overview

Appendix A

			2019.20			Total Programme		
Ref	**Service**	**Scheme**	**SCC Resources / cashflow**	**3rd Party (grants/contributions)**	**Total**	**SCC Resources**	**3rd Party (grants/contributions)**	**Total**
C19 - 001	Children's and Families	Schools Basic Need	0	9,744,700	**9,744,700**	0	14,533,200	**14,533,200**
C19 - 001	Children's and Families	SEN Schools Access Initative	127,900	572,100	**700,000**	1,655,800	1,144,200	**2,800,000**
C19 - 002	Children's and Families	Schools Conditions	0	3,800,000	**3,800,000**	0	15,200,000	**15,200,000**
C19 - 003	Children's and Families	Early Years Building Conditions	3,856,600	0	**3,856,600**	4,925,100	0	**4,925,100**
C19 - 004	Children's and Families	Early Years Basic Need	0	0	**0**	5,900,000	0	**5,900,000**
		Education and Skills	**3,984,500**	**14,116,800**	**18,101,300**	**12,480,900**	**30,877,400**	**43,358,300**
C19 - 006	Economic and Community Infrastructure	Colley Lane Southern Access Road	3,854,000	3,095,000	**6,949,000**	2,004,000	5,599,000	**7,603,000**
C19 - 008	Economic and Community Infrastructure	M5 Junction 25	1,000,000	15,040,000	**16,040,000**	0	20,440,000	**20,440,000**
C19 - 009	Economic and Community Infrastructure	Small Improvement Schemes	1,000,000	0	**1,000,000**	4,000,000	0	**4,000,000**
C19 - 010	Economic and Community Infrastructure	Toneway Corridor	1,550,000	6,410,000	**7,960,000**	1,550,000	6,410,000	**7,960,000**
		Infrastructure	**7,404,000**	**24,545,000**	**31,949,000**	**7,554,000**	**32,449,000**	**40,003,000**
C19 - 007	Economic and Community Infrastructure	Highway Structural Maintenance	0	23,298,000	**23,298,000**	0	93,192,000	**93,192,000**
C19 - 011	Economic and Community Infrastructure	Highway Lighting - Basic Need	0	550,000	**550,000**	0	2,200,000	**2,200,000**
		Structural Maintenance	**0**	**23,848,000**	**23,848,000**	**0**	**95,392,000**	**95,392,000**
C19 - 014	Economic and Community Infrastructure	Gritter Replacement Programme	0	0	**0**	472,000	0	**472,000**
C19 - 015	Economic and Community Infrastructure	Fleet Vehicle Replacement	397,000	0	**397,000**	3,126,300	0	**3,126,300**
C19 - 018	Economic and Community Infrastructure	Traffic Signals Recovery Programme	0	2,000,000	**2,000,000**	13,500,000	2,000,000	**15,500,000**
C19 - 013	Economic and Community Infrastructure	Library Service Public Access Printing Services	70,000	0	**70,000**	70,000	0	**70,000**
C19 - 005	Corporate and Support Services	Dillington House Improvement Programme	130,000	0	**130,000**	424,500	0	**424,500**
C19 - 021	Corporate and Support Services	Somerset Outdoor Residential Learning Service Improvement Programme	321,400	0	**321,400**	1,431,300	0	**1,431,300**
		Replacement Asset Programme	**918,400**	**2,000,000**	**2,918,400**	**19,024,100**	**2,000,000**	**21,024,100**
C19 - 019	Economic and Community Infrastructure	Public Rights of Way	556,000	0	**556,000**	2,224,000	0	**2,224,000**
		Rights of Way	**556,000**	**0**	**556,000**	**2,224,000**	**0**	**2,224,000**
C19 - 020	Corporate and Support Services	Corporate Property Investment	760,000	0	**760,000**	950,000	0	**950,000**
C19 - 022	Corporate and Support Services	Taunton OPE Project	2,429,000	71,000	**2,500,000**	2,429,000	71,000	**2,500,000**
		Property Improvements	**3,189,000**	**71,000**	**3,260,000**	**3,379,000**	**71,000**	**3,450,000**
C19 - 016	Economic and Community Infrastructure	Business Growth Fund	750,000	750,000	**1,500,000**	3,000,000	3,000,000	**6,000,000**
C19 - 017	Economic and Community Infrastructure	Taunton Digital Centre and Geovation Hub	500,000	4,190,000	**4,690,000**	1,600,000	8,380,000	**9,980,000**
		Economic Development	**1,250,000**	**4,940,000**	**6,190,000**	**4,600,000**	**11,380,000**	**15,980,000**
C19 - 012	Economic and Community Infrastructure	Library Service Redesign	43,000	0	**43,000**	154,400	0	**154,400**
C19 - 023	Corporate and Support Services	Corporate ICT Investment	2,535,000	0	**2,535,000**	2,535,000	0	**2,535,000**
		Transformation	**2,578,000**	**0**	**2,578,000**	**2,689,400**	**0**	**2,689,400**
C19-024	Economic and Community Infrastructure	Heritage Conservation	**50,000**	**0**	**50,000**	**50,000**	**0**	**50,000**
		Other	**50,000**	**0**	**50,000**	**50,000**	**0**	**50,000**
			19,929,900	**69,520,800**	**89,450,700**	**52,001,400**	**172,169,400**	**224,170,800**

Please note:

1 The Heritage bid was a late addition to the capital programme;

Appendix B - SCHOOLS BASIC NEED PROGRAMME - 18/19 TO 20/21

Note - the list of proposed future projects in the table below is based on the anticpated need as at Autumn 2018 and should therefore be treated as indicitive and may be subject to change

Project name	Description	No. of places
18/19 Basic Need Programme Projects Commisioned and/or committed		
Primary		
Taunton Nerrols	New 14 class primary school + nursery	420
Taunton, Norton Fitzwarren - phase 2	2CRs+WCs (Perm)	60
Highbridge, Brue Farm	New 14 class primary school + nursery	420
Somerton King Ina	Replace King Ina Infants & Junior with 16 class primary school + purchase of land for 21 class primary school	420
Bridgwater Willowdown	Phase 2 to 14 classes	210
Secondary		
Bridgwater College Academy	Expansion to 1200	
Taunton Bishop Fox's	Expansion	
SPECIAL		
Taunton Hazelbrook	New provision for Secondary Age Pupils from Selworthy	
Bridgwater Bower Lane	New special school (all through - 60 primary and 80 secondary)	
ASD - Yeovil Oaklands	Remodelling - 7 places	7
ASD - Yeovil Preston	Expansion - 10 places	10
PRU's - SEMH provision Mendip	Remodelling - 10 places	10
SEMH - South Somerset	SEMH expansion to a second site in South Somerset	40
19/20 Projects - Places to 2020 (also includes majority of places required by 2021)		
Taunton, Wellsprings	3 CR + WC Perm	90
Castle Cary	1 CR + WC Temp	30
Highbridge, a primary school	1 CR + WC Temp	30
Taunton, Monkton Heathfield 2 Primary	14 class Primary, 2 x Nursery	420
Castle Cary	Replacement 14 class primary school + nursery	420
Wells, Wookey Hole Road	New 7 class primary school + nursery	210

Yeovil, Keyford	New 7 class primary school + nursery	420
Secondary		
Robert Blake to 1200	300 needed by 2021	300
Taunton, Monkton Heathfield 2 Secondary	450 needed by 2022	750
Specialist provision		
Yeovil Fairmead	Increase capacity from 80 to 130 childre	50
Yeovil Fiveways	Increase capacity from 75 to 100 children	25
PRU's - SEMH provision Holway Centre	Expansion of provision / curriculum, return of medical provision from No	10

Somerset County Council
Full Council – 20 February 2019

Revenue Budget - Medium Term Financial Plan 2019-22
Cabinet Member(s): Cllr Mandy Chilcott – Cabinet Member for Resources
Division and Local Member(s): All
Lead Officer: Peter Lewis, Director of Finance
Author: Peter Lewis, Director of Finance
Contact Details: 01823 359028

	Seen by:	**Name**	**Date**
	County Solicitor	Honor Clarke	28/01/19
	Monitoring Officer	Scott Wooldridge	28/01/19
	Corporate Finance	Peter Lewis	28/01/19
	Human Resources	Chris Squire	28/01/19
	Property	Paula Hewitt / Claire Lovett	28/01/19
	Procurement / ICT	Simon Clifford	28/01/19
	Senior Manager	Peter Lewis	28/01/19
	Commissioning Development Team	commissioningdevelopments@somerset.gov.uk	29/01/19
	Local Member(s)	All	
	Cabinet Member	Cllr Mandy Chilcott	28/01/19
	Opposition Spokesperson	Cllr Liz Leyshon	29/01/19
	Relevant Scrutiny Chairman	Cllr Anna Groskop	28/01/19
Forward Plan Reference:	FP/18/11/05		
Summary:	Following the Medium Term Financial Strategy paper considered by Cabinet on 19 December 2018, this report now sets out in more detail the proposals to deliver a balanced budget for 2019/20. It also sets out proposals for 2020/21 and 2021/22 that develop the Council's financial resilience over the long-term while also supporting the delivery of the Council's key priorities within the Council's vision to create: • 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 residents, communities and businesses and the environment, and; • A county that provides the right information, advice and guidance to enable residents to help themselves and targets support to those who need it most. Despite the on-going reductions in Government funding, and the increasing demand for core services, such as in children's and adult services, the Council continues to make progress in delivering quality services to residents, within the resources available to the organisation.		

A key announcement to inform the detailed planning for 2019/20 was the Local Government Financial Settlement, published on 29 January 2019 and confirmed by Parliament on 5 February 2019. This confirmed many of the planning assumptions, for example the limits on council tax increase permissible without a referendum: 3% for general council tax and a cumulative 6% over three years (2017-2020) for adult social care. Having applied a total of 5% in the prior two years, this report proposes the final 1% increase in adult social care council tax flexibility is taken up in 2019/20.

The Council also welcomed the announcement as part of the Financial Settlement that Somerset has been accepted as a 75% Business Rate Pilot alongside the County's district and borough councils for 2019/20. This presents an opportunity to develop partnership working across local government in Somerset to benefit the economic prosperity of the County as well as apply some relief to the financial challenges of each partner. However, since this is a one-year pilot, the opportunities will be limited.

Planning beyond 2019/20 with certainty remains a significant challenge since 2019/20 is the final year of the four-year settlement period and a Spending Review (SR) is being prepared by the Government for consultation in 2019 and due to apply from 2020/21. Alongside a new SR, the Government are also reviewing the system behind funding allocations (known as the Fair Funding Review) and have published two further consultations as part of the Financial Settlement for response by 21 February 2019: Business Rate Reform consultation and Relative Needs and Resources consultation.

Alongside the Financial Settlement, a number of other non-service specific grants have also recently been announced which have been built into the financial plan. Although these have confirmed the previous planning assumptions in many instances, the Council has an estimated additional funding of £7.172m. Most of this funding (£7.085m) relates to additional S31 grant allocations for non-domestic rates relief, as a result of the Somerset councils' successful 75% Business Rates Pilot bid. In accordance with the Governments treatment of some grants for pilot authorities and the Somerset pilot application, (see Table 12 on page 28 for further details) the net gain to the Council is £1.970m compared to original MTFP assumptions and after allowing for the creation of a £4.015m county-wide investment fund as described in the bid. It is worth noting that these figures can only be based on estimated business rate collection levels and the actual S31 grant allocated will be based on actual collection levels in due course.

Within the planning assumptions, there are also several grants (totalling £9.347m) where the Council has yet to receive any formal confirmation. As above, the service teams have used their service knowledge and past allocations to determine the value (if any) of allocations due in 2019/20 and concluded that £9.347m is a reasonable estimate. Any variations to the estimates will be reported to members during the year through the budget monitoring process.

	As reported in the Medium-Term Financial Plan Strategy paper in December 2018, the detailed work on the County Council's finances showed that the Council requires to spend £338m on delivering its services to residents in 2019/20. It also showed that the funding available fell short of that and after implementing several initiatives a further set of proposals for change to the value of £15.061m were required for 2019/20 to set a balanced budget. Of this sum, decisions relating to approximately £6.899m of proposals have already been made and details of the remaining £8.162m of proposals are set out in this paper for consideration by Cabinet and recommendation to the Council accordingly. Across all three years of the MTFP (2019-22), the financial analysis in December 2018 showed that the funding falls short of need by £28m in total (including the £15.061m above), so the Council needs to consider what it delivers and how it is delivered to reduce spend in line with funding. This report includes details of actions necessary to manage spend down as well as details of further change plans to ensure a robust and balanced budget is prepared for 2019/20 for consideration and approval by members. Whilst this paper sets out detailed proposals for 2019/20, including risks and equality implications, and outline plans for 2020/21 and 2021/22, in view of a new settlement and formula expected for these latter years, it is not considered prudent to drive hard for further savings proposals to be developed at this time. It is, however, essential to recognise that any proposals not agreed for 2019/20 will have a negative effect on 2020/21 and beyond. Elsewhere at this meeting, the quarter three 2018/19 budget monitoring position for the current financial year reflects the continued good progress in delivery of in year proposals agreed in September 2018 and ongoing management of the budget: forecasting an underspend of £1.067m. As advised in December 2018, opportunity has been taken to partially replenish the Council's diminished reserves, which will support the financial resilience of the Council and hence the MTFP 2019-22. Overall, it is considered that the budget for 2019/20 and the MTFP for the period to 2022 have been prepared on a robust basis, identifying known pressures and making reasonable assumptions about future funding and other potential pressures. In particular there has been a focus on ensuring that the financial provision for Children's Services is rebased to provide a realistic budget for the continued improvement journey in that area. The improved projection for the General Fund reserve will further support the Council through future uncertainties, especially the outcome of the Spending Review 2019 and the outcome of the Fair Funding Review, both impacting 2020/21.

Recommendations:	That the Full Council: 1. Agree a gross revenue budget of £780.181m and a net revenue budget in 2019/20 of £327.967m 2. Agree the application of up to £2.791m in 2019/20 of capital receipts to fund the revenue costs associated with reforming services, subject to further development and review of business cases. 3. Delegate authority to the S151 Officer, in consultation with the Chief Executive and the Director for Customers & Communities – Corporate Affairs to review all business cases before agreeing to the use of capital receipts or the Invest to Save reserve. 4. Agree the replenishment of depleted reserves as follows: a. Create Invest to Save earmarked reserve of £2.852m to ensure resources are available to support further service reform; b. Addition of £2.000m to the General Fund, from the base budget provision, to bring the balance up towards a reasonable level for a Council of this size, and; c. Contribute an additional £3.389m to repay the Buildings Maintenance Insurance Scheme (BMIS) deficit reserve as the scheme has now ended; d. Addition of £0.540m to the Insurance Fund to partially replenish the fund to enable it to support likely claims against the Council. 5. Agree the actions required to manage the gap to be reduced to £15.112m in 2019/20: • the reversal of previously identified savings and technical adjustments totalling £18.154m as set out in paragraph 4.5 and Appendix A • approve the revised Minimum Revenue Provision (MRP) statement and policy (Appendix B), which delivers a saving in 2019/20 of £3.714m; • the reduction of the corporate contingency by £0.575m to £7.226m for 2019/20; • the use of the additional one-off Adult Social Care grant of £2.498m to meet the requirements set out by Government for this grant; • the use of the additional one-off Social Care grant of £4.267m for social care pressures, and; • approve the removal of the staff unpaid leave saving of £0.454m following rejection of the proposal by the Unions. 6. Agree the proposals for change (as set out in Appendices D and E1-E5) necessary to set a balanced budget for 2019/20, totalling £8.162m, and delegate the implementation to the relevant director(s) following due process.

	7. Agree that due regards have been taken to any equalities implications identified and risk implications prior to any decision being taken in relation to the recommendations in this report, noting the initial equalities impacts as set out in Appendix C. 8. Agree that the savings target relating to Waste Disposal costs (£225k) is endorsed to the Somerset Waste Board to consider agreeing to make savings to this value as part of setting its 2019/20 budget. 9. Agree the Strategy for the Flexible use of Capital Receipts (CRF) as set out in this report, in section 4.38. 10. Agree to keep the Scheme of Members' Allowances unchanged for 2019/20. 11. Note that the Leader of the Council, Cabinet Member for Resources, Chief Executive and Section 151 Officer will oversee and monitor the delivery of the proposals for change and report on progress as part of the budget monitoring reports. 12. Delegate authority for the development of any additional alternative proposals for change that may be necessary to the Chief Executive in consultation with the Section 151 Officer and relevant Director(s). 13. Agree that the Cabinet and the Council have reviewed and confirmed that account has been taken of the Section 151 Officer's assessment of the robustness of estimates and adequacy of reserves as set out in section 6 of this report. 14. Agree the Reserves and Balances Policy Statement in Appendix K 15. Agree to increase the level of the general Council Tax by 2.99%, which will provide a further £7.073m to support the Councils expenditure. 16. Agree to increase Council Tax by a further 1% for the adult social care precept, which will provide a further £2.365m to support the growth in demand for services. 17. Agree to continue the Council Tax precept of £12.84 within the base budget for the shadow Somerset Rivers Authority (representing no increase). This results in a Council Tax Requirement of £2.547m 18. Agree to set the County Council precept for band D Council Tax at £1,239.73 which represents a 3.99% uplift. This is a rise of £0.91 per week for a Band D property, as set out in Appendix H. 19. Note that the amount of council tax payable for dwellings listed by valuation band, calculated in accordance with the proportion set out in Section 5(1) of the Local Government Act 1992, shall be as follows:

Valuation Band	Amount (£)
A	826.48
B	964.23
C	1,101.98
D	1,239.73
E	1,515.23
F	1,790.72
G	2,066.22
H	2,479.46

20. Agree that the district councils are requested to make payments totalling £245.955m to Somerset County Council of sums due under precepts calculated in proportion to their council tax Band D equivalents as follows:

District	Total Precept (£)
Mendip District Council	50,204,179.15
Sedgemoor District Council	50,839,974.83
South Somerset District Council	74,713,671.47
Somerset West & Taunton	70,196,974.55
Total	245,954,800.00

21. Note that the district councils are required to make payments of precept by equal instalments of the above sums on the following dates:

18	April	2019		18	October	2019
22	May	2019		18	November	2019
21	June	2019		17	December	2019
22	July	2019		20	January	2020
20	August	2019		18	February	2020
19	September	2019		18	March	2020

22. Additionally, note that payments be made by the district councils (or to them) in respect of the estimated surplus/(deficit) on their collection funds by the 31 March 2019 as follows:

District	CT Surplus / (Deficit) (£m)	NNDR Surplus / (Deficit) (£m)
Mendip	1,057,895.00	(203,931.00)
Sedgemoor	1,167,384.67	13,504.00
South Somerset	(169,962.55)	133,579.00
Somerset West and Taunton Council	746,092.00	299,679.00
	2,801,409.12	242,831.00

Reasons for Recommendations:	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. Furthermore, preparing a robust and deliverable budget for the forthcoming financial year, 2019/20, is a statutory obligation as well as being key to the effective management of the Council. The Council is required by law to make a statement on the Minimum Revenue Provision. This is the annual provision made from the Revenue Budget in line with our statutory requirements and is central to managing debt liabilities and generating the potential for headroom for new borrowing if affordable and required. The recommendations also recognise the separate responsibilities for: 1. The County Council to set the Annual Budget for 2019/20 2. The Leader of the Council, Cabinet and Officers to manage services, approve savings proposals and make changes within the overall envelope of the agreed budget, Schemes of Delegation and the Council's Financial Regulations.
Links to County Vision, Business Plan and Medium Term Financial Strategy:	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.
Consultations and co-production undertaken:	No detailed consultations have been undertaken at this time, but such consultation as is required will be arranged as the agreed proposals for change are developed and implemented by the relevant directors.
Financial Implications:	This report describes the overall financial position of the Council for future years; all financial implications are described within the report. The Council's financial position has been set out in this report. Members are under a legal obligation (Local Government Finance Act 1992) to set a balanced budget and in doing so are obliged, under normal administrative principles, to take into account the various relevant factors, particularly in respect of consultation and equalities. Members are entitled to exercise their political judgement, paying due regard to the relevant factors rather than being absolutely determined by them.
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. The proposals in this report enable the County Council to meet its statutory requirements in respect of: • Determining a balanced budget;

	• Setting a Council Tax Requirement; • Issuing Precepts on the District Councils; • Making a statement on the Minimum Revenue Provision. The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the statement of the chief finance (s.151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms to produce those savings. The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to this meeting. Members who are two months or more in arrears with their Council Tax must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence.
HR Implications:	There are no specific HR implications arising directly from this report, but the Council will follow its HR policies and processes as directors implement agreed, relevant specific proposals for change.
Risk Implications:	The Government's continued deficit reduction programme has significantly reduced the levels of funding available to local government. The Council faces substantial on-going challenges to achieve a sustainable balanced budget due to this and 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 enough 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 savings become ever more difficult to identify and then deliver, it is imperative that expenditure is kept within existing budgets. The key risks are identified on the strategic risk register and particularly within risk ORG0043. These include: 1 The availability and use of reserves and the revenue contingency: these are critical in being able to manage peaks in demand and costs incurred. This report recognises the need for adequate reserves and contingencies and aims to adopt a reasonable approach to maintaining both.

2 The potential for overspends in specific demand led service budgets: these seem to be more stable in recent months although the outlook for some demand led areas can alter relatively quickly. The risk of overspends continues to be mitigated through detailed budget review and challenge sessions which are generating an improved understanding of the budget and hence actions, which are delivering improved control of expenditure within all services.

3 Setting a balanced budget for 2019/20: this report sets out the principles of the creation of the budget and how resources can be allocated to deliver priority services.

This risk is reassessed on a monthly basis to determine if the likelihood of the risks set out in the register can be reduced. Given the assessment in this report, it is felt that the likelihood score can reduce following consideration and approval of the budget for 2019/20 in February 2019.

Likelihood	**5**	**Impact**	**5**	**Risk Score**	**25**

Other Implications (including due regard implications):

<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. This however does not prevent the Council from making difficult financial decisions, such as the reductions in service or decisions which may affect one group more than another.

The public sector equality duty is that a public authority must, in the exercise of its functions, have due regard to the need to:
(1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
(3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it

What the duty requires is consideration of all available information, including the potential impacts and mitigations to ensure a fully informed decision is made.

Any decision made in the exercise of any function is potentially open to challenge if the duty has been disregarded. The duty applies both to Full Council when setting the budget and to Cabinet when considering particular decisions.

Equality Impact Assessments (EIAs) have been undertaken for each of the savings proposals, where necessary, and an overarching EIA commentary has been included within this section and in Appendix C.

Cumulative Equality and Diversity Impacts for the 2019/20 Medium Term Financial Plan (MTFP) (see Appendix C)

Based on the proposals put forward within this report there are a number of impacts, which, when looked at together, could have combined impacts on characteristics protected under the Equality Act 2010. They are:

- There are a number of proposals that could affect **disabled people**. This could be through what services are available for people to access, the services that are available being reduced or their ability to navigate Somerset independently.
- **Women** are also more likely to be impacted by a combination of proposals. As women are still more likely to provide a child or adult caring role they could be disproportionately affected by the changes to support services for disabled people and young people.

When considering these identified cumulative impacts, it is also worth considering the outstanding elements from decisions taken in-year. This could be because the decision has been delayed due to consultation being completed or a phased implementation to a decision already taken. When these are looked at they can contribute or create new cumulative impacts such as:

- **Women** could be further impacted with the remainder of the reductions in funding to Advice Services. The additional reductions in youth services could place more of a burden on women who are more likely to be the main care givers in a home. This could then be further impacted by reductions to support provided to families.
- Taking these additional savings into account there could be a cumulative impact on **young people**. This would be through a further reduction in youth services, and the support provided to their parents through the GetSet services.

There are some mitigations identified within the individual proposals to minimise the impacts identified. This includes

- working with the voluntary and community sector to provide some of the support services we currently provide
- providing sign posting and advice on alternative areas of support and services

Community Safety Implications

There are no community safety implications arising from the contents of this report.

Sustainability Implications

There are no sustainability implications arising from this report.

	Health and Safety Implications There are no health and safety implications arising from this report. **Privacy Implications** There are no privacy implications arising from this report. **Health and Wellbeing Implications** There are no health and wellbeing implications arising from this report.
Scrutiny comments / recommendation (if any):	Each Scrutiny Committee will have considered the budget and proposals for change relating to their respective service areas before the Cabinet meets. Feedback from the Scrutiny Committees will be made available to the Cabinet at their meeting.

Contents **Paragraphs**

1. Introduction

1.1. The current financial climate faced by the Council means focused attention to setting a robust balanced budget for 2019/20 and proposals for the subsequent two years has been an extensive process. It has involved the Cabinet and Scrutiny Committees, commencing with a strategic, top down process starting in the late summer and continuing to develop detailed budget proposals throughout the autumn that take account of the Council priorities anchored in the Corporate Plan.

1.2. The Cabinet has been actively engaged in this planning process, formally through a Cabinet paper in September 2018 proposing in-year actions to manage the forecast overspend budget position for 2018/19 and in December 2018 to consider the strategic direction of the MTFP for the period 2019-22.

1.3. This paper builds upon the report presented to the Cabinet in December 2018. It sets out the technical details of the Local Government Financial Settlement, how this impacts the budget for 2019/20 and it describes the proposals for change recommended by Cabinet on 11 February 2019. Information on the potential budgets for the financial years 2020/21 and 2021/22 is also set out in this report, not least because of the strong inter-relationship between the financial years.

2. National context for Public Finances

2.1. Whilst the Local Government Financial Settlement for 2019/20 detailed below gives certainty for the Council's core Government funding for 2019/20, this is the final year of the current four-year Spending Review meaning that the funding for 2020/21 and 2021/22 is much less certain. Both the Chancellor of the Exchequer in his Autumn Statement (29 October 2018) and the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) when he announced the Settlement on 29 January 2019, have acknowledged the desire of the sector for an early and a multi-year Settlement into 2020/21 and beyond, although no firm proposals exist. Contrary to some media reports suggesting that 'austerity is over', the Institute of Fiscal Studies analysis has identified that despite the Government's continued trend of announcing additional resources to top up previous plans, set out in the four-year settlement in 2016, these have not kept pace with rising spending pressures.

They comment that the reduction in public spending is expected to continue until 2022/23 and that, as in the past, non-NHS departments will face further real terms cuts of around 6.5% beyond 2020. Indeed, the Local Government Association has estimated that authorities face a funding gap of £3.2billion in 2019/20, so there seems to be no prospect of the financial pressures easing soon.

2.2. In the autumn of 2018 the Government announced some additional funding for Adult Social Care as follows:

- *2018-19 Winter Pressures Grant*
  In early October the Secretary of State for Health and Social Care Matt Hancock announced the Winter Pressures Grant; an additional £240m in 2018-19 for social care to prevent bed-blocking. Whilst recognising the reductions in Delayed Transfers of Care (DToC) the Minister said, *"This additional funding is intended to enable further reductions in the number of patients that are medically ready to leave hospital but are delayed because they are waiting for adult social care services*". The £240m has been allocated according to the adult social care relative needs formula, which for this Council means £2.498m.

- *2019-20 Winter Pressures Grant and Social Care Support Grant*
  In the autumn Budget the Chancellor announced a repeat of the £240m Winter Pressures Grant for 2019/20 and, although allocated on the same basis as for 2018/19, there is a requirement to pool these funds into the Better Care Fund (BCF) via the improved BCF.

- An additional £410m for adults and children's social care was also announced and this council will receive £4.267m. Whilst the money is un-ringfenced MHCLG has said that "the funding has been given in response to councils' concerns about pressures on adult and children's social care services and the expectation is that councils will use the funding to meet those pressures".

2.3. The Settlement reiterates the Government's intention to publish a green paper on Adults' Social Care. Although no precise date is known, the Secretary of State for MHCLG has indicated that this will be published 'soon' and in the summer the Government had confirmed that it will include proposals for younger adults as well as support for older people.

2.4. Further, the Government have published their 10-year NHS plan in January 2019, which sets out how they aim to improve the quality of patient care and health outcomes and includes outlining how it will spend the £20.5billion budget announced by the Prime Minister in summer 2018. Although details are not yet known this does indicate a commitment to increased NHS funding which may adversely impact on the funding available for local government.

2.5. Nationally all sections of the Dedicated Schools Grant are facing cost pressures with the most significant pressure on the High Needs Block. This national position applies to this Council and as part of the management actions to address the pressures a detailed High Needs Deficit Recovery Plan is being progressed with Somerset Schools Forum to identify action required to bring spend back in line and set clear additional action to address the recovery the cumulative deficit position.

2.6. The second year of the Governments national 2% pay offer for local government workers is in 2019/20 and although the Government are funding these costs for NHS pay, this is not the case for local government and therefore local authorities must absorb the extra spending pressure from within the reducing funding available from central Government. For this Council, the 2% pay pressures (including increments) amounts to £3.017m, which has been budgeted for accordingly. There is no clarity about likely awards beyond 2019/20, so the MTFP (2019-22) proposals include a provisional pay award budget of £1m for the latter two years.

2.7. Alongside the Settlement figures for 2019/20, the MHCLG have launched two consultations relating to the on-going review of future funding of Local Government, both with a response deadline of 21 February 2019:

- Fair Funding Review proposals, which will determine the relative needs and resources distributions across local authorities, and;
- the future system design of Business Rates Retention, which will specify the details for business rate reform and increased local retention.

2.8. The Government have reiterated their plan to implement the reformed funding system with effect from 2020/21 and published an expected timeline for consultation over the summer 2019, with detailed exemplifications (where an authority may be able to assess the likely financial impact for them), available in the autumn 2019. Therefore, this MTFP includes prudent assumptions for the latter two years, broadly that the Councils' level of core funding will continue as for 2019/20 i.e. no material difference for future years. The Council will pro-actively engage with the Government in the development of the new system to ensure an improved share of the funding allocation for Somerset residents.

2.9. The key points from the Local Government Financial Settlement are:

- No change to allocations for authorities, including this Council, who took up the four-year deal except for the removal of 'negative Revenue Support Grant (RSG)' from the settlement via forgone business rate receipts. Somerset was not impacted by the negative RSG and hence received no benefit of this additional funding.

- General Council Tax precept increase threshold, above which a referendum would be required, was confirmed as expected at 3%, except for Northamptonshire County Council who have been given a threshold of 5%. This will raise £7.073m for the Council.

- The Adult Social Care precept increase threshold will remain at 2%, with a total not exceeding 6% between 2017-20. Having already increased by 5% in the previous two years, this means the limit for this council is 1% in 2019/20, which will raise an additional £2.365m.

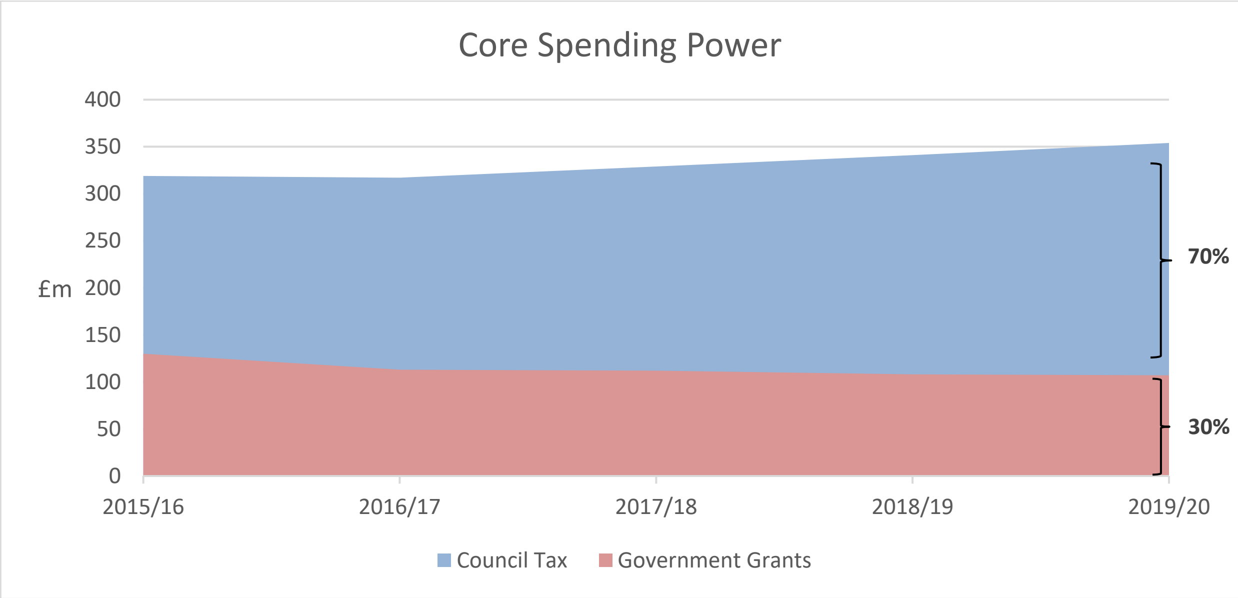
- A total of 15 new 75% BRR pilot areas, for 2019/20 only, were announced. This includes Somerset and the continuation of 100% pilots in Devolution Deal Areas in 2019/20 plus 75% BRR pilots in London, Berkshire, Buckinghamshire, East Sussex, Hertfordshire, Lancashire, Leicestershire, Norfolk, North & West Yorkshire, Northamptonshire, North of Tyne, Solent authorities, Staffordshire & Stoke, West Sussex and Worcestershire. This will generate an estimated additional gain for Somerset area of £8.4m, with £4.0m being allocated to a county wide pot for use to generate economic growth across the area and the County Council specifically a receiving a gain of an estimated £1.7m.

- An increase of £16m to a national total of £81m for the Rural Service Delivery Grant was announced. This is an increase from £1.928m to £2.403m for this Council.

- An additional £20m has been awarded to support housing growth and will be paid via New Homes Bonus (NHB), taking the national total up to £918m. This increases the Council's funding by £0.155m to £2.390m for 2019/20. The Government have increased this allocation to enable the Government to sustain grant allocations based on housing growth above 0.4%. Further, a consultation how to incentivise housing growth most effectively is expected in 2019.

- A new allocation of £0.087m funds for 2018/19 and 2019/20 to all authorities to assist with Brexit preparations.

2.10. Within the Settlement, the Government publishes what it calls an analysis of 'core spending power (CSP)' for each authority. This makes assumptions about the level of each authority's own local resources (i.e. Council Tax) and combines this with the core funding allocations made by Government. The stated aim of this analysis is to ensure Government allocates its grant reductions to achieve a roughly equal percentage change in authorities' CSP totals while keeping its own expenditure within HM Treasury limits. This aim is what led to the negative Revenue Support Grant (RSG) position as part of the four-year settlement in 2016/17. Although not directly affected by negative RSG, this Council, alongside others, has seen its proportion of government grant and local funding alter considerably over the last five years, from 41%:59% in 2015/16 to 30%:70% in 2019/20, as illustrated by the chart below:



2.11. The above shift is despite the Government having amended the grants included and it now includes improved BCF and adult social care support grant. Whilst the national increase between 2018/19 and 2019/20 is 1.03%, the increase for this Council is 3.8%, although this does assume the maximum increase in council tax by all authorities.

2.12. As well as core funding details announced through the Financial Settlement various other service specific grants have also recently been confirmed and details are explained later in this report. However, at the time of this report, the Council awaits confirmation of £9.347m of service specific grants and the budget proposals have been built on the basis that the level of spending will match the levels of grant assumed and be adjusted accordingly if relevant.

2.13. Due to the absence of any Spending Review after 2019/20, and in view of the upcoming review of local government funding promised by Government through the Fair Funding Review (FFR) and Business Rate Retention (BRR) reviews, together with the economic uncertainty around how the UK will leave the EU, there is a high level of uncertainty in planning the level of funding beyond 2019/20.

3. Local context – Council Plan priorities

3.1. The Councils MTFP (2019-22) budget is set to ensure that the Council can deliver on the priorities set out in the County Vision which acknowledges the need to refocus increased resources into prevention and demand management over time in line with the improving lives strategy and to support the longer-term sustainability of the Council.

3.2. Our Vision is all about improving lives by creating:

- 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, and;

- A County that provides you with the right information, advice and guidance to help you help yourself and targets support to those who need it most.

3.3. The Council has a Business Plan and supporting Service Plans which set out how the Council's Vision will be delivered, identify the budgets allocated and how performance will be monitored. These are currently in the process of being refreshed to reflect the councils core offer and MTFP proposals.

4. Medium Term Financial Plan (2019-22)

4.1. 2018/19 Budget Position

The quarter 3 budget monitoring report, based upon actual spending to the end of December 2018, shows a projected underspend to the year-end of £1.067m. This is a 0.3% variance on a revenue budget of £317.882m. In addition to this projected underspend, opportunity has been taken to make a further contribution to reserves and to release some pressure on the need to use Capital Receipts Flexibilities to support the revenue budget. Both of these adjustments will further improve the resilience of the Council and the robustness of the accounts.

4.2. Controlling the 2018/19 budget has been a priority of the Council for several months and is it welcome that the focus and efforts are producing the benefit of a projected underspend. This is particularly important considering the challenging financial position the Council must address from 2019/20 onwards to ensure a financially sustainable position. Delivering robust control of current spending is essential to laying the foundations for managing a challenging budget for 2019/20. In addition, producing an underspend in 2018/19 will enable a partial replenishment of the reserves, which will improve the resilience of the Council and hence its ability to address the financial uncertainties beyond 1 April 2020.

4.3. Next three financial years: 2019/20 to 2021/22

Over the autumn months Somerset County Council has been developing budget proposals for the MTFP (2019-22). The Strategy paper to Cabinet in December 2018 up-dated on the considerable progress made to ensure a robust MTFP was developed that recognised all service demands, was realistic about whether previous savings proposed were deliverable and adjusted funding assumptions to reflect the most current prudent knowledge.

4.4. In December 2018 the detailed work on the Council's finances showed that the Council needs to spend a net £338m on delivering its services to residents in 2019/20, and that funding available across the three-year MTFP period fell short of need by £28.533m, £15.112m being the gap in 2019/20, as illustrated in Table 1 below:

Table 1: Indicative Budgets and funding shortfall as at December 2018

2018/19 Budget £m	Service	2019/20 Indicative Budget £m	2020/21 Indicative Budget £m	2021/22 Indicative Budget £m
141.149	Adults Services	132.561	133.599	135.225
65.895	Children Services	84.884	84.937	86.376

66.547	Economic and Community Infrastructure Services	67.400	68.167	70.197
1.023	Public Health	0.749	0.749	0.749
274.614	**Key Services**	**285.593**	**287.451**	**292.547**
20.577	Corporate and Support Services	24.222	24.228	24.240
34.697	Non-service items (inc Debt Charges)	35.436	39.162	42.817
329.887	**Support Services & Corporate**	**345.251**	**350.841**	**359.604**
(12.580)	Un-ring-Fenced Grants	(11.077)	(6.332)	(6.078)
3.913	General Reserves	2.000	2.000	2.000
(0.900)	Earmarked Reserves	1.679	0.970	0.522
0.164	Insurance Fund	0.525	0.422	0.422
(2.602)	Capitalisation Flexibility and Capital Fund	(0.468)	0.000	0.000
317.882	**Net Budget Requirement**	**337.909**	**347.901**	**356.470**
0.000	**Financed By**	0.000	0.000	0.000
(16.082)	Revenue Support Grant	(6.076)	0.000	0.000
(14.275)	Individual Authority Business Rates Baseline	(16.137)	(16.460)	(16.789)
(51.426)	Business Rates Top-up	(52.222)	(53.266)	(54.331)
0.322	Business Rates Collection (Surplus) / Deficit	0.000	0.000	0.000
(0.500)	Business Rates Collection Pool	(0.800)	0.000	0.000
(3.163)	Council Tax Collection (Surplus) / Deficit	(3.000)	0.000	0.000
(215.379)	Locally Collected Council Tax (Inc. est. Tax base increases)	(224.652)	(232.068)	(239.091)
(14.871)	Council Tax Adult Social Care	(17.378)	(17.574)	(17.727)
(2.507)	Council Tax Somerset Rivers Authority	(2.533)	0.000	0.000
0.000	**Budget (Surplus) / Deficit**	**15.112**	**28.533**	**28.533**
Actual gap assuming prior year balanced, and gap closed			***13.420***	***0.000***

4.5. ***Prior year savings unachievable or alternative funding sources identified***

A key principle of the MTFP budget build has been to ensure all budgets are robust and deliverable, meaning that several previously agreed savings that are not now deliverable and or are to be funded from alternative sources, have been recognised in the proposed budgets. This includes a total of £18.154m across 2019/20 and 2020/21 and, as indicated in the December Strategy paper, a schedule of all the adjustments is attached in Appendix A for member consideration.

The main changes related to: alternative funding for Learning Disabilities purchased services (Review to Improve Lives), £3.059m; and the reversal of prior year savings for: technology and people (TAP) initiatives £6.846m; £2.749m linked to procurement (Commercial and Third Party spend), and £2.667m relating to Transport savings.

4.6. ***Actions taken to manage gap down requiring Cabinet approval***

Beyond the above there are several other actions required to manage the gap down to £15.112m in 2019/20 that are now set out below for Cabinet consideration and approval:

- Following a change to the Minimum Revenue Provision (MRP) policy after taking advantage of new and more flexible regulations but still complying with the requirement to be affordable, the Council will make a saving of £3.714m in 2019/20 by reducing the budget requirement. The MRP is a provision made in the accounts for the repayment of long-term debt when it becomes due. The up-dated policy is attached in Appendix B for approval.
- It is considered prudent to reduce the corporate contingency by £0.100m to £7.226m in recognition of the improved financial outlook.
- The use of the additional one-off Adult Social Care grant of £2.498m to meet the requirements set out by Government for this grant (net nil impact on the budget).
- Additional one-off Social Care grant funding of £4.267m was announced in the Chancellors Autumn Statement 2018, to be made available in 2019/20. This has, in effect, been applied to the rebasing of the Children's Services budget that was undertaken in September 2018.
- The proposal to save £0.454m in 2019/20 through Council staff taking compulsory unpaid leave, has been rejected through a Union ballot meaning the saving will now not be delivered.

4.7. The above changes are summarised in Table 2 below bringing the 2019/20 budget gap down from £23m to £15m.

Table 2 – Summary of actions already taken to manage the 2019/20 gap

2019/20 Budget Gap	Shortfall £m	Increase £m	Decrease £m
Gap as at Nov 2018	**22.739**		
Impact of revised MRP Policy	19.025		3.714
Reduce Contingency - Ongoing	18.925		0.100
ASC/CSC Grant	14.658		4.267
Unpaid Leave Pressure	15.112	0.454	
2019/20 Budget Shortfall as at Cabinet Strategy paper in Dec 2018	**15.112**		

4.8. ***Pressures and Savings built into the MTFP***

The December 2018 Cabinet MTFP Strategy paper also considered the high-level service pressures and other movements, including savings previously agreed by Cabinet, and in January 2019 more detail has been shared with the respective Scrutiny Committees; their comments have been shared with the Cabinet and full Council to consider.

4.9. Tables 3 and 4 below set out the total service pressures by type and by service respectively for consideration by members and full details were included in the Scrutiny papers.

Table 3 – Services Pressures by type

Type of Pressure	2019/20 £m	2020/21 £m	2021/22 £m
Demand	22.696	2.470	1.179
Demography	1.549	1.607	1.459
Inflation (Contract)	3.426	3.462	3.737
Inflation (General)	2.568	0.607	0.821
Legislation Change	1.562	-	0.100
Pay	3.586	0.950	1.000
Previously Unfunded	2.577	- 1.000	-
Prior Year Savings Unachievable	14.821	3.333	-
Total	**52.785**	**11.428**	**8.297**

Since the December Strategy paper there have been some changes to the pressures which are as follows:

- Pay pressure: As the Council has not received any details beyond 2019/20 the Council has included a pay award of £1m for these last two years.
- There have also been some other minor adjustments in 2019/20 which decrease the pressure by £0.252m.
- To release some pressure on the capital receipts flexibility scheme, £1.000m one-off additional budget has been added to Corporate & Support Services
- An additional earmarked reserve of £0.500m has been requested to support preventative funding for services.
- An additional contribution of £0.180m has been made to the Insurance fund.

4.10. ***Members Allowances 2019/20***

The Joint Independent Remuneration Panel recommend that the current Scheme of Members' Allowances should continue unchanged for 2019/20. This follows consultation with Group Leaders where no issues were raised for consideration by the Panel. The recommendation also recognises that the Basic Allowance and Special Responsibility Allowances will increase automatically in line with any officer pay award under the indexing mechanism recommended previously by the Panel and agreed by the Council. The proposed annual budget for 2019/20 reflects this recommendation.

The table below by Service illustrates that the main pressure area is within Children's Services, which has led to the previous Cabinet decisions to rebase the Children's budget that is now reflected in the MTFP (2019-22).

4.11. **Table 4 – Pressures by Service**

Service Area	2019/20 £m	2020/21 £m	2021/22 £m
Adults Services	8.040	2.191	1.626
Public Health	0.126	-	-

Children's Services	28.407	2.683	1.440
Economic & Community Infrastructure	4.084	3.979	2.231
Corporate & Support Services	7.376	- 0.159	0.012
Non-Service	3.321	2.483	2.988
Earmarked Reserves	1.430	0.250	-
Total	**52.785**	**11.428**	**8.297**

4.12. ***Savings and other adjustments in the MTFP***

Table 5 below sets out a summary of savings and other adjustments by service and includes prior year savings agreed in previous MTFP rounds, in-year savings agreed by Cabinet in September 2018 and, technical adjustments. Where details were known details of these have previously been shared in the December Cabinet Strategy paper, and subsequently with the Scrutiny Committees in January 2019.

4.13. **Table 5 – Savings and other adjustments by Service**

Service Area	**2019/20 £m**	**2020/2 £m**	**2021/22 £m**
Adults Services	-23.125	-3.172	0.000
Public Health	-0.500	0.100	0.000
Children's Services	-12.620	-0.356	0.000
Economic & Community Infrastructure	-5.249	-3.219	-0.200
Corporate & Support Services	-5.687	-0.651	0.000
Non-Service	-9.742	-1.346	0.243
Earmarked Reserves	10.452	-10.918	0.922
General Reserves	2.000	-0.534	0.000
Insurance Fund	0.361	-0.103	-0.534
Capital Receipts	2.134	0.468	0.000
Pragmatic Pipeline Savings	0.000	-1.260	0.000
Surplus/Deficit Collection Ctax Fund	-2.802	2.802	0.000
Business Rates Baseline	-0.605	0.000	0.000
Total	**- 45.383**	**- 18.188**	**0.431**

4.14. Since the Strategy Paper in December, there have been a number of further adjustments made as a result of additional information only available from the end of January and early February 2019, including: the Final Settlement, up-dated council tax base changes, up-dated business rate retention up-dated information.

Some of the major changes are detailed below:

- For 2019/20 and 2020/21 - a review of the Councils Pension Fund Deficit charge that is allocated across services which has changed the proportion allocated to

school's budget (i.e. funded from their Dedicated Schools Grant) by an additional £1.000m on-going from 2020/21;
- Additional savings for the value of £15.061m in 2019/20;
- Additional £0.200m budget in 2019/20 for ECI to allow for the review of gritting routes (routes reduced in previous budget decisions);
- Further replenishment of negative earmarked reserves of £1.311m;
- One-off, final adjustment to the Somerset Rivers Authority (SRA) budget with Economic & Community Infrastructure (ECI) of £0.015m due to updated tax base numbers in 2019/20;
- Adjustments to contingencies in 2020/21 for (£2.664m) and (£0.425m) in 2021/22
-

4.15. ***New Change proposals to balance the Budget 2019/20***

As requested in the December Cabinet meeting, further details of proposed service changes that produce a balanced budget for 2019/20 are now included for consideration and approval by members, in conjunction with the equality impact assessment (detailed in Appendix C). Although increasingly challenging for services to deliver further service reductions year on year, focused effort over the autumn has enabled services to identify changes that prioritise services for those in most need within the County and manage expenditure within the resources available.

4.16. Savings proposals totalling £8.162m are detailed in the table at Appendix D and are categorised by those that require a saving decision to take effect from 1 April 2019, and those that require a decision to consult. Of these proposals, £6.685m are on-going and an additional £0.420m has been identified for 2020/21.

4.17. The detailed proforma's for Proposals for Change and Impact Assessments can be found at Appendix E1-E5 and C.

4.18. Within the ECI proposals, a £0.225m savings target relates to Waste Services. There are no detailed proposals for change submitted as part of Appendix E5 as Cabinet are asked to endorse the savings target to the Somerset Waste Board to ask them to make savings to this value as part of setting its 2019/20 budget.

4.19. In addition, and for information, there are a number of 2019/20 savings proposals and financial adjustments which total £6.899m, where decisions have already been taken. These decisions have followed due process to meet governance requirements and have been assumed in the overall 2019/20 budget position.

4.20. Therefore, in balancing the £15.112m funding shortfall for 2019/20, a total of £15.061m of savings have been identified, of which £8.162m require full Council decisions in February 2019 as the remainder have been subject to decisions through the Cabinet in recent months.

4.21. ***Monitoring the Delivery of Proposals for Change***

During 2018/19 more rigorous monitoring of the proposals for change, agreed in February and September 2018 and in prior years, has been undertaken through the Business Change Team. This comprises of Change Team members working alongside those responsible for the proposals to monitor, encourage and assist progress towards delivery. Any deviation from the plan that will secure successful delivery of the savings is flagged early so that remedial action can be taken. In this way any likelihood of non-delivery is brought to light early, remedial action is then undertaken and the potential for an overspend is reduced significantly.

Current monitoring shows that the Council is on track to deliver (or replace where necessary) over 95% of the MTFP proposals for change that have been agreed for 2019/20. Therefore, confidence can be taken from the delivery progress and from the monitoring mechanism**.**

4.22. ***Proposed actions to reduce the 2020/21 budget gap***

Whilst the solutions set out above for 2019/20 impact to a degree on the gap in 2020/21 onwards, there are other actions proposed that reduce this to £5.221m, as set out below and summarised in Table 6 below that:

- Of the further savings proposals for 2019/20 of £15.061m, a total of £3.077m are one-off savings in 2019/20, which therefore further increase the 2020/21 gap to £16.497m;
- Some of the 2019/20 savings have a greater impact in 2020/21 due to full year effect of proposed changes, to the value of £0.893m;
- To reduce the corporate contingency from £7.226m estimated as at 31 March 2020 by £2.664m in view of the increased financial resilience of the Council;
- Benefit of £3.070m due to earlier than originally planned replenishment of negative earmarked reserves;
- Benefit of £1.920m through removal of a previously planned contribution to the General Fund as it is now intended to ensure that the General Fund is replenished to its target amount by the end of 2019/20, per the reserves table elsewhere in this report;
- Forecast benefit of further £1.260m service savings because of outline change plans expected to impact in 2020/21. These will need further refinement during 2019/20 to ensure that they are deliverable and can then be presented for member consideration;
- Up-dated information from districts increases the Council Tax base in 2019/20 and 2020/21 together to the value of £1.305m, and;
- Increased New Homes Bonus (NHB) grant allocation of £0.155m following the provisional Settlement in which the Government allocated additional funds to maintain the grant threshold at 0.4% housing growth.

4.23. **Table 6: Updated Budget Shortfall 2020/21**

Movement	Shortfall £m	Increase £m	Decrease £m
Gap as at December 2018 Strategy Report	**13.420**		
Add back one-off savings	16.497	3.077	
Less Additional ongoing savings	15.604		0.893
Reduce contingency	12.940		2.664
Replenishment of earmarked reserves	9.870		3.070
Remove contribution to general fund	7.950		1.920
Full year effect of pipeline savings	6.690		1.260
Council Tax Base Increases	5.385		1.305

Increased New Homes Bonus allocation	5.221		0.164
2020/21 Budget Shortfall	**5.221**		

4.24. On the basis that the 2019/20 budget balances, following delivery of the developed proposals for change (to be agreed by Council), that the proposals set out in the table above are deliverable and that the remaining £5.221m gap for 2020/21 can be bridged, then a further, small contribution from the corporate contingency of £0.425m in 2021/22 would balance that year also.

4.25. However, there are, of course, many funding assumptions to be validated during 2019 that will impact these numbers. Hence, in view of the uncertainty regarding the wider funding of local government from 2020/21, it is not considered prudent to drive hard for further savings proposals to be developed at this time to reduce the £5.221m estimated shortfall from 2020/21.

4.26. **Funding and Spend Changes since December 2018**

Since the Cabinet Strategy Paper was taken to Cabinet in December 2018, there have been a few changes in the funding available to the Council over the MTFP period. The changes have been:

- An update from the Somerset districts on the numbers of properties liable to pay council tax, increases the amount of council tax the Council can raise as follows: an additional £1.392m in 2019/20; £1.305m in 2020/21 and £2.251m in 2021/22), and;
- The 2019/20 provisional Local Government Settlement, announced in December 2018, has increased the funding available to the Council:
  - Increased local retention of business rate growth because of the Council has been successful in becoming a 75% Business Rates Retention (BRR) Pilot for 2019/20 of £1.7m– further details of this successful bid can be found in the Business Rates Pilot Bid section on page 27;
  - An increase of the Rural Services Delivery Grant from £1.928m to £2.403m;
  - An increase of £0.155m for NHB to £2.390m, allocated by the government to enable them to sustain grant allocations based on housing growth above 0.4%, and;
  - A revision to the level of funding the Council can estimate to gain from the current BRR pooling arrangements from £0.800m to £1.1m as a result of confirmation that the pooling gain will be additional to the 75% BRR pilot gains.

4.27. ***Summary movements to funding and spending for MTFP (2019-22)***

Table 7 below summarises all the movements described above since the December Cabinet Strategy paper and confirms a balanced budget for 2019/20 and a shortfall of £5.221m for the following two years subject to delivery of all proposed new change plans.

Table 7: Funding and spend changes in MTFP since Cabinet Strategy Report

Description	2019/20	2020/21	2021/22
	£m	£m	£m
Opening budget b/fwd.	**348.987**	**340.118**	**335.476**
Pressures:			
- Non-Service Items (inc Debt Charges)	5.288	– 4.224	1.584
- Pay and Price Inflation		1.000	
- Other Changes	1.209	-3.496	-0.225
Net Expenditure Requirement	355.484	333.398	336.835
Available Funding b/fwd.	**333.874**	**326.698**	**335.476**
Provisional settlement related:			
- Increase in Business Rate Local Growth because of successful BRR Pilot Bid	1.700	0.000	0.000
Increased Business rates pooling gain	0.300	0.000	0.000
Increased allocation of s31 Business Rates relief grant	1.970		
Increased Business rates/Collection Fund/Surplus and Retained Business rates	0.648		
- Change in non-specific/general grants	0.742	0.000	0.000
Council Tax base related			
- Increase in Council Tax/Tax Base/Collection Fund	1.387	0.995	1.479
- Reduction in Council Tax/Collection Fund/Surplus	(0.198)		
Available Funding	**340.423**	**327.693**	**336.955**
Savings Agreed	15.061	0.484	-5.101
Shortfall to balance the budget	**0.000**	**5.221**	**5.221**

4.28. **Indicative Service Budgets and financing proposals**

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The above converts into indicative budgets for each service with overall financing proposals as summarised in Table 8 and then detailed below.

Table 8: Indicative Service Budgets and Financing requirements

Service	2018/19 Budget £m	2019/20 Indicative Budget £m	2020/21 Indicative Budget £m	2021/22 Indicative Budget £m
Adults Services	141.149	126.064	125.083	126.709
Children Services	65.895	81.683	84.011	85.451
Economic and Community Infrastructure Services	66.547	65.383	66.143	68.173
Public Health	1.023	0.649	0.749	0.749
Key Services	**274.614**	**273.778**	**275.985**	**281.081**
Corporate and Support Services	20.577	22.430	21.621	21.633
Non-service items (inc Debt Charges)	34.697	35.361	35.238	38.469
Support Services & Corporate	**55.274**	**57.791**	**56.858**	**60.101**
Un-ring Fenced Grants	(12.580)	(16.476)	(6.487)	(6.233)
General Reserves	3.913	2.500	(0.534)	(0.534)
Earmarked Reserves	(0.900)	10.302	(0.366)	0.556
Insurance Fund	0.164	0.541	0.438	0.438
Capitalisation Flexibility and Capital Fund	(2.602)	(0.468)	0.000	0.000
Assumed the previous year gap is closed	0.000	0.000	0.000	(5.221)
Net Budget Requirement	**317.882**	**327.967**	**325.894**	**330.188**
Financed By				
Revenue Support Grant	(16.082)	0.000	0.000	0.000
Individual Authority Business Rates Baseline	(14.275)	(53.109)	(16.460)	(16.789)
Business Rates Top-up	(51.426)	(25.858)	(53.266)	(54.331)
Business Rates Collection (Surplus) / Deficit	0.322	(0.243)	0.000	0.000
Business Rates Collection Pool	(0.500)	0.000	0.000	0.000
Council Tax Collection (Surplus) / Deficit	(3.163)	(2.802)	0.000	0.000
Locally Collected Council Tax (inc. est. Taxbase increases)	(215.379)	(225.931)	(233.281)	(241.186)
Council Tax Adult Social Care	(14.871)	(17.477)	(17.666)	(17.882)
Council Tax Somerset Rivers Authority	(2.507)	(2.547)	0.000	0.000
Budget (Surplus) / Deficit	**0.000**	**0.000**	**5.221**	**0.000**

4.29. **Council Tax and Precept**

There are three elements to the council tax precept raised: general council tax, adult social care specific precept and, uniquely to Somerset, funding raised for the Somerset Rivers Authority. The proposed Council Tax precepts for the Council are set in Appendix H and details explained below.

4.30. ***Somerset Rivers Authority***

The Somerset Rivers Authority (SRA) was launched on January 31, 2015 to play a key role in flood protection for the county. It is run by a Board of partners from the five District Councils, Somerset County Council, the Environment Agency, the Parrett and Axe Brue Internal Drainage Boards, the Wessex Regional Flood & Coastal Committee and Natural England.

4.31. Since 2016/17, Somerset County Council and the five district councils have had the power to raise a shadow precept of up to 1.25%, for funding the Somerset Rivers Authority. This precept equates to £12.84 per year for a Band D property and will raise £2.547m in 2019/20 (£2.575m in 2020/21; and £2.606m in 2021/22) based on current estimates of the Council’s tax base.

4.32. It is the Government’s intention for the SRA to become a precepting authority, but this requires an act of Parliament and there is currently no timeline for when this will come into effect. Until the SRA can raise their own precepts, the authority will continue to raise a separate precept on behalf of the SRA and provide them with a budget to match the level of precept received. As the SRA precept is passported to the SRA, the precept has no impact on the Council’s budget.

4.33. ***General and Adult Social Care Council Tax***

The 2019/20 council tax base is 198,393.80 Band D equivalents and is set out across the districts and borough councils in Table 9 below. The table also shows the sums due under precepts from the respective authorities.

Table 9: Tax Base and Precept 2019/20

District/Borough Council	Tax Base number	Precept £
Mendip	40,496.05	50,204,179.15
Sedgemoor	41,008.90	50,839,974.83
South Somerset	60,266.07	74,713,671.47
Somerset West and Taunton Council	56,622.78	70,196,974.55
Total	**198,393.80**	**245,954,800.00**

4.34. The impact of a 2.99% increase in Council Tax for General Fund purposes and a further 1% for Adult Social Care considered in the budget proposals outlined in paragraph 5.1 imply a precept requirement of £245.955m and a Band D council tax of **£1,239.73.**

4.35. In 2018/19, the limit to how much Council Tax can be increased by each year changed from 1.99% to 2.99% (without the need for a referendum). It has also been possible (since 2016/17) for the Council to raise an additional precept to fund Adult Social Care pressures. As 2019/20 is the final year of the Government's 4-year Financial Settlement, it is currently unclear whether either of these flexibilities will be extended to 2020/21 and 2021/22. To ensure the Council set a prudent budget from 2020/21 onwards, the Council has assumed the Adult Social Care precept will cease and the cap on general council tax increases will reduce back down to 1.99%. Table 10 below confirms the percentage council tax increases assumed in the budget modelling over the MTFP period.

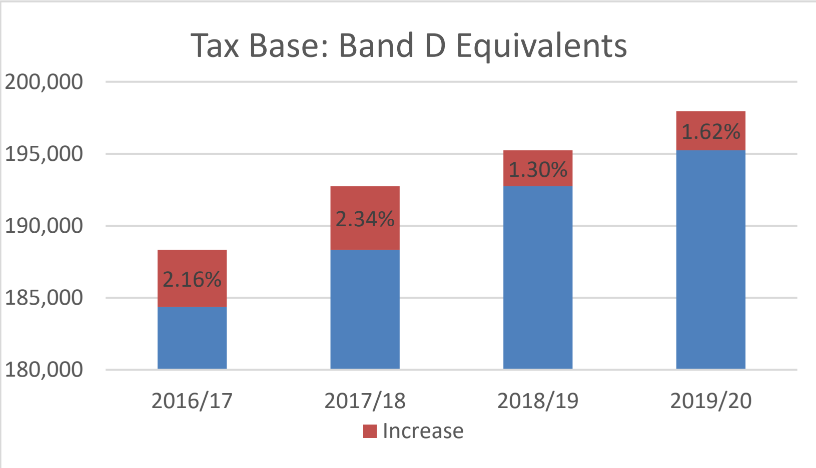
Table 10 - % council tax increase assumed for 2019/22

	2019/20	2020/21	2021/22
Adult Social Care	1.00%	0.00%	0.00%
General Council Tax	2.99%	1.99%	1.99%
TOTAL	**3.99%**	**1.99%**	**1.99%**

4.36. ***Somerset Local Tax Base 2019/20***

The MTFP for 2019/20 incorporates a 1.62% (£3.9m) increase per annum in the council tax base based on estimates from Somerset district and borough authorities. This is an increase at a similar level as in 2018/19 and reflects a slight reduction in the scale of increase over the last three years. Table 11 below shows how the forecast increase in tax base next year compares with previous years.

Table 11: Change in the County Council's tax base



4.37. The amount of council tax payable for dwellings listed in each valuation band, calculated in accordance with the proportion set out in Section 5 (1) of the Local Government Finance Act 1992, shall be as follows:

Valuation Band	Amount (£)
A	826.48
B	964.23
C	1,101.98
D	**1,239.73**
E	1,515.23
F	1,790.72
G	2,066.22
H	2,479.46

4.38. **Capital Receipts Flexibility (CRF)**

The Secretary of State issued the flexible use of capital receipts directive in 2016. This was for an initial 3-year period which has subsequently been extended to cover up to March 2022. The directive gives local authorities the freedom to use capital receipts from the sale of their own assets to help fund the revenue costs of transformation projects and release future revenue savings.

4.39. Somerset County 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), a total of £21.227m capital receipts by the end of 2018/19, of which it expects to have used £16.005m to fund this strategy by 31 March 2019. Appendix F summarises the business cases for initiatives, which have applied capital receipts to fund revenue expenditure.

4.40. Looking forward to the MTFP period (2019-22) the Council proposes to fund a further £6.885m of projects to reform services. Appendix G summarises the initiatives to which capital receipts are planned to be applied to fund the revenue expenditure. These will be backed by robust business cases. These business cases will demonstrate that: the initiative will generate future savings or reduce future costs, and the costs being funded are implementation or set up costs and not on-going operational costs otherwise funding from this source will not be allocated. The council also proposes creating an invest to save revenue reserve to capture proposals that might not meet the full statutory definition under the directive but still benefits the Council's transformation. Business cases will still be required to access funds from the invest to save sources.

4.41. **75% Business Rates Retention (BRR) Pilot**

To test increased business rates retention and to aid understanding of how the Government transition into a reformed business rates retention system in April 2020, local authorities were invited to apply to become 75% business rates retention pilots for 2019/20 only. This Council applied jointly with all the Somerset district authorities (Mendip, Sedgemoor, South Somerset, West Somerset and Taunton).

The provisional Local Government Settlement announced that the Somerset application was successful.

The pilot allows the Somerset area to retain 75% of locally collected business rates instead of the 50% retained under the current scheme. The exact level of benefit to the Council will depend upon actual business rate collection levels and having received notification from the district and borough authorities of their estimated business rates income (from their NNDR1 forms) the County Council is anticipating a gain of £1.7m. However, across the whole area, gains will be greater and Somerset authorities have agreed a share of the benefits as set out below:

Table 12: 75% BRR Pilot – Somerset Pool gain

	75% BRR Pilot Gain (£m)
Somerset County Council	1.7
Other pool members	2.7
County-wide pot	4.0*
Total Gain	**8.4**

**under the terms of the bid, the Council will receive an additional £4.0m in 2019/20 which will be held in an earmarked reserve to be used to fund local projects, determined in partnership and designed to generate economic growth in the Somerset area.*

4.42. The Council only benefits from the increase in local business rate growth, as the Government adjusts the Authority's core funding (referred to as the Settlement Funding Assessment) by rolling several grants into the business rates baseline (the level of business rates funding government believes the Council requires) to account for the increase in business rates being retained under the 75% scheme. As the adjustment to our Settlement Funding Assessment does not take account of any business rate growth during the year, 75% of the growth is retained within the pool.

4.43. The Financial Settlement announced an increase to its Rural Services Delivery Grant allocation in 2019/20, which has provided the Council with an additional £0.500m. However, as this grant allocation has been rolled into the business rates baseline adjustment mentioned above, the Council will benefit from this additional allocation through an increase in retained business rates rather than through receipt of the grant directly. The Council's allocation of Revenue Support Grant (RSG) will also be rolled into the Government's adjustment, and there was no change to the 2019/20 allocation we had previously estimated.

4.44. Also included in the business rates retention scheme are other grants (referred to as S31 rates relief grants). These grants (payable under S31 of the Local Government Act 2003) are designed to reimburse local authorities for reduced business rates income because of the Government's decision to implement national business rate relief (such as small business rate relief; and public house rate relief). The S31 grant also includes an amount in relation to our business rate top-up grant, to allow for inflationary pressures. As these grants are directly linked to the value of business rates retained, the Council expects (subject to collection) to benefit from an additional allocation, given the fact more business rates are being retained locally.

4.45. Under the terms of the pilot bid, the member authorities were required to form a business rates pool, like the pooling arrangements entered in previous years. The principle behind the pooling arrangement will remain the same as before and is that authorities within the pool receive a benefit from reduced tariff payments (made to government as part of the business rates retention scheme). This benefit is estimated by the pools lead authority (Mendip DC) and was previously estimated at £0.800m for this Council. Early indications suggest the actual gain to the Council in 2019/20 is likely to be closer to £1.100m.

As a result of the successful 75% BRR Pilot bid, the Council are anticipating an additional £1.970m (one-off in 2019/20) in relation to S31 grants, in addition to the £4.0m county-wide pot that all Somerset authorities will allocate and rolled-in pooling gain (estimated at £1.1m), which has benefited the Council's overall funding level.

4.46. As the gains identified above are only one-off in 2019/20, the Council intends to use £2.0m of the additional funding to create an Invest to Save reserve. This reserve (totalling £2.852m when we include £0.852m from an increase in our council tax income from revised tax base estimates) will be used to fund internal projects designed to improve the Council's efficiency and drive down future revenue costs. The table below shows how the additional business rates gain and reserve contribution impacts on the overall 2019/20 budget gap.

4.47. ***Table 13: Impact of the successful pilot bid and proposed invest to save reserve***

2019/20 Budget Gap	£m	Spending £m	Funding £m	Comment
2019/20 Budget Shortfall as at 19th Dec	**15.112**	-	-	
Settlement BRR Pool gain	13.112	0.000	2.000	As per settlement Dec 18
Council Tax base increases	12.260	0.000	0.852	As per DC and BC updates
Invest to Save Fund (reserve)	15.112	2.852	0.000	Improving resilience
2019/20 Balanced Budget	**15.112**	2.852	2.852	

4.48. **Special and Service Specific Grants**

As a local authority, a proportion of our funding is received from Central Government as a grant. There are generally two types of grant, Special and Service Specific, with the distinction based on the rules surrounding the way in which the Council can spend the grant.

4.49. Service Specific Grants
Service specific grants are grants that are distributed outside of the local government settlement and come with strict rules on what the Council can and cannot spend the funding on. An example of a service specific grant would be the Public Health grant, where the grant can only be used by the authority in fulfilling its responsibilities as a public health authority.

4.50. <u>Special Grants</u>
Unlike service specific grants, a special grant (also referred to as non-specific) can be spent on our core activities (such as salaries and other day-to-day running costs), as there are no specific rules on how the Council can spend the funding. An example of a special grant would be the Revenue Support Grant (RSG).

4.51. Most government grants awarded to the Council have now been announced for 2019/20 and all known allocations are set out in Appendix I. The value of confirmed grants, with some assumption in value, in 2019/20 amounts to £330.439m and there is £9.347m of estimated grant. Futures years are included in the appendix.

4.52. The overall change (from what the Council has previously estimated) for non-specific grants, are included within the appendix:

- Increased New Homes Bonus funding of £0.158m (to £2.390m) for 2019/20;
- The removal of Revenue Support Grant (previously estimated to be £6.076m) as this now forms part of the revenue stream from our successful Business Rates pilot bid;
- The removal of Rural Services Delivery Grant (previously estimated to be £1.928m but increased to £2.403m in the Provisional Settlement), as this grant has also been rolled -up in the successful Business Rates pilot bid for 2019/20; and
- An additional allocation of £0.087m in 2019/20 to assist the Council with its Brexit preparations.

4.53. The Council is still awaiting confirmation for a number of small non-service specific grants that have been included in the budget estimates for 2019/20. The estimated 2019/20 allocation for these grants is £0.821m, and at the time of writing there is no indication these allocations will not be confirmed. If the actual allocations for these grants is lower than the £0.821m assumed, the Council will consider reducing its Contingency budget to cover the difference and avoid the need for any last-minute service cuts.

5. Revenue Budget Proposals for 2019-22

5.1. After consideration of the Financial Settlement announcement, the budget assumptions for price inflation, business rates and council tax and the savings proposals, net revenue expenditure of £327.967m is proposed for 2019/20, an increase of £10.085m (3.2%) compared to 2018/19, as shown in the table below.

Table 14: Summary of Change in Budget

Service	2018/19 Budget £m	Savings & Other Adjustments £m	Pressures & Unachievable Savings £m	2019/20 Indicative Budget £m
Adults Services	141.149	(23.125)	8.040	126.064
Children Services	65.895	(12.620)	28.407	81.683
Economic and Community Infrastructure Services	66.547	(5.249)	4.085	65.383
Public Health	1.023	(0.500)	0.126	0.649
Key Services	**274.614**			**273.778**
Corporate and Support Services	20.577	(5.523)	7.376	22.430

Non-service items (inc Debt Charges)	34.697	(2.657)	3.321	35.361
Support Services & Corporate	**55.274**			**57.791**
Un-ring Fenced Grants	(12.580)	(3.896)	0.000	(16.476)
General Reserves	3.913	(1.412)	0.000	2.500
Earmarked Reserves	(0.900)	10.452	0.750	10.302
Insurance Fund	0.164	0.377	0.000	0.541
Capitalisation Flexibility and Capital Fund	(2.602)	2.134	0.000	(0.468)
Net Budget Requirement	**317.882**			**327.967**
Financed By				
Revenue Support Grant	(16.082)	16.082	0.000	0.000
Individual Authority Business Rates Baseline	(14.275)	(38.834)	0.000	(53.109)
Business Rates Top-up	(51.426)	25.568	0.000	(25.858)
Business Rates Collection (Surplus) / Deficit	0.322	(0.565)	0.000	(0.243)
Business Rates Collection Pool	(0.500)	0.500	0.000	0.000
Council Tax Collection (Surplus) / Deficit	(3.163)	0.361	0.000	(2.802)
Locally Collected Council Tax (inc. est. Taxbase increases)	(215.379)	(10.552)	0.000	(225.931)
Council Tax Adult Social Care	(14.871)	(2.605)	0.000	(17.477)
Council Tax Somerset Rivers Authority	(2.507)	(0.041)	0.000	(2.547)
Budget (Surplus) / Deficit & Totals	**0**			**0.000**

5.2. The net revenue budget in the table above represents the expenditure incurred by service net of any income received from external sources. The table below shows the gross budget by service, which gives a better indication of the total expenditure incurred by each service.

Table 15: Gross budget by service

	2019/20	2020/21	2021/22
Gross Budget by Service	**£m**	**£m**	**£m**
Adults Services	216.613	216.312	218.618
Public Health	20.824	20.924	20.924
Children Services	357.486	357.142	353.214
Economic and Community Infrastructure Services	99.922	101.161	103.833
Corporate and Support Services	31.866	31.056	31.068
Non-Service	46.499	37.514	36.446
Trading	6.971	6.971	6.971
Budget Gap - savings still to be identified	0.000	-5.221	0.000
TOTAL	**780.181**	**765.859**	**771.074**

5.3. The table below shows the proposed budget for 2019/20, compared to that for 2018/19, and the indicative budgets for 2020/21 and 2021/22, including funding sources.

Table 16: Indicative Budgets 2019/20 to 2021/22

Service	2018/19 Budget £m	2019/20 Indicative Budget £m	2020/21 Indicative Budget £m	2021/22 Indicative Budget £m
Adults Services	141.149	126.064	125.083	126.709
Children Services	65.895	81.683	84.011	85.451
Economic and Community Infrastructure Services	66.547	65.383	66.143	68.173
Public Health	1.023	0.649	0.749	0.749
Key Services	**274.614**	**273.778**	**275.985**	**281.081**
Corporate and Support Services	20.577	22.430	21.621	21.633
Non-service items (inc Debt Charges)	34.697	35.361	35.238	38.469
Support Services & Corporate	**55.274**	**57.791**	**56.858**	**60.101**
Un-ring Fenced Grants	(12.580)	(16.476)	(6.487)	(6.233)
General Reserves	3.913	2.500	(0.534)	(0.534)
Earmarked Reserves	(0.900)	10.302	(0.366)	0.556
Insurance Fund	0.164	0.541	0.438	0.438
Capitalisation Flexibility and Capital Fund	(2.602)	(0.468)	0.000	0.000
Assumed the previous year gap is closed	0.000	0.000	0.000	(5.221)
Net Budget Requirement	**317.882**	**327.967**	**325.894**	**330.188**
Financed By				
Revenue Support Grant	(16.082)	0.000	0.000	0.000
Individual Authority Business Rates Baseline	(14.275)	(53.109)	(16.460)	(16.789)
Business Rates Top-up	(51.426)	(25.858)	(53.266)	(54.331)
Business Rates Collection (Surplus) / Deficit	0.322	(0.243)	0.000	0.000
Business Rates Collection Pool	(0.500)	0.000	0.000	0.000
Council Tax Collection (Surplus) / Deficit	(3.163)	(2.802)	0.000	0.000
Locally Collected Council Tax (inc. est. Taxbase increases)	(215.379)	(225.931)	(233.281)	(241.186)
Council Tax Adult Social Care	(14.871)	(17.477)	(17.666)	(17.882)
Council Tax Somerset Rivers Authority	(2.507)	(2.547)	0.000	0.000
Budget (Surplus) / Deficit	**0.000**	**0.000**	**5.221**	**0.000**

6. Robustness of Estimates, Adequacy of Reserves and the Management of Risk

6.1. Reserves and Balances

Section 25 of the Local Government Act 2003 requires S151 Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and level of council tax. Authorities are required to consider their S151 Officers' reports when setting the level of council tax. As Director of Finance (holding the role of S151 Officer for the County Council) I have provided the following assurance.

6.2. Over recent years, and during 2018/19 in particular, the Council has found itself struggling to contain expenditure within budget. The consequence of this has been the use of reserves to support revenue expenditure, significantly overspending budgets, the need for a substantial contingency and, in 2018/19, mid-year intervention to identify further proposals for change in order to bring the budget back under control. A further consequence of this uncertainty is an apprehension in the Council about the accuracy of the budget and financial control and the unwanted, adverse external scrutiny of the Council.

6.3. In September 2018 the Cabinet approved a number of proposals for change to deliver reduced spending within the financial year and for future years. This, combined with a more rigorous savings tracking regime, improved budget monitoring and some one-off funding, has produced a reducing projected budget overspend, to the point where it is now predicted that the Council will underspend at the 2018/19 financial year end.

6.4. Since September 2018 the Council has been developing the Medium Term Financial Plan for 2019 – 2022; three financial years, with a clear focus on producing a balanced budget for the financial year 2019/20. Part of the challenge of managing prior year budgets was that they contained savings proposals that were ill-defined and they did not contain all of the pressures that the Council services might be expected to encounter. This approach was changed for this MTFP with a clear direction to reverse out unrealistic savings proposals, to identify all pressures and to provide the best assumptions about the future funding that could be produced. I am satisfied that the most appropriate information and assumptions have been made in developing the 2019/20 budget and MTFP and that there are no known pressures that are being left unmanaged.

6.5. In order to address the funding gap for 2019/20 future proposals for change have been developed and are presented for consideration for the Council with this report. I am satisfied that those proposals have been created and assessed with due rigour to ensure that they are deliverable and will have the desired impact on reducing spending within 2019/20 (and beyond where they continue). Furthermore, each proposal has been assessed for confidence in delivery, with the confidence ratings then informing the contingency provision that may be required to offset any non-delivery. It is reassuring that the confidence assessment is more positive than it was for the September 2018 proposals, perhaps indicating a level of increased maturity in producing them.

6.6. The contingency provision is referred to in the paragraphs below and I am satisfied that the proposed sum of £7.226m for next year is adequate to deal with both unachieved savings and other events for which the contingency may be called upon.

6.7. As at September 2018, the General Fund reserve was assessed as being £7.790m as at 31 March 2018, after taking account of negative reserves and those which the Council holds on behalf of others. The Council is proposing to take advantage of some one-off funding during 2018/19 and the likely underspend to either directly contribute to the General Fund or to reduce some negative reserves, which will have the impact of increasing the General Fund balance as at 31 March 2019 to £12.704m. There are further planned contributions in 2019/20, as shown in Appendix L, which will produce a balance of £19.004m as at 31 March 2020. This is in line with the Policy set out in

Appendix K and will provide some interim support for 2020/21 if the SR2019 and Fair Funding Review produce an unexpectedly adverse outcome for Somerset County Council. Bolstering the General Fund in this manner will also offer the opportunity to reduce ongoing revenue budgets (contribution to reserves and contingency) in future years as there will be an adequate safety net through the balance sheet.

6.8. In regard of 2019/20 it is therefore possible to assess the developed budget and proposals as robust and the reserves and contingency as adequate. The latter offers appropriate risk mitigation in the event that savings proposals are not delivered, or unexpected events occur. This should not, of course, imply that managing the Council's finances in 2019/20 will be easy; the same robust control and monitoring will be required as has been applied in the latter part of 2018/19. With a change in leadership of the Finance Service during 2019/20, close attention will need to be given to the capacity and development of the team to ensure that it can support the Council through the challenges ahead.

6.9. In July 2018, 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).

6.10. 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". Grant Thornton's conclusion was that they were "satisfied that the Going Concern basis is appropriate for the 2017/18 financial statements". This test will be no less important when the 2018/19 accounts are being prepared and audited. Indeed, given the pressures on local government in general and on Somerset County Council in particular, it is arguable that assurances about the going concern status of the Council will be more important, hence the need to consider the MTFP for the period beyond 2019/20.

6.11. The MTFP set out in this report clearly shows a balanced budget for 2019/20 but does not yet show a balanced position for 2020/21 and beyond. This is mainly because the Council, like other local authorities, does not have good quality information about the funding arrangements for 2020/21 and beyond. Therefore, the Council is recommended to adopt an MTFP that recognises the pressures on the Council and anticipates a "no change" funding settlement. In that case, the Council has proposals that reduce any projected gap to a manageable level in 2020/21 and 2021/22, especially bearing in mind the likely level of General Fund reserves.

6.12. However, in considering the future, the Council must adopt a longer-term approach for delivering services that enable it to manage the demand pressures and funding shortfalls in more strategic manner, thereby avoiding the production of year to year proposals for change. The Council is just about to start a whole-organisation change project that is seeking to address the pressures upon its services and how it more effectively uses its resources to improve the lives of its residents. It is essential that this project is driven at pace throughout 2019/20 in order to deliver real, transformational change in time for the new financial year in 2020/21.

6.13. The Auditor is also required to give a Value for Money (VFM) assessment each year, the verdict for 2017/18 was an adverse opinion. The summary of the opinion was that their "…work on Strategic Financial Planning has concluded that the Council does not have proper arrangements in place to ensure sustainable resource deployment. We therefore anticipate issuing a qualified ‘adverse’ value for money conclusion, concluding that the Council does not have proper arrangements to secure economy, efficiency and effectiveness in its use of resources”. Since that opinion was issued, considerable work has been undertaken by the Finance Team and the wider organisation to address the concerns about financial planning, financial control and budget monitoring amongst other things. The preparation of a robust MTFP and the presentation of the proposals in this report are key management responses to the recommendations put forward by Grant Thornton.

6.14. In assessing the robustness of this budget, I have drawn on the advice of service chief officers that the service priorities for 2019/20 can be delivered within the available resource envelope for each service. These colleagues include, but are not limited to, the statutory chief officer roles of Director of Adult Services, Director of Children’s Services, the Director for Public Health plus the Director for Economic and Community Infrastructure, the Director for Customers and Communities – Corporate Affairs and the Director for HR and OD.

Peter Lewis
FCPFA
Section 151 Officer

6.15. ***General Fund***

The Council holds a General Fund to provide a cushion against any unexpected short-term budgetary pressures or a major unexpected event (see Reserves and Balances Policy Statement - Appendix K for further details). The level of the balance is not prescribed, and the Council aims to keep a reasonable balance that is justifiable in the context of local circumstances and risks facing the Council, while not tying up council taxpayers’ money unnecessarily. The balance at 1 April 2019 is forecasted to be £12.704m.

6.16. To achieve this sensible balance, since 2018/19, the Council has budgeted for an annual contribution of £2.000m each year to ensure the general fund remains at a level the S151 Officer (Interim Director of Finance) deems prudent for this Council.

6.17. During 2018/19, the Council has rebased the service budgets most under pressure to ensure they are robust. This work, in conjunction with the additional revenue savings approved by Cabinet in September 2018 have helped improve the Council’s financial position. To continue this improvement, the MTFP keeps the plan to contribute £2.000m in 2019/20 and plans further repayment of negative reserves (see paragraph 6.7 for further details). Both will further strengthen the General Fund position.

6.18. As a consequence of this improved position from 2019/20, the MTFP removes the annual £2.000m contribution from 2020/21. This reduces the pressure on revenue budgets but will be kept under review to mitigate against any unforeseen pressure on the General Fund during the MTFP period.

6.19. Over the current MTFP period, the balance of the Council’s General Fund is forecast to be:

- £12.704m – as at 1 April 2019
- £19.004m – as at 1 April 2020
- £19.538m – as at 1 April 2021

- £20.072m – as at 31 March 2022

See Appendix L for details of the movement over the MTFP period.

6.20. ***Earmarked Reserves***

Earmarked reserves are funds set aside for specific purposes and to mitigate against potential future known or predicted liabilities. They are agreed by the Cabinet. The forecast total balance for all earmarked reserves brought forward at 1 April 2019 is £13.535m, an increase (of £10.714m) from the £2.821m brought forward on 1 April 2018.

6.21. Included within these balances are reserves set-aside to cover future costs for specific legislative responsibilities (such as Public Health and Somerset Rivers Authority), as such the Council are unable to change the purpose of these funds. After allowing for the values on these reserves, the remaining reserves, which the council can utilise, have a negative balance of -£6.086m at 1 April 2019 an improvement of £10.430m, from the -£16.516m brought forward at 1 April 2018.

6.22. These negative reserves have arisen from the Council policy in previous years of holding reserves in a negative position, to spread the revenue costs of projects that were expected to be higher in the early years then gradually reduce over time (referred to as budget smoothing). This policy required some form of repayment plan put in place to ‘repay’ the reserve in future years.

6.23. To ensure the authorities on-going financial resilience these negative reserves have been reviewed and a repayment plan put-forward to repay several of the reserves during the MTFP (2019-22). Within these budget assumptions, the Council plans to repay:

- £3.389m in 2019/20, to clear the outstanding Buildings Maintenance Indemnity Scheme (BMIS) and Repairs & Maintenance Fund that has now closed; and

- £0.910m in 2019/20, to clear the outstanding Learning Disabilities Equalisation reserve.

6.24. The Councils’ negative Dedicated Schools Grant (High Needs Block) reserve has arisen due to the significant pressure on the authorities High Needs budget (for children and young people with special educational needs and disabilities (SEND) from their early years to 25) over the last few years. The Council is continuing to progress the High Needs Block deficit recovery plan, with the main areas of focus being:

- Places, Capital Build and Independent Provision;
- Pupil Referral Units, Alternative Provision and Outreach Support;
- Improvements to the SEND team and annual review process, and;
- Review of SEND Support Services.

6.25. For another of the Council’s remaining negative reserves, business plans are currently being drawn-up to enable the trading activity at Dillington House to make a surplus and then repay the deficit on its trading activities’ (projected to stand at £1.373m by 31 March 2019 within a short timeframe.

6.26. As part of the Council’s drive to ensure greater financial stability and service transformation, the Authority plans to increase the capacity of its Invest to Save reserve to provide additional revenue support for future projects designed to generate long-term efficiencies and reduce future revenue costs. This reserve will be boosted through a one-off contribution of £2.852m in 2019/20, possible because of the additional funding from council tax base improvements and the provisional financial Settlement: council tax base increase (£0.852m); increased Rural Services Delivery Grant (£0.500m) and the one-off gain (£1.5m) from the Councils successful 75% Business Rates Retention bid in 2019/20. Any drawdowns from this reserve will need to be supported by robust business cases to provide evidence of the potential efficiencies, as any successful bid will be required to repay the amount being awarded. This will ensure the reserve is available to the Council for the long-term and will avoid the need for any future top-ups.

6.27. Details of all the Councils earmarked reserves (including planned use over the period of the MTFP (2019-22) is attached in Appendix J of this report.

6.28. ***Corporate Contingency***

A contingency budget is a base budget provision that the Council puts aside for one-off, unexpected costs within the year. It is common for unexpected costs to occur, for example due to exceptional weather events, so a contingency budget enables prompt mitigating action to be taken without disrupting the remainder of the annual budget for services. Use of the contingency budget is approved by the S151 Officer and is subsequently reported to members.

6.29. The Section 151 Officer believes it is prudent to set the following contingency budget over the current MTFP period:

- 2019/20 £7.226m
- 2020/21 £4.562m
- 2021/22 £4.138m

6.30. The rebasing of the Authority’s most under pressure budgets, through the use of savings approved by Cabinet in September and additional one-off funding allocations, has enabled the Authority to better understand its cost base, reduce the impact of unexpected costs on its revenue budgets and to replenish some reserves. Therefore, it is possible to reduce the amount of contingency the Authority needs to hold moving forward as the Council’s budget will be on a more secure footing, savings delivery is more effective and budgetary control is improved. The contingency has been reduced over the MTFP period to £4.138m in 2021/22.

6.31. The policy of putting aside a reduced contingency will be reviewed throughout the period and additional allocations will be considered in future years if the Council’s budget comes under pressure and/or budgetary control is at risk.

7. Future Financial Risks

7.1. There is a considerable amount of change in the external environment facing the council over the MTFP period. This offers some opportunities, but also potential financial risk and volatility over the medium term. These include:

- The fact that the way the UK leaves the EU may impact on the economic performance and state of the nation’s public finances.

- The review of local government funding proposed under the Fair Funding Review and the move to 75% local Business Rate Retention from 2020/21. Currently the Government are consulting on the proposed changes, although at this stage these are high level principles and it is not expected that authorities will be clear of the definite future arrangements nor see exemplifications of the likely financial impact until late summer / autumn 2019 – which will leave relatively little time to develop plans for budgets for 2020/21 onwards.
- The absence of a Spending Review beyond 2019/20 leaves all authorities uncertain about the overall framework of future funding allocations as between the different government departments and priorities. The recent publication of the NHS 10-year plan, announcing additional funding increase the likely strain that other public sector services, including local government may have to bear.
- Although service budgets have been re-based going into 2019/20 to ensure as robust budgets as is possible, there remains volatility in demands for care services in particular, both in terms of volumes and complexity. The position anticipated now could therefore change significantly.
- Any legislative changes not yet known about could impact on the Council's responsibilities and therefore spend pressures.

Throughout the next financial year, the Council will continue to keep the MTFP under review and report back to members with up-dated plans if necessary.

8. Background Papers and Appendices

8.1. Medium Term Financial Plan Strategy report to Cabinet – December 2018

8.2. Month 9 Revenue Budget Monitoring Report to Cabinet – January 2019
Revenue Budget Report 2019-22 to Scrutiny Adults – 30 January 2019
Revenue Budget Report 2019-22 to Scrutiny Children's – 25 January 2019
Revenue Budget Report 2019-22 to Scrutiny Place – 23 January 2019

Appendices:

A: Prior Year Savings Unachievable
B: Minimum Revenue Provision Policy Statement
C: Summary of Equality Impacts MTFP 2019/20
D: Proposals for Change 2019/20
E1: Summary of Savings Proposals for Cabinet
E2: Adults & Health Services Proposals for Change
E3: Children's Services Proposals for Change
E4a: Corporate Services Proposals for Change Consultations
E4b: Corporate Services Proposals for Change Decisions
E5: ECI Services Proposals for Change
F: Capital Receipts Flexibility up to 2018/19
G: Capital Receipts Flexibility for 2019/20 onwards
H: Council Tax Precepts
I: Government Grants 2019-22
J: Earmarked Reserves details
K: Reserves and Balances Policy Statement
L: General Fund movements 2019-22

Ref	Year of Savings Decision	Service / Area	Proposal Title	Proposals Description	Proposal Category	Reason why saving is unachievable	2019/20	2020/21
DS01a	2018/19	Corporate & Support Services	Democratic Services Demand Management	Democratic Services Demand Management	Demand Management	Saving already in projections (double count)	22,392	0
R17 - 022	2017/18	Corporate & Support Services	Commercial and Third Party Spend	Income Generation:	Income Generation	Unable to expand provision of collaborative contract to other local authorities	40,000	0
R17 - 022	2017/18	Corporate & Support Services	Commercial and Third Party Spend	Income Generation:	Income Generation	Collaborative contract with other local authorities will be ending	40,000	0
R17 - 006	2017/18	Corporate & Support Services	SWOne Transition (Technology & People)	Assumed savings from return of SWOne Services	Income Generation	Increased recovery of income for overheads (via SSE) is not achievable	199,900	0
?	2017/18	Corporate & Support Services	PWC Full Cost Recovery Saving	PWC Full Cost Recovery Saving	Income Generation	Target not achievable or saving badged agaisnt other Service specific savings	57,000	0
R18 - 021	2018/19	Corporate & Support Services	Productivity & Culture	HR & OD staff benefit scheme continued income shortfall	Income Generation	Shortfall of Income	68,000	0
R16 - 025E	2016/17	Corporate & Support Services	Customers & Community	Customers & Communities Undeliverable income target web development	Income Generation	Customers & Communities Undeliverable income target web development	30,000	0
R17 - 009	2017/18	Economic & Community Infrastructure	Service Redesign	Reviewing library services	Other	Proposals to review the service now deferred	260,000	0
?	2014/15	Economic & Community Infrastructure	Highways	Highways NHT Survey	Other	Previous MTFP saving for non-participation in the survey reinstated without budget	11,300	0
R17 - 054	2017/18	Adults & Health	Procurement Opportunities	Fee Negotiations - Consolidated Annual Saving	Procurement	Procurement haven't delivered fee reductions	653,000	0
R17 - 040	2017/18	Corporate & Support Services	Reduce Agency Spend	Impose target to reduce the cost of Agency spend by 15%	Procurement	Temporary staffing has diminished to such a level that further reductions are not feasible	208,200	208,200
R17 - 049	2017/18	Corporate & Support Services	Further Third Party spend exploration	Looking at all service areas for other oppurtunities	Procurement	No further opportunities have been identified	150,000	0
R17 - 028	2017/18	Corporate & Support Services	Commercial and Third Party Spend	3rd party Spend - Council, Tail-spend review linked to PtoP.	Procurement	No further cost reductions been identified	234,000	0
R17 - 028	2017/18	Corporate & Support Services	Commercial and Third Party Spend	3rd party Spend - Council, Tail-spend review linked to PtoP.	Procurement	No further cost reduction been identified	234,000	0
R17 - 030	2017/18	Corporate & Support Services	Commercial and Third Party Spend	ICT related savings on the return of the service from SWOne	Procurement	No further cost reduction been identified	1,058,000	0
R17 - 029	2017/18	Corporate & Support Services	Commercial and Third Party Spend	Target high-volume users and find low cost alternatives	Procurement	Shortfall on saving on BT contracts	3,400	0
R17 - 058	2017/18	Children & Families	Reduce Commissioning Activity in SSE	Savings across Education Services, Transport budgets and through the integration of early help arrangements	Service Review	No plans in place to deliver	677,000	0
R17 - 043	2017/18	Earmarked Reserves	Children's Commissioning - Exploring regional Services	Exploring Regional Services	Service Review	This saving was previously held against a reserve and this is likely to have contributed to its non-delivery	750,000	250,000
ECI-071	2018/19	Economic & Community Infrastructure	Highways Winter Gritting	Highways Winter Gritting	Service Review	Further analysis of what routes SCC must grit meant only an £80k saving would be realised.	40,000	0
R17 - 055	2017/18	Public Health	Service Redesign	Review of further savings initiated to examine impacts over and above Public Health grant reductions imposed. To include review of other services, working with Public Health.	Service Review	Saving was one off but had been factored in as on-going	18,500	0
R18 - 033	2018/19	Public Health	Service Redesign	Review of further savings initiated to examine impacts over and above Public Health grant reductions imposed. To include review of other services, working with Public Health.	Service Review	Saving was one off but had been factored in as on-going	107,000	0
R18 - 018	2018/19	Corporate & Support Services	Service Redesign	Reduction in the use of external Legal Capacity	Service Review	Individual caseloads from services requiring specialist support from external sources	205,500	0
R17 - 042	2017/18	Adults & Health	Technology and People	Improve organisational productivity and process efficiency	TAP	No further cashable savings can be achieved resulting from TAP	439,000	685,000
R17 - 042	2017/18	Children & Families	Improve organisational productivity and process efficiency	Reduce staff costs	TAP	No further cashable savings can be achieved resulting from TAP	1,290,000	615,000
R17 - 042	2017/18	Children & Families	Improve organisational productivity and process efficiency	Reduce staff costs	TAP	No further cashable savings can be achieved resulting from TAP	502,000	240,000
R17 - 042	2017/18	Corporate & Support Services	Technology and People	Improve organisational productivity and process efficiency	TAP	No further cashable savings can be achieved resulting from TAP	1,136,000	621,000
R17 - 042	2017/18	Corporate & Support Services	Technology and People	Legal Services TAP	TAP	No further cashable savings can be achieved resulting from TAP	13,000	0
R17 - 042	2017/18	Corporate & Support Services	Finance	Finance Undeliverable savings/unrealistic income staffing/vacancy/TAP	TAP	No further cashable savings can be achieved resulting from TAP	24,200	0
R17 - 042	2017/18	Economic & Community Infrastructure	Technology and People	Improve organisational productivity and process efficiency	TAP	No further cashable savings can be achieved resulting from TAP	725,000	414,000
R17 - 042	2017/18	Economic & Community Infrastructure	Technology and People	Improve organisational productivity and process efficiency	TAP	No further cashable savings can be achieved resulting from TAP	142,000	0
R17 - 059	2017/18	Children & Families	Transport	Savings across Education Services, Transport budgets and through the integration of early help arrangements.	Transport	No plans in place to deliver	707,000	0
R18 - 030	2018/19	Children & Families	Transport (Service Redesign)	Making efficiencies in our transport operations	Transport	No plans in place to deliver	535,000	0
R17 - 016	2017/18	Children & Families	Transport	Cross-cutting Transport Review	Transport	No plans in place to deliver	1,125,000	300,000
?	2016/17	Corporate & Support Services	Finance	Finance Undeliverable savings/unrealistic income staffing/vacancy	Vacancy Savings	Vacancy factors applied not achievable	56,400	0
				Total			11,761,792	3,333,200

Appendix: B

Minimum Revenue Provision Statement 2018/19

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended], local authorities are required to charge a Minimum Revenue Provision (MRP) to their revenue account in each financial year. Before 2008, the 2003 Regulations contained details of the method that local authorities were required to use when calculating MRP. This has been replaced by the current Regulation 28 of the 2003 Regulations, which gives local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance (issued by the Secretary of State).

An underpinning principle of the local authority financial system is that all capital expenditure must be financed either from capital receipts, capital grants (or other contributions) or eventually from revenue income. The broad aim of prudent provision is to require local authorities to put aside revenue over time to cover their Capital Financing Requirement (CFR). In doing so, local authorities should align the period over which they charge MRP to one that is commensurate with the <u>period over which their capital expenditure provides benefits</u> (often referred to as 'useful economic life').

The guidance requires the Authority to approve an Annual MRP Statement each year and recommends several options for calculating a prudent amount of MRP.

Having reviewed the options suggested by the guidance and considered the historic information available to the authority for previous years capital expenditure funded from un-supported borrowing, the Authority proposes an MRP policy based on two distinct components:

1. An element based on the period the capital expenditure provides benefit to the authority, as per the maximum useful economic lives (UEL) in the table below:

ASSET CLASS	MAXIMUM UEL
Freehold Land	999 years
Freehold Buildings	99 years (dependant on specific-asset information provided by the Council's RICS qualified valuation team)
Leased Land	Length of lease term or asset UEL, whichever is lower
Leased Buildings	Length of lease term or asset UEL, whichever is lower

Plant & Equipment (owned)	10 years
Plant & Equipment (leased)	Length of lease term or asset UEL, whichever is lower
IT	7 years
Intangible (software licences)	Length of licence term
Infrastructure	64 years
Heritage	999 years
Assets Held for Sale	Dependant on the asset class prior to being reclassified as held for sale

For un-supported loans funded capital expenditure prior to 1st April 2018 there was no direct link between individual assets and their funding types, so it has not been possible for the authority to analyse the CFR (as at 31st March 2018) by specific loans-funded assets. It is the Council's intention to apportion the CFR balance (as at 31st March 2018) of £366.115m over the weighted average life (based on the useful economic lives) of the Council's entire asset portfolio – as reported in the 17/18 published accounts.

Any capital expenditure funded from un-supported borrowing post 1st April 18 will have a direct link to the benefit being received (asset) on the accounting system, it is therefore the Council's intention to put aside revenue for this element of the CFR on an asset by asset basis – having considered the useful economic lives in the table above.

Paragraph 40 of the statutory guidance suggests that the MRP should normally commence in the financial year following the one in which the expenditure was incurred, so capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

2. An additional element to ensure the authority has enough put aside to meet the repayment dates of the loans when they fall due.

Paragraph 14 of the statutory guidance identifies a concern over an authorities' ability to fully provide for its debt based on current levels of MRP. As relying on continuing access to PWLB to repay debt when it falls due does not represent a prudent approach, we are planning to make an additional MRP payment of £0.400m each year (incrementally) over and above the MRP charge identified in point 1. This planned incremental increase each year will ensure we have enough put aside to meet the repayment dates of existing debt instruments when they fall due. This has been confirmed by a detailed review of the current debt maturity profile. We will continue to monitor the MRP and repayment profile of the Council's debt instruments, and if future borrowing creates a potential shortfall, we will increase the additional MRP accordingly to ensure significant provision is put aside.

NB. This proposal excludes leased assets, as their MRP requirement has been met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability when the rent is paid.

Based on the Authority’s Capital Financing Requirement on 31st March 2018, the budget for 2018/19 MRP has been set as follows:

	31.03.2018 CFR £m	**2018/19 MRP £m**
Capital Expenditure		
Capital expenditure before 01.04.2018	366.115	1.039
Additional Contribution		
Additional Contribution (2018/19)	-	0.400
Total	**366.115**	**1.439**

SOMERSET COUNTY COUNCIL
SUMMARY OF MTFP 2019/20 IMPACTS

1.1 Summary of Impacts for MTFP 2019/20

In order for the Council to fulfil its legal requirements under the Public Sector Equality Duty, members are asked to have due regard to the equality impact assessments supporting the proposals attached to this decision. An Equality Impact Assessment is a way of analysing changes to our services, policies and strategies and identifies potential impacts on characteristics protected under the Equality Act 2010. This allows us to make informed decisions that can be evidenced and shared with interested parties.

The characteristics protected under the Equality Act 2010 are:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation

Whilst assessing the Protected Characteristics for Somerset it was established that there were additional characteristics that for Somerset had a real impact on the ability of people to access services and take part in the wider community. These additional local characteristics are rurality, low income, carers and military status.

This due regard should be considered with the duties set out in the Public Sector Equality Duty. So for the characteristics identified above will the change help or hinder:

a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

This summary of key impacts and the equality impact assessments have been developed to help councillors:

- debate the issues,
- consider proposed decisions,
- consider the viability of alternatives
- agree potential mitigating measures and note impacts which may not be able to be mitigated
- make informed and fair decisions

The Equality Act 2010 does not prevent the Council from taking difficult decisions which result in service reductions or closures for example, it does however require the Council to ensure that such decisions are:

- Informed and properly considered with a rigorous, conscious approach and an open mind.
- Taken following due regard having been given to the effects on the protected characteristics with the need to ensure nothing results in unlawful discrimination in

terms of access to, or standards of, services or employment as well as considering any opportunities to advance equality and foster good relations.
- Proportionate (that negative impacts, including those that cannot be mitigated, are proportionate to the aims of the policy decision).
- Fair, necessary and reasonable
- Only taken following appropriate consultation with those affected.

Creating a picture of how people are being affected by the Council's budget reductions and proposed future changes to services is difficult and complex. People are different in terms of their needs and expectations; people's interaction with public services and dependence upon public services vary. Life changing events such as the birth of a child, death of a partner or deterioration in health can alter, sometimes very quickly, a person's dependence on services. Living in rural communities may be a dream for some but for others it can also present challenges.

Consideration of the continuing need to reduce inequalities as far as possible must be integral to the budget reduction process. There must be an appropriate balance struck between, on the one hand being aware of the impact and risks, seeking to avoid or mitigate adverse impacts and, on the other, the benefit and necessity to making the saving to achieve a balanced budget. It is therefore inevitable that it may not be possible to mitigate all impacts.

Cumulative Equality and Diversity Impacts for the 2019/20 Medium Term Financial Plan (MTFP)

Based on the proposals put forward within this report there are a number of impacts, which, when looked at together, could have combined impacts on characteristics protected under the Equality Act 2010. They are:

- There are a number of proposals that could affect **disabled people**. This could be through what services are available for people to access, the services that are available being reduced or their ability to navigate Somerset independently.
- **Women** are also more likely to be impacted by a combination of proposals. As women are still more likely to provide a child or adult caring role they could be disproportionately affected by the changes to support services for disabled people and young people.

When considering these identified cumulative impacts, it is also worth considering the outstanding elements from decisions taken in-year. This could be because the decision has been delayed due to consultation being completed or a phased implementation to a decision already taken. When these are looked at they can contribute or create new cumulative impacts such as:

- **Women** could be further impacted with the remainder of the reductions in funding to Advice Services. The additional reductions in youth services could place more of a burden on women who are more likely to be the main care givers in a home. This could then be further impacted by reductions to support provided to families.
- Taking these additional savings into account there could be a cumulative impact on **young people**. This would be through a further reduction in youth services, and the support provided to their parents through the GetSet services.

There are some mitigations identified within the individual proposals to minimise the impacts identified. This include

- working with the voluntary and community sector to provide some of the support services we currently provide
- providing sign posting and advice on alternative areas of support and services

2019/20 Proposals for Change Savings Totals

£,000	Proposals for Decision				Proposals requiring consultation				TOTALS for Proposals for Decision and Proposals Requiring Consultation				Proposals for information - decision already taken (no proformas)				TOTALS			
Service	No. Proposals for Change	Max 19/20	..of which is ongoing savings	Additional ongoing savings from 20/21	No. Proposals for change	Max 19/20	..of which is ongoing savings	Additional ongoing savings from 20/21	No. Proposals for change	Max 19/20	..of which is ongoing savings	Additional ongoing savings from 20/21	No. Proposals for change	Max 19/20	..of which is ongoing savings	Additional ongoing savings from 20/21	No. Proposals for Change	Max 19/20	..of which is ongoing savings	Additional ongoing savings from 20/21
Adults Services	5	2837.0	2837.0	219.0	0	0.0	0.0	0.0	5	2837.0	2837.0	219.0	3	552.0	552.0	0.0	8	3389.0	3389.0	219.0
Children's Services	6	1701.0	925.7	0.0	0	0.0	0.0	0.0	6	1701.0	925.7	0.0	0	0.0	0.0	0.0	6	1701.0	925.7	0.0
ECI	22	1451.2	1114.2	20.0	0	0.0	0.0	0.0	22	1451.2	1114.2	20.0	2	856.0	856.0	234.1	24	2307.2	1970.2	254.1
Corporate Services	9	1432.9	1067.9	126.5	2	740.0	740.0	54.2	11	2172.9	1807.9	180.7	5	783.0	783.0	0.0	16	2955.9	2590.9	180.7
Financial Adjustme nts	0	0.0	0.0	0.0	0	0.0	0.0	0.0	0	0.0	0.0	0.0	4	4708.0	3108.0	0.0	4	4708.0	3108.0	0.0
TOTALS	**42**	**7422.1**	**5944.8**	**365.5**	**2**	**740.0**	**740.0**	**54.2**	**44**	**8162.1**	**6684.8**	**419.7**	**14**	**6899.0**	**5299.0**	**234.1**	**58**	**15061.1**	**11983.8**	**653.8**

One-off savings (for decision or consultation) = 1477.3

One-off savings for 19/20 = 3077.3

Appendix E1: Summary of Savings Proposals for 2019 - 2022 for Full Council

Service Area Ref.	Proposal Title	Brief Summary	Sum of Max Value 2019/20 Saving (£,000)	Sum of Max Value 2020/21 Saving (£,000)
Adult's – For Decision				
Adults 1920-01	Rationalisation of Extra Care Housing provision in Somerset	As part of MTFP2, ASC funded support to three Extra Care schemes has been de-commissioned of those schemes that are furthest from the desired model and have no or very little support being delivered in them. Going forward, there is a confidence a further 8 out of the 22 remaining schemes do not provide good value for money and as a model do not support good community support or interactions. It is therefore felt that the ASC funded support could be withdrawn and used in better ways. For clarity the schemes will not close, but it is expected that they would continue as either general needs housing suitable for older people or specialist sheltered housing / Assisted living.	604	219
Adults 1920-03	Review of Care Packages	Adult Social Care (ASC) have a statutory responsibility to carry out reviews under the Care Act on an annual basis. There are currently 6,832 people receiving care and support within the community. ASC are committed to improving individual lives by providing the right kind of support however the service has identified that when carrying out a strengths-based person-centred review in line with the 'Promoting Independence' strategy show that savings can be achieved. On the basis of progress in 2018 -19 further savings will be delivered whilst still improving outcomes for individuals.	1100	0
Adults 1920-04	KeyRing Grant Reduction	KeyRing network provides a variety of accommodation and housing related support for clients. Moving forward ASC are looking to re-provide the support that is currently given to members in Glastonbury/Street as information suggests that individuals do not need or require this level of support and people have been successfully integrated back into their communities.	15	0
Adults 1920-09	Managing Demand / Reduction in placements in	This proposal is aligned to the reduction that has been seen in placements in residential and nursing care and over the last few years and the continued change of approach within the ASC sector. This builds upon the reduced dependency on this model of support both as a result of the 'Promoting Independence' strategy and also the focus on keeping people at home with support.	1068	0

Service Area Ref.	Proposal Title	Brief Summary	Sum of Max Value 2019/20 Saving (£,000)	Sum of Max Value 2020/21 Saving (£,000)
	residential nursing care			
Adults 1920-10	Reduction of Independent Assessor support in the deprivation of Liberty safeguards service	The service currently uses a mix of internal and external assessors to manage MCA assessments. The service is proposing to reduce reliance upon independent Best Interest Assessors (BIAs) (Expensive) and ensure maximum effectiveness of our in-house assessors.	50	0

Service Area Ref.	Proposal Title	Brief Summary	Sum of Max Value 2019/20 Saving (£,000)	Sum of Max Value 2020/21 Saving (£,000)
Children's – For decision				
Chil1920-01	Support for School Improvement	To use the School Improvement Monitoring and Brokering Grant to fund the salaries of the Primary School Improvement Advisers currently funded by the LA.	220.4	0
Chil1920-02	Reduction in support for Early Years capital programmes	Reduction in staffing capacity supporting EY capital programmes as a result of reduced capital programme for 19/20.	13.6	0
Chil1920-03	CSC realignment savings	Proposed realignment of social work services within the county around an east-west split.	573.4	0
Chil1920-04	Children's Staffing Vacancies	Hold a number of positions we have been unable to recruit to as vacant positions for one year.	775.3	-775.3
Chil1920-05	Early Years Entitlements	Changes to processing of payments of the Early Years Entitlement and funding for 2-year olds including the extended entitlement paid to EY providers.	20	0
Chil1920-06	SEN transport	Reducing the cost of providing transport to specialist provision.	98.325	0

Service Area Ref.	Proposal Title	Brief Summary	Sum of Max Value 2019/20 Saving (£,000)	Sum of Max Value 2020/21 Saving (£,000)
Corporate – For consultation				
Corp 1920-07	Restructure of HR Admin and Payroll Service	Savings to be realised due to E processes and other innovation projects.	95	9.2
Corp 1920-12	Corporate Affairs Re-structure	Review of structures across ICT, Commercial Procurement and Customers & Communities and wider organisational efficiencies.	645	45
Corporate – For decision				
Corp 1920-01	Pathway to Employment Budget Reductions	SCC do not support Pathway to Employment and the budget not already committed for 19/20 is permanently released.	65	126.5
Corp 1920-02	Vacant IT Training Manager position	Permanently release current budget for IT Training Manager position.	40.7	0
Corp 1920-03	Vacant HR Advisor position	Permanently release current budget for part time HR Advisor position.	24.5	0
Corp 1920-04	Vacant OD Service Manager position	Permanently release current budget for OD Service Manager position.	47.7	0
Corp 1920-05	Permanent reduction in Learning & Development training budget	Reduction in training budget.	100	0
Corp 1920-13	ICT Contract and Service Change	Contract savings and reductions. SAP, ATP, Express Route, eDOCS.	847	-345

Service Area Ref.	Proposal Title	Brief Summary	Sum of Max Value 2019/20 Saving (£,000)	Sum of Max Value 2020/21 Saving (£,000)
Corp 1920-14b	ICT Resource income generation	Opportunity to generate income through charging for resource time.	20	-20
Corp 1920-17	Additional contractual efficiency savings	Deep dive review of Tier 1 Contracts to identify efficiency savings in changing scope, scale and/or re-negotiating price.	168	0
Corp 1920-23	Review of Fees and Charges	Review charge out rates in respect of external customers and time charge rates against capital and grant funded project.	120	0

Service Area Ref.	Proposal Title	Brief Summary	Sum of Max Value 2019/20 Saving (£,000)	Sum of Max Value 2020/21 Saving (£,000)
ECI – For decision				
ECI 1920-03	Reduction in Rights of Way Service Delivery	Reduce the routine vegetation clearance programme on RoW. The annual contract spend is approximately £85k (delivered through a Framework Agreement & competitive process). It is proposed that £25k of this budget is surrendered.	25	0
ECI 1920-04	Implement a 1-swathe width cut across the entire planned verge maintenance programme 2019/2020.	Service currently implements variable swathe width cuts across the network. Saving to be achieved by modifying extent of cutting undertaken in this 16-week countywide programme. Visibility splays and forward sight lines, as defined in the inventory, to remain as part of the agreed service provision.	90	0
ECI 1920-05	Capitalisation of the existing revenue funded Ditches and Grip budget	Works involve creating new, permanent, assets.	60	0
ECI 1920-09	Highways Winter Emergency Service - removal of road side salt supplies	Removal of roadside salt supplies for self-help usage by the travelling public in winter conditions. Prior to 2018/2019 SCC policy was for salt to be supplied for this operation contained in grit bins and 1 tonne dumpy bags. This service was stopped for the winter of 2018/2019 as a one-off measure. Whilst this has been temporarily reinstated the proposal is to remove this provision as an ongoing measure from 2019/2020 onwards.	40	0
ECI 1920-10	Highways Staff Structure Review	Review staff structure in response to Asset Management Project. Asset management is a well-established discipline for the management of physical assets. Many asset owning organisations have adopted the principles of asset management and as a result, can demonstrate benefits in terms of financial efficiencies, improved accountability and stewardship of the asset, better value for money and improved customer service.	80	0

Service Area Ref.	Proposal Title	Brief Summary	Sum of Max Value 2019/20 Saving (£,000)	Sum of Max Value 2020/21 Saving (£,000)
ECI 1920-13	Highways – Winter & Emergency Service (Gritter Fleet Disposal)	To sell the three gritters which have been replaced by new gritters purchased in advance of the 2018/19 winter season. The gritters are no longer required to support service delivery.	27	-27
ECI 1920-14	Disposal of Land Rover fleet	Following the review and revision of the Winter Service Policy, there is no requirement for SCC operational staff to drive in challenging climatic conditions that would necessitate the specific provision of a 4x4 vehicle. A £75k one off saving for disposal to capital receipts is expected alongside £3.2k ongoing running cost savings.	78.2	-75
ECI 1920-17	Reduce traffic management and parking service revenue costs	Review how Traffic Management and Parking services are undertaken with a view to reducing the revenue budget. This will include ensuring full cost recovery, income generation and service re-design by bringing Parking Services into the Traffic Management service structure.	100	-100
ECI 1920-19	Further reductions in road safety and transport data service	Reduce revenue costs by £150,000 in 2019/20 by reducing the Road Safety and Transport Data services towards a statutory minimum funded from SCC budgets. This is a 22% reduction of the total revenue budget.	150	0
ECI 1920-20	Rights of Way - reduction of town & village green budget & reduction of Exmoor NPA contribution	Surrender Town & Village Green budget of £15k for 2019/20 - A one-off in-year saving of £15k can be surrendered in relation to Town & Village Green registrations. This would be the second year of surrendering this budget. Exmoor National Park Authority (ENPA) contribution – reduce by £5k - The current contribution from the Council to ENPA for delivery of statutory functions in relation to rights of way is £28,046. It is proposed that this could be reduced by £5,000 to £23,046.	20	-15
ECI 1920-21	Monmouth House Lease Surrender	Surrender of under-utilised lease of Monmouth House and move of SWP to Broughton House with associated rental income.	90	0

Service Area Ref.	Proposal Title	Brief Summary	Sum of Max Value 2019/20 Saving (£,000)	Sum of Max Value 2020/21 Saving (£,000)
ECI 1920-22	Vacation and surrender of 1 The Crescent	Surrender of lease of surplus building (leased in) and move of teams to underutilised first floor of Paul Street Library.	85	0
ECI 1920-23	New rental income	This relates to rental for a production kitchen unit on the old St Augustine's site. The current tenant only paid rental based on profitability as a legacy of the Free School Meals project but has served notice. A new tenant/provider is being sought for the unit.	20	-20
ECI 1920-24	Staff Restructure	Loss of Apprentice role - removing the post in Estates which comes to an end and covering those functions previously carried out by the apprentice through re-distribution of those functions among the remaining team and re-prioritisation of other tasks.	13	0
ECI 1920-24a	Staff Restructure	Flexible retirement - following discussions with one member of staff, there has been an application for flexible retirement which would see a full time post reduced to 3/5.	10	10
ECI 1920-25	Corporate Landlord	This proposal relates to the new Corporate Landlord model for delivering property and asset management, whereby responsibility for our property assets passes to the Corporate Property Group allowing for a consistent and joined up approach to all property matters and enabling savings from rationalisation, increased utilisation and economies of scale.	50	0
ECI 1920-26	Reprographics Review	New model of operations for Reprographics being proposed involving reduced reliance on high cost per click in-house options and reduced overhead. - Relocate two Multi-functional devices (MFDs) with full colour enabled from elsewhere in County Hall to Reprographics to be used for small-scale print jobs and terminate the lease (3 months' notice) on two large-scale Xerox machines. - Reprographics to act as a broker for print/finish jobs, outsourcing when print quality and/or price is better than in-house. - Set up a dynamic procurement system or increased number of approved external suppliers to 'bid' for each print job. - Review job descriptions for two posts in Reprographics.	25	0

Service Area Ref.	Proposal Title	Brief Summary	Sum of Max Value 2019/20 Saving (£,000)	Sum of Max Value 2020/21 Saving (£,000)
ECI 1920-27	**Beckett House**	Savings from running costs assuming new use/disposal - options currently being explored include possible re-use as enterprise centre which could generate income, but this may not hit property budgets and so this proposal relates only to the small annual running costs currently picked up within our group, which would either be passed to tenants or reassigned as the property is disposed of. Proposal will require the relocation of the Registration Service.	3	0
ECI 1920-28	**Dr Morgan's School Site**	Savings expected from current running costs assuming disposal by October 2019. This proposal relies on the planned relocation of the Libraries West operation to new more suitable premises.	10	10
ECI 1920-29	**Health and Safety System replacement**	Savings secured through procurement of new supplier for Health and Safety management system. Implementation took place in 18/19 with savings only to be realised in 19/20 due to mobilisation costs.	20	0
ECI 1920-33	**Economic Development savings**	This proposal includes the following two elements to enable a reduction in the net revenue base budget allocation by SCC for economic development from 2019/20: 1. Fund SCC's contribution to the annual programme management costs of the Connecting Devon and Somerset programme through the use of capital receipts flexibility (£180k) 2. Public Health funding of inclusive growth outcomes via economic development (£50k)	230	0
ECI 1920-Waste	**Waste savings**	Proposal subject to Somerset Waste Board approval in February 2019. http://democracy.somerset.gov.uk/documents/s9103/Financial%20Performance%20-%20Year%20To%20date%20and%20Draft%20Budget%20Dec%202018.pdf	225	-100

Appendix E2 – Adults & Health Proposals for Change – For decision for 2019 – 2022

Proposal for Change:

ASC1920-01 – Rationalisation of Extra Care Housing provision in Somerset

Reference:	ASC1920-01
Service Area:	Adults Social Care
Director:	Stephen Chandler
Strategic Manager	Steve Veevers
SAP Node	EHA

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Extra Care Housing (ECH) is provision of accommodation-based care and support to people, allowing them to live independently. Effectively, it is having 24-hour carers based in a building, being on hand to respond to emergencies, planned care or provide group activities. When commissioned well, the model can be highly effective in helping people to stay independent and well for much longer in the community, reducing the need for more intensive settings like residential or nursing care. The presence of core support, as well as the benefit of friendships and networks with other residents are all positive factors for people's wellbeing on vibrant and busy schemes.

Somerset County Council currently fund background, night and management staffing (Core) in 23 extra care schemes across the county, some are well utilised, but some have lower levels of care delivered in the schemes. A proportion of these are at a level where the investment in "core" support does not represent value for money or provide a reduction in the "paid for" care to people.

The council's commissioners, information systems and recording of care delivery in Extra Care have been instrumental in the development of this proposal that has considered the usage within the schemes and provided an update of both assessed care (that which people are eligible to receive following a social care assessment) and core staffing (which may be preventing them needing further care or helping people stay independent).

There are a number of schemes where the assessed care delivery hours are considerably low, it is expected to have a minimum of 200 hours for a scheme to make it economically viable for the care provider. Also, some schemes within the current stock do not meet the recommended design for Extra Care Housing. Schemes need to be accessible, or be capable of being adapted, to facilitate the delivery of personal social and health care services. A number of the Somerset schemes have a dispersed bungalow setting over a large area that make it difficult for staff to deliver services effectively and raises concerns for night staff travelling alone.

The recommended model for Extra Care is a single building, with multi occupancy of approximately 40 or 50 units. Best practice research informs us that in order to have a vibrant and balanced community within an Extra Care scheme, residents should have a range of dependency needs, the general principle is that there will be mixed range of assessed care needs with a third of the population having low, another third having medium and the remaining third high.

The proposal would not mean that people need to move from their home, as their right to tenancy in the property will remain, but the proposal is to remove the core care component of the Extra Care Scheme where it is not currently value for money. However, due to the cumulative effect to the market of the removal of the core component across multiple schemes, this must happen in a phased approach to facilitate the transitional period, therefore, a clear programme would need to be developed to enable the savings whilst not overly disrupting the marketplace or providers.

The levels of investment by Somerset County Council vary by scheme, dependent on the number of units of accommodation. The net investment figure is offset by the client contribution of approximately 21% per scheme.

Adult Social Care (ASC) are proposing to remove the core component from 8 schemes in 2019/20 to generate a possible full year saving of £823,000 with 2019/20 savings totalling £604,000.

To ensure minimal disruption a programme will be developed and will be delivered over the year period that will ensure minimal risk to the Housing Provider market.

For clarity, the schemes will not close, but it is expected that they would continue as either general needs housing suitable for older people or specialist “sheltered housing” / assisted living.

It is expected that the residual schemes would be effective and at a level that would represent value for money.

2a. Confidence level
100 %
Initial conversations “in principal” have already occurred with housing providers and care providers and commissioners are confident that the removal of the core component of the least financially viable ECH schemes would be possible to achieve. This would not adversely affect the provision of specialist housing in Somerset and it is considered that demand for this type of services warrant this correction of this type of accommodation that does not meet the desired model of Extra Care. The concern of commissioners is the de-stabilisation of the market which could potentially have severe impact on the sustainability of the Care and Housing providers, if the withdrawal is made too quickly.

3. Impact on residents, businesses and other organisations:
Those people living in schemes that are identified for decommissioning will face the removal of the 24-hour care and support provision. Specifically, these schemes have been chosen as they currently have minimal use of the night support and little use of the background staffing. Replacing with a provision of home care, as if people were living in general needs housing, will continue to meet any assessed needs under the Care Act. Providers who are providing the care under contract will suffer a loss of income and a change to the provision. This may impact on their staffing negatively, for example needing to make redundancies / redeployment of staff that were previously delivering this service. This may need to be taken into account for one off cost out of any saving proposals. Landlords providing the housing will also have a loss of income from the grant from SCC, provided to them. As specialist Residential Social Landlords (RSL’s) they will have social responsibilities to providing specialist accommodation. There may well be a reputational impact on these landlords, although some have already agreed in principal to changes set out. Adult Social Care will also need to manage the relationship with District Councils who could be disengaged with the proposals due to the change in service being offered. This relationship will be managed by Commissioners to ensure that joint strategic aims are agreed, and any feedback or issues are listened to and resolved to both parties satisfaction. Further information on impacts can be found in the Equalities Impact Assessment.

4. Impact on other services we provide:
This proposal may have an impact on other services, specifically if the current Extra Care Provider, when given notice, opts to not provide the assessed domiciliary / home care to people. If this was to occur then other providers will need to be found, more likely that not from current domiciliary care providers. There will be also be an impact on operational social work teams in completing reviews or assessments of people that may have not been done recently. No other impact on other services is expected.

5. Impact on staff:
No impact on SCC staff, however, there could be potential impact on provider staff if the service provision was reduced.

6. Resources and support needed to make the change:
Would require; • Commercial and Procurement resource to agree contractual changes required. • Commissioner resource will be required to agree and negotiate changes. • Project & Change Manager to lead the delivery of the programme.

7. Timescale to deliver and major milestones:	
Milestone	**Date**
Full Council Sign off	Feb 2019
Planning and preparation phase including comms to housing providers (ALL)	March 2019
Tranche 1: TBC de-commissioned schemes	March 2019
Tranche 2: TBC de-commissioned schemes	May 2019
Tranche 3: TBC de-commissioned schemes	July 2019
Delivery of in year savings	September 2019
Commencement of 100% in year savings	January 2020

8. Risks and opportunities:
Individual service users may need reviews to ensure continuity of care. Any delay in the phasing of the decommissioning will reduce the level of savings able to be achieved. Relationship with District Council maybe negatively impacted by changes.

9. Dependencies:
• Contract with care providers • Grant Agreements with Landlords • Work being undertaken through FIT. • District Councils All dependencies will be managed through the service.

10. Initial Equality Impact Assessment:
Please see separate Equalities Impact Assessment.

11. Consultation and Communications plan:
Formal Consultation on mitigation of the impact, will be undertaken for all schemes affected. A full consultation and communication plan is in place for each of the identified schemes, ready to be enacted.

12. Legal Implications:
There is no statutory duty to provide service, the changes are to be addressed through contractual and grant changes. Also need to demonstrate how this decision is consistent with the wellbeing duty in the Care Act 2014. Must address market-shaping duty of the local authority under section 5(1) and 5(2)(f) Care Act 2014.

13a. Financial Implications – net change to service budget in each year:					
Are the savings evidenced based?			Yes		
If no, when is evidence expected?			N/A		
Please note: these figures should be cumulative (as per the approach for MTFP and savings)					
£s	*Savings*	*Income*	*Growth/Costs*	*Total*	*Ongoing or One-off?*
2019/20	£ 604,000	*£*	*-£*	£ 604,000	*Ongoing*
2020/21	£ 219,000	*£*	*-£*	£ 219,000	*Ongoing*
2021/22	£			£	
2022/23	£			£	
Total	£ 823,000	*£*	*-£*	£ 823,000	

13b. One off project costs and income (not included in above):		
£s		
2018/19	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Somerset Equality Impact Assessment

Organisation prepared for	**Somerset County Council**		
Version	**V1.0**	**Date Completed**	**19th November**

Description of what is being impact assessed

Rationalisation of Eight Extra Care Schemes to general needs housing

Extra Care is seen as a valuable and arguably, essential resource for older people in Somerset to have a range of accommodation based support options, as people's care needs and mobility needs increase. Good extra care allows for flexibility of delivery and wider community involvement. Extra Care Housing, when done well is provision of accommodation-based care and support to people, allowing them to live independently in a building purpose built.
Effectively, it is having carers based permanently in a building, being on hand to respond to emergencies, planned care or provide group activities, supported by a range of technology solutions, community activity and mutual encouragement from peers.
Effective use of the service would mean that people who reside in the schemes have a need for the care, which is not the case in some schemes in Somerset and has led to the decision to decommission some of the least efficient and furthest from the desired model.

The council's information systems and recording on care delivery in Extra Care have been instrumental in the development of this proposal that has looked at the usage and update of both assessed care (that care which people are eligible to receive following a social care assessment) and core staffing (which may be preventing them needing further care or helping people stay independent)

The proposal would not mean that people need to move from their home, as the property will remain, but the proposal it to remove the core care component of the Extra Care Scheme and people will still retain their assessed care packages, as would anyone living in their own home or general tenancy in the community.

Evidence
This information in care delivery reports, would indicate that in the identified schemes there is no or very low uptake on the provided “core” care, meaning that there would be little or no impact on the people living in these schemes of removing the core care. People will still be able to receive any care act eligible care or support that they require from a domiciliary care company for their assessed care as with any other person living in their own home in general housing (either rented, owned or from social landlords) This assessed care will be offered to the current care and support provider in the first instance to maintain continuity or support the transfer to another care provider if more appropriate. Scheme A - currently delivering 35.75 assessed care hours per week Scheme B - currently delivering 85.75 assessed care hours per week Scheme C - currently delivering 62.25 assessed care hours per week Scheme D - currently delivering 34.25 assessed care hours per week Scheme E - currently delivering 67.25 assessed care hours per week Scheme F - currently delivering 63.50 assessed care hours per week Scheme G - currently delivering 84.25 assessed care hours per week Scheme H - currently delivering 103.50 assessed care hours per week All of the 19 remaining ECH schemes have a higher proportion of women to men, due to the age component of the people living in them.

Who have you consulted with to assess possible impact on protected groups?
The residents of the eight identified schemes will be engaged with before the removal of the care and following the decision for these schemes. This engagement is specifically about the impact and mitigations of the removal of this service on residents and families. For clarity, this is not a consultation on the decision to decommission the support but helping people to understand the impact of the removal of the care and support and what can help to implement the changes. This engagement will take the form of letters to residents, engagement meetings in the schemes, information packs and questionnaires for residents and dedicated inbox and telephone number for correspondence.

This will be conducted alongside stakeholder engagement with the care & support provider and landlord to ensure that a range of views are captured about the mitigation that might be needed and any individual residents that might need some specific alternative response.

Analysis of impact on protected groups

Protected group	Summary of impact	Negative outcome	Neutral outcome	Positive outcome
Age	• There will be a reduction in the number of specialist housing options for OLDER people with the removal of eight extra care schemes • People who live in the effected Extra Care will experience a loss of formal support and wider social networks. People who wish or need to access extra care may need to move further from their current home.	☒	☐	☐
Disability	• There will be a reduction in the number of specialist housing options for DISABLED people with the removal of eight extra care schemes • People who live in the effected Extra Care will experience a loss of formal support and wider social networks. People who wish or need to access extra care may need to move further from their current home.	☒	☐	☐
Gender reassignment	• All people have equal opportunity to access the remaining Extra Care schemes.	☐	☒	☐
Marriage and civil partnership	• All people have equal opportunity to access the remaining Extra Care schemes.	☐	☒	☐
Pregnancy and maternity	• Not an affected group	☐	☐	☐

Race and ethnicity	• All people have equal opportunity to access the remaining Extra Care Schemes.	☐	☒	☐

Religion or belief	• All people have equal opportunity to access the remaining Extra Care	☐	☒	☐
Sex	• A higher proportion of women than men live in extra care, currently at a proportion of 64% to 36%. This means that women may be impacted more than men.	☒	☐	☐
Sexual orientation	• All people have equal opportunity to access the remaining Extra Care schemes.	☐	☒	☐
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	• With the removal of the background staffing in extra care schemes, people may experience greater social isolation with the loss of some interaction with paid staff.	☒	☐	☐

Negative outcomes action plan

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
Monitoring of numbers / demand for extra care	31/12/2018	Vicky Chipchase	Allocation meetings	☐
Development of more modern, cost effective extra care to replace this and other losses. The reason for the long timescale on this action is due to the time it will take to raise funding, identify a site and housing partner and then physically build new extra care schemes.	01/04/2020	Steve Veevers	Extra Care development plan	☐
With the loss of on site care providers, people may experience a reduction in the contact with other people, but Somerset is promoting the use of the “community connect” model, of supporting people to be more active and participative in their local areas.	31/05/2019	Pip Cannons	Community Connect data	☒

Reviewing individual plans of those potentially affected by the changes.	31/03/2019	Vicky Chipchase	Monthly reviews	☐

If negative impacts remain, please provide an explanation below.	
The demography of the older population nationally, regionally and locally evidences that women live longer than their male counterparts, meaning that there is a larger older person population that men. This means that there is likely to always be a larger cohort of women than men that live in Extra Care and therefore likely to be disproportionally impacted by any changes.	
Completed by:	**Steve Veevers**
Date	**19th November 2018**
Signed off by:	**Stephen Chandler/Tom Rutland**
Date	**November 2018**
Equality Lead/Manager sign off date:	**November 2018**
To be reviewed by: (officer name)	**Steve Veevers**
Review date:	**March 2019**

Proposal for Change:
ASC1920-03 – Reviews of Care Packages

Corporate Plan Priority:	ASC1920-03
Service Area:	Adults
Director:	Stephen Chandler
Strategic Manager	Emily Fulbrook
SAP Node	EHA

1.	The proposal is to:
X	**Managing Demand** - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Adult Social Care (ASC) have a statutory responsibility to carry out reviews under the Care Act on an annual basis. There are currently 6,832 people receiving care and support within the community.

ASC are committed to improving individual lives by providing the right kind of support. We aim to raise people’s ambitions about what they can achieve and help them to meet those aspirations. ASC have embedded a personalised, progression-based approach to individual reviews to enable people to be as independent as possible. We utilise Care Act guidance to determine assessed eligible need once all areas of natural support, assistive technology, equipment and community assets have been maximised.

We will continue to use the methodology implemented in 2018/19 for reviews undertaken in 2019/20;

- Individuals are involved and able to contribute to their review, if the individual is unable too then a family member will be involved, or a referral will be made for advocacy.
- Reviews are holistic, adopting a strength-based approach with the underpinning strategy of ‘Promoting Independence’.

- Planned reviews will be tracked on a weekly basis by the appropriate Teams.
- Review trajectory will be set for monitoring and accountability to the appropriate teams.
- Financial validation will be completed on a fortnightly basis.
- Financial monthly profile target to be set each month.
- Review Tracker and financial validation will be completed by Senior Responsible Officer and Finance Lead.
- Quality Assurance Audits will take place to include individual, family and carer feedback surrounding the quality of review completed.
- Peer Forums provide robust challenge and scrutiny for any increases in Packages of Care or complex case discussions, to ensure that the responses ASC provide are proportionate, timely and meet our statutory obligations in the most effective way for the service and the service user.

Through this approach we have improved Outcomes for individuals and are on track to achieve savings totalling £3.1M in 2018-19. This has resulted in a robust approach including:

- Monthly Review Target assigned across the service – 200 per month
- Performance Reporting to teams and managers – Weekly Basis
- Financial Validation of impact of changes – Fortnightly basis with monthly recording against profile target.
- Quality Assurance Audit – 25 per month across ASC
- Reviews presented at Peer Forum – All planned reviews

2a. Confidence level

100 %

The review methodology and principles will be based on the work undertaken during 2018/19 to deliver target review savings. We therefore have a high level of confidence in being able to achieve the savings identified.

Since April 2018 ASC have completed 2,301 reviews and associated financial validation.

3. Impact on residents, businesses and other organisations:

By completing person centred reviews under the Care Act there will be positive changes made to individual packages of support, by promoting people's independence and raising ambitions. ASC will continue to meet eligible needs, but we may meet them differently that may have a financial saving.

Individuals will be supported to maximise their own support network and develop and maintain community support options.

4. Impact on other services we provide:
By working differently and moving away from traditional models of support we will be utilising community options and resources. There may be an impact on community systems that support individuals, ASC have developed strong links with community systems and will be able to effectively monitor any impact. Links will be made between Operational teams and Strategic Commissioner for Communities, to identify any pressure areas and support in continued market shaping for the future.

5. Impact on staff:
No impact on Somerset County Council staff.

6. Resources and support needed to make the change:
No additional resource requirements.

7. Timescale to deliver and major milestones:
Reviews will be monitored on a monthly basis.

8. Risks and opportunities:
As part of the review work being completed there may be individuals who's care, and support needs will increase where the assessed personal budget is not reflective of need and identified outcomes. Review tracking will be implemented as part of the methodology to monitor the financial impact.

9. Dependencies:
None

10. Initial Equality Impact Assessment:
Impact will be on all client groups across adult social care. No Equalities Impact Assessment required.

11. Consultation and Communications plan:
Following conversations with the Corporate Equalities Manager it was agreed that consultation was not required.

12. Legal Implications:
What SCC is required to do by law is: a. Assess the relevant adult to determine what needs s/he has. b. Where SCC is satisfied that on the basis of the needs assessment that the adult has needs for care and support or that a career has needs for support, it must determine whether any of the needs meet the eligibility criteria under Care Act 2014. Having made this determination as to eligibility, must give the adult concerned a written record of the determination and the reasons for it. c. , SCC must i. consider what could be done to meet those needs that do ii. ascertain whether the adult wants to have those needs met by SCC

iii. establish whether the adult is ordinarily resident in Somerset *Care Act legislation relating to CHC* Section 22 of the Care Act 2014 places a limit on the care and support that can lawfully be provided to individuals by local authorities. That limit is set out in section 22(1) and is as follows: *'A local authority may not meet needs under sections 18 to 20 by providing or arranging for the provision of a service or facility that is required to be provided under the National Health Service Act 2006 unless-* *(a) doing so would be merely incidental or ancillary to doing something else to meet needs under those sections, and* *(b) the service or facility in question would be of a nature that the local authority could be expected to provide'.*

13a. Financial Savings – net change to service budget in each year:	
Savings are based on the following; Since April 2018 ASC have completed 2,301 Care at Home and Direct Payment Reviews, the Full Year Effect savings that are mapped on the basis of savings achieved through this process is predicted at £3.1M	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£'000's	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£1,100	£	-£	£1,100	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£1,100**	**£**	**-£**	**£1,100**	Ongoing

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£

	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
TOTAL		£

Proposal for Change:
ASC1920-04 – Key Ring Grant Reduction

Corporate Plan Priority:	ASC1920-04
Service Area:	Adults
Director:	Stephen Chandler
Strategic Manager	Steve Veevers
SAP Node	EC

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

The KeyRing network provides a variety of accommodation and housing related support for clients with a learning disability and / or low-level Mental Health needs. There are two KeyRing networks currently in Somerset, one in Frome which is well used and utilised and a second that covers Glastonbury & Street which is not well utilised. Support is based on tenants (network members) living in their own homes but sharing their skills and talents with each other and with their local communities, with the help of volunteers and community members.

Each KeyRing network consist of a community living volunteer and up to 9 individual units or flats which the tenants will individually rent from Housing providers. The network also has Community Support Workers and Supported Living Managers who make sure that members get the support that they need.

However, moving forward Adult Social Care are looking to re-provide the support that is currently given to the few members in the Glastonbury/Street area to a different cohort of people, supported by the leaving care team. Data supports that the KeyRing scheme in Glastonbury/Street is not sufficiently utilised and therefore, is not warranted as value for money.

With this in mind Adult Social Care are proposing to reduce the grant money to KeyRing. Each of the networks has a maximum 9 units and has a total cost of

£32,000, this proposal is therefore committing to save the authority £15,000. Savings can commence once reviews have been completed which could be before December 2018 but will be completed before the start of the financial year.

2a. Confidence level
100 % Evidence from discussion with KeyRing and those using the service have confirmed it is not value for money and that there is no impact on the end user by reducing the grant in half. Individual reviews of people currently accessing service are occurring and alternative, low or no cost options are being explored and implemented for people.

3. Impact on residents, businesses and other organisations:
The five people currently accessing the KeyRing Scheme will experience a change in service as they are being reassessed, with an emphasis on greater independence, choice and control over their lives. KeyRing is in support of this and assisting in accessing alternative community provision.

4. Impact on other services we provide:
No other impact is expected on other services that are provided, apart from the "business as usual" social work intervention of assessment and review.

5. Impact on staff:
There is no expected impact on county council staff.

6. Resources and support needed to make the change:
Commissioners consider that the changes are able to be made within the current resources but will need a modest level of assistance from contracts and procurement to enact the changes to the grant.

7. Timescale to deliver and major milestones:	
Milestone	**Date**
Reviews of all people to be completed.	December 2018
Grant to be adjusted	March 2019

8. Risks and opportunities:
Adult Social Care has been supporting and advising Children's Social Care on the use of a KeyRing scheme to support a group of young care leavers to have a better outcome than their current residential care. This will have a positive outcome for their lives as well as the use of high cost residential placements for people.

9. Dependencies:
No dependencies.

10. Initial Equality Impact Assessment:
The Corporate Equalities Manager has advised that he does not consider the equality duty relevant to this, as a detailed Impact Assessment is being conducted under the People Too workstream in Children's services. Each of the people currently in receipt of support will be reviewed by a member of Adult Social Care and if there is any ongoing need, this will be assessed and provided for.

11. Consultation and Communications plan:
Individual work and assessment is happening with all the people currently using the Glastonbury/Street KeyRing scheme. Alternative provision will be discussed and progressed through this route.

12. Legal Implications:
Legal implications will be considered to ensure SCC continues to fulfil its statutory duties in relation to asylum seekers, clients with a learning disability or low-level Mental Health needs, and its duty to prevent needs for care and support (section 2 Care Act 2014). A variation to the current grant agreement will need to be done, via the contracts team and legal services.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£15,000	£	-£	£15,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£15,000**	**£**	**-£**	**£15,000**	Ongoing

13b. One-off project costs and income (not included in above):		
£s		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£

	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£0

Proposal for Change:
ASC1920-09 – Managing Demand / Reduction in placements in residential and nursing care

Corporate Plan Priority:	ASC1920-09
Service Area:	Adults
Director:	Stephen Chandler
Strategic Manager	Mel Lock
SAP Node	EHA

1.	The proposal is to:
X	**Managing Demand** - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Adult Services in Somerset work to support, promote and enhance strong communities in order that people can live their lives as successfully, safely and independently as possible. Maintaining independence makes people happier, healthier, and helps reduce the need for future services. We believe that people themselves are best placed to determine what help they need and what goals they wish to achieve. The Adult Social Care (ASC) strategy is about promoting individual's wellbeing and independence. The nationally and Somerset picture is that people are choosing to stay in their own homes for as long as possible resulting less people going into residential and nursing care. To support this preferred model of delivery the Somerset Home First model is predicated on supporting people to return home following a hospital admission. This proposal is aligned to the reduction we have seen in in placements in residential and nursing care and over the last few years and the continued change of approach within the ASC sector. The cultural change across ASC has already seen a reduction in bed-based care in 2017/18 that equated to a saving of 1.012m

This was made up of a 1.8% reduction in Residential spend (£0.273m) and a 4.0% reduction in Nursing (£0.739m). **2018/19 Modelling** For 2019/20 the proposal is to continue to reduce the necessary demand by again reducing spend by 6% across both nursing and residential therefore generating the £1,068,000 target that has been put forward. The approach will be the same followed for 2018/19 but with improvements following a review of the approach and discussions around how it could be improved. As we have this year locality teams, hospital systems and Mental Health Teams will monitor their admissions to residential/nursing care on a weekly/monthly basis against the individual targets. This is monitored through the weekly performance report, monthly performance Improvement meeting and Medium Term Financial Plan delivery board.

2a. Confidence level
100% 2018/19 work has provided evidence that a reduction in demand and therefore cost is viable for 2019/20.

3. Impact on residents, businesses and other organisations:
No impact on residents, business or other organisations.

4. Impact on other services we provide:
No impact on services currently provided by Somerset County Council.

5. Impact on staff:
No staffing implications.

6. Resources and support needed to make the change:
Will continue to monitor via weekly / monthly reports as Business as Usual.

7. Timescale to deliver and major milestones: **To include date of implementation, key decision points and governance meetings**
N.A - admissions to res/nursing care on a weekly/monthly basis against the individual targets. This is monitored through the weekly performance report, monthly performance Improvement meeting and MTFP delivery board.

8. Risks and opportunities:
Have identified the following risks; • Over supply of residential and nursing in the market, as we reduce the demand there is a risk of destabilising the market, but opportunity is different models for delivery so the market change.

9. Dependencies:
No dependencies

10. Initial Equality Impact Assessment:
Following agreement from the Corporate Equalities Manager it was agreed that an Equalities Impact Assessment was not required.

11. Consultation and Communications plan:
Following agreement from the Consultation Manager it was agreed that an Consultation was not required.

12. Legal Implications:
Operational team will need clear and robust guidelines on how to identify the appropriate care package to ensure that each service user receives care consistent with their need and therefore that SCC has properly carried out the needs assessment (section 9 Care Act 2014) and determined whether any of the needs meet the eligibility criteria (section 13 Care Act 2014).

13a. Financial Savings – net change to service budget in each year:					
Are the savings evidenced based (evidence should be included with this template)?			Yes		
If no, when is the evidence expected?			N/A		
Please note: these figures should be cumulative					
£s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£1,068,000	£	-£	£1,068,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£1,068,000**	**£**	**-£**	**£1,068,000**	**Ongoing**

13b. One-off project costs and income (not included in above):		
£s		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:

ASC1920-10 – Reduction of Independent Assessor support in the Deprivation of Liberty safeguards service

Corporate Plan Priority:	ASC1920-010
Service Area:	Adults
Director:	Stephen Chandler
Strategic Manager	Mel Lock (Lynn Stephens)
SAP Node	EHA

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
x	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
The Deprivation of Liberty Safeguards (DoLS) require local authorities to carry out a prescribed set of assessments for people in care homes and hospitals who are not able to give consent to their care or treatment arrangements. Most often these are people who have dementia or a learning disability. The assessments require two assessors to consider different aspects of the person's situation, one being a doctor with mental health training, the other being a Best Interests Assessor (BIA), usually a social worker. Following a 2014 judgement in the Supreme Court (known as 'Cheshire West') the numbers of referrals for this type of assessment increased massively. (In Somerset from 100 in 2013/14 to 1200 in 2014/15 and 2400 in 2015/16) Local authority resources for this work have not been able to keep up with this increase. SCC, in common with many other local authorities has chosen to use independent BIAs to add to its own staffing capacity. Even with this kind of approach, most local authorities including Somerset are only able to carry out a proportion of the overall assessments in a limited number of cases. The Somerset DoLS team receive 40-50 referrals each week and has been able to allocate about 15 referrals for assessment. We therefore have a system for identifying the highest priority cases.

This proposal sets out to reduce reliance upon external independent Best Interest Assessors (BIAs) and ensure maximum effectiveness of our in-house assessors. SCC currently has a team of 6.4 whole time equivalents in house Best Interest Assessors but have used Independent Assessors to assist in managing demand. The service believes that it is possible to reconsider which assessments, we choose to prioritise, and this can reduce the need for assessment further. As we know the national picture is one of Council's being unable to fulfil demand for Deprivation of Liberty assessments following the change to practice after the Cheshire West judgement in 2014.

The estimated assessment totals in 2018/19 is expected to be 646 assessments and 290 of these would be undertaken by Independent assessors.

Assuming similar activity in 2019/20 through redesigning further the approach to prioritisation and assessments a £50,000 saving can be achieved through a reduction of 115 assessments by Independent Assessors from 290 to 175.

Our in-house assessors will constantly see to improve further effectiveness however with a robust reconsideration and risk management of applications we hope to reduce the activity required.

2a. Confidence level

100%

Reducing use of Independent BIAs is fully within Somerset County Council's control so confidence to achieve this is 100%.

The only factor that could impact upon reduction is if there is an unprecedented number of applications for people who are in the position to legally challenge the Council in relation to having an unlawful deprivation and Council unable to allocate in house resources to cover this eventuality. However, this is a significantly unlikely eventuality.

3. Impact on residents, businesses and other organisations:

Possible impact on those requiring assessments due to a reduction in capacity to complete Best Interest assessment demand through an amended prioritisation process in allocation of resources.

This could also mean assessments could take longer to be allocated although team would try to ensure those with highest risk are afforded priority. Those with an obvious element of objection would be prioritised to reduce risk of unlawful deprivation.

Impact on care providers that referrals made for their residents who are potentially being deprived of their liberty will not be acted on, therefore the providers will be unlawfully depriving some residents of their liberty. However, this is the current situation in many cases that are not prioritised.

4. Impact on other services?
Potential impact on Legal services with risk of additional challenges to unauthorised deprivation of liberties particularly in cases where families and individuals are unhappy about the arrangements made for them.

5. Impact on staff:
No risk to substantive Council posts. Current in-house best interest assessors have work load audited to ensure they are working to full capacity consistent with current workloads due to reprioritisation of assessments.

6. Resources and support needed to make the change:
No additional resource requirement.

7. Timescale to deliver and major milestones: To include date of implementation, key decision points and governance meetings
To be implemented at April 2019. Revised prioritisation guidance to be developed by 2nd January 2019.

8. Risks and opportunities:
Increased risk of unlawful deprivations of liberty occurring as we further streamline the prioritisation process, this has legal costliness and insurance implications. However, the Council along with most councils nationally are currently working with this risk and has been since 2014. The unmanageability of the current system has been widely recognised nationally and new procedures are being planned for launch in 2019. Mitigation is that DoLS service is only able to partially fulfil its statutory obligation with over 2000 outstanding DoLS applications, so we are currently managing this risk. Risk of reducing our use of Independent BIAs is that if we provide them with insufficient assessment work they will find working for Somerset will no longer be financially viable for them and they may choose not to undertake any assessments for us. They are under no contractual obligation to Somerset County Council. Therefore, there is a potential risk of a more significant reduction in activity than we have anticipated.

9. Dependencies:
No dependencies

10. Initial Equality Impact Assessment:
Following conversations with the Corporate Equalities Manager it was agreed that an Equalities Impact Assessment was not required.

11. Consultation and Communications plan:
Following conversations with the Consultation Manager it was agreed that a Consultation process was not required.

12. Legal Implications:
The only factor that could impact upon reduction is if there is an unprecedented number of applications for people who are in the position to legally challenge the Council in relation to having an unlawful deprivation and Council unable to allocate in house resources to cover this eventuality. However, this is a significantly unlikely eventuality.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£50,000	£	-£	£50,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£50,000**	**£**	**-£**	**£50,000**	Ongoing

13b. One-off project costs and income (not included in above):		
£s		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Appendix E3 – Children's Services Proposals for Change – For decision for 2019 – 2022

Proposal for Change:

Chil1920-01 Support for School Improvement

Corporate Plan Priority:	
Service Area:	Education
Director:	Julian Wooster
Strategic Manager	Dave Farrow
SAP Node	

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
x	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
To use the School Improvement Monitoring and Brokering Grant (SIM&B) to fund the salaries of the Primary School Improvement Advisers currently funded by the Local Authority (LA). The salary costs are £287,400. This value includes £67,000 savings identified as part Peopletoo's financial improvement plan that are included within a separate proforma, therefore net saving of £220,400.

2a. Confidence level
Salary costs of Primary School Improvement Team - *100* %
This transfers the salary costs of the Primary School Improvement Team from an LA budget to a grant received from the Department for Education (DfE). Should the grant cease these costs will need to be re-stated against an LA budget.

3. Impact on residents, businesses and other organisations:
None

4. Impact on other services we provide:
None

5. Impact on staff:
N/A

6. Resources and support needed to make the change:
Finance support required to ensure grant is allocated appropriately.

7. Timescale to deliver and major milestones:	
Milestone	Date
Grant allocated	1 April 2019

8. Risks and opportunities:
The DfE may cease the SIB&M grant in the future, however this would presumably be aligned to a change in LA responsibilities and therefore a cost reduction would also be expected.

9. Dependencies:
The grant is calculated annually based on the number of maintained schools in the LA at that time and there is no guarantee that the grant will continue indefinitely. If it ceases and the LA still has maintained schools and the existing statutory responsibilities related to those schools, the LA will need to ensure that funding is available to deliver those responsibilities.

10. Initial Equality Impact Assessment:
N/A

11. Consultation and Communications plan:
No

12. Legal Implications:
No legal implications – the terms of the Grant allow for staffing costs to be covered from it.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes

If no, when is the evidence expected?	
Please note: these figures should be cumulative	

£s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£220,400	£	-£	£220,400	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£220,400**	**£**	**-£**	**£220,400**	

13b. One-off project costs and income (not included in above):		
£s		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:

Chil1920-02 Reduction in Early Years Capital Programme Support

Corporate Plan Priority:	
Service Area:	Schools and Early Years Commissioning
Director:	Julian Wooster
Strategic Manager	Dave Farrow
SAP Node	

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
x	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
x	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Reduction in staffing capacity supporting Early Years (EY) capital programmes as a result of reduced capital programme for 2019/20 and potential cessation of capital grants to private providers. This reduction is linked to CAF12 Restructure of Early Years Teams developed as part of Medium Term Financial Plan (MTFP) proposals taken to Cabinet in September 2018.

2a. Confidence level
100%
£27,200 is 100% of costs but saving depends on level of reduction. £13,600 therefore added as a prudent figure

3. Impact on residents, businesses and other organisations:
By ceasing the Early Years Capital Programme there is a risk that there will be some areas of the county that will not have a sufficient number of early years places. This in turn may mean that some parents may not be able to work as childcare may not be available. We will work with private provider organisations to inform them of our needs, so they can develop provision in shortage areas. We will also continue to promote childminding as an opportunity for individuals to set up their own business.

4. Impact on other services we provide:
N/A

5. Impact on staff:
Proposals would be achieved through review of the staffing structure.

6. Resources and support needed to make the change:
HR support will be required to manage any redundancy process

7. Timescale to deliver and major milestones:	
Milestone	Date
Where there are shortages of places will seek to increase numbers of childminders, this will form part of an annual review of supply against demand across the county.	31st March 2019
The corporate timescale in relation to staff consultation highlighted will be followed.	

8. Risks and opportunities:
There is a risk that SCC may be challenged in relation to not meeting its duty in relation to ensuring an appropriate supply of early years places in an area. There has been no such challenge to date in areas where demand exceeds supply. There are opportunities for us to work with larger childcare organisations for them to deliver places where they are needed and we will also continue to encourage individuals to become childminders in areas where there is a shortage of places. Where there are shortages of places will seek to increase numbers of childminders.

9. Dependencies:
Dependency on decision in relation to the ceasing of Early Years Capital Programme

10. Initial Equality Impact Assessment:
Consideration has been given to the public-sector equality duty and a separate Equalities Impact Assessment has been completed to support this proposal.

11. Consultation and Communications plan:
Staff consultation is required. There will be no public consultation undertaken as part of this proposal.

12. Legal Implications:
There is potentially a reduction in service provision (childcare places) therefore statutory duties to ensure an appropriate supply of early years places (under the Childcare Act 2016 and 2006) apply and relevant government guidance will be considered before any reduction occurs. It should be noted that statutory duties will become harder to meet if we are not able to develop provision through capital investment. In developing this proposal, officers have adhered to statutory guidance on Early Education and Childcare and are satisfied that SCC will continue to be able to ensure sufficiency taking into account the seven factors mentioned in paragraph B1 of the guidance, in particular i) the state of the market and ii) the quality and capacity of childcare providers and childminders in the county. Consideration has also been given to the public sector equality duty (especially in relation to SEND and vulnerable children).

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	[Enter date]
Please note: these figures should be cumulative	

£s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£13,600	£	-£	£13,600	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£13,600**	**£**	**-£**	**£13,600**	

13b. One-off project costs and income (not included in above):		
£s		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£

	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Somerset Equality Impact Assessment			
Organisation prepared for	**Somerset County Council**		
Version	**V1.0**	**Date Completed**	
Description of what is being impact assessed			
Ceasing of Early Years Capital Programme for 2019/20. **This impact is being assessed as part of reduction in staffing capacity supporting Early Years (EY) capital programmes as a result of reduced capital programme for 2019/20 and potential cessation of capital grants to private provider.** **The Capital programme supported the delivery of universal early years and childcare places and was not specifically focussed on any protected groups.**			
Evidence			
What data/information have you used to assess how this policy/service might impact on protected groups?			
SCC holds details of numbers of children entitled to Early Years funding.			
Who have you consulted with to assess possible impact on protected groups?			
The Capital programme supported the delivery of universal early years and childcare places and was not specifically focussed on any protected groups. The Early Years Capital programme has been ongoing for a number of years but has been reduced significantly over the past few years.			

Analysis of impact on protected groups				
Protected group	**Summary of impact**	**Negative outcome**	**Neutral outcome**	**Positive outcome**
Age	There is a possible indirect impact on children aged 0-5 years and their families in that the Local Authority may not be able to ensure that there are enough childcare places in some areas of the County.	☒	☐	☐
Disability	There is a possible indirect impact on children aged 0-5 years that have a disability and their families in that the Local Authority may not be able to ensure that there are enough childcare places in some areas of the County. This may for example result in private providers not taking the necessary steps to make reasonable adjustments to settings to support disabled children to attend early years settings.	☒	☐	☐
Gender reassignment	• There are no impacts	☐	☒	☐
Marriage and civil partnership	• There are no impacts	☐	☒	☐
Pregnancy and maternity	• There are no impacts	☐	☒	☐
Race and ethnicity	There are potential cost implications as increasing demand for childcare places exceed supply leading to providers increasing costs which could potentially adversely affecting those from BME who are more likely on a lower income.	☒	☐	☐
Religion or belief	•. •There are no impacts	☐	☒	☐

Sex	• There are potential cost implications for working single parent families, and the likelihood that this is more likely to affect women as they are more likely to be the primary care provider.	☒	☐	☐
Sexual orientation	. • There are no impacts	☐	☒	☐
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	There may be an indirect negative impact on low income families as increasing demand for childcare places exceeds supply leading to providers increasing costs, this could result in those on low incomes not being able to access the childcare places to enable them to work. There could potentially be an impact on those affected by rurality where there may be insufficient strength in the childcare market to generate additional space where required without funding from the local authority.	☒	☐	☐

Negative outcomes action plan

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
The LA will monitor the requirements for early years places across the County to identify potential areas of shortfall in sufficiency and inform private provider organisations to seek expressions of interest in developing provision in those areas	31/10/2018	Alison Jeffrey	Through ongoing performance management arrangement and the annual reviews of the Early Years	☐

			and Schools Infrastructure Growth Plan	
The LA will ensure that where it is identified that new building developments will result in the requirement for additional early years provision in an area we will seek to ensure that appropriate Section 106/Community Infrastructure Levy funding is secured to enable the development of the necessary provision	31/10/2018	Alison Jeffrey	Through ongoing performance management arrangements	☐

If negative impacts remain, please provide an explanation below.

We cannot totally remove the impact that the implementation of this proposal will have on employees but the actions will ensure employees are aware of the support and options available to them.

Completed by:	**Dave Farrow**
Date	**21/11/2018**
Signed off by:	**Dave Farrow**
Date	**21/11/2018**
Equality Lead/Manager sign off date:	**Tom Rutland 04/12**
To be reviewed by: (officer name)	
Review date:	

Proposal for Change:
Chil1920-03 CSC realignment savings

Corporate Plan Priority:	
Service Area:	Children's Services
Director:	Julian Wooster
Strategic Manager	Paul Shallcross
SAP Node	

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
x	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2.	**Outline of the proposed change:**

The proposal aims to re-align social work services within the county around an East / West split, with the aim of improving the quality of practice, supporting the journey to a 'Good' Ofsted rating and realising year on year savings in the region of 500k.

2a.	**Confidence level**

90%

A significant proportion of the savings stem from deleting posts which are not currently recruited to. The remainder of the proposed savings have been thoroughly scrutinised by the Children's Social Care Senior Management Team and are felt to be robust and achievable with no impact on service provision.

3.	**Impact on residents, businesses and other organisations:**

The proposal is aimed to improve the efficiency of the provision of Social Work services and as such will benefit the users of these services. Bringing the East and West of the county under the management of one Strategic Manager will improve the flow of work between community and Children Looked After (CLA) services and will support relationship-based practice with children and families.

Multi-agency partners within Somerset will not be negatively impacted by the proposed changes

4. Impact on other services we provide:
None identified.

5. Impact on staff:
A number of posts will be deleted from the service and as such this will impact on a number of staff members. Within the total number of posts lost, 5 are not currently filled *The number of FTE that might be lost is:* 12 *The number of posts that might be lost is:* 14

6. Resources and support needed to make the change:
Support will be needed from HR and finance in implementing the proposal and managing consultation processes.

7. Timescale to deliver and major milestones:	
Milestone	Date
New structure to be in place by 01/04/2019	01/04/2019

8. Risks and opportunities:
Risks – uncertainty around the proposal may cause short term anxiety and worry amongst the existing management group. This may result in managers leaving the organisation. Deletion of the Next Steps Team Manager post may impact on the capacity of the organisation to recruit to Newly Qualified Social Workers (NQSW) posts in the future. This is mitigated by an increase in the number of Consultant Social Worker (CSWs) for NQSWs Opportunities – the re-aligned structure will support more effective and efficient working across areas and reduce ‘silo’ working. The new structure will also support future work which will look to reduce the number of transitions for children and families within the system, supporting the development of relationship-based practice.

9. Dependencies:
None identified.

10. Initial Equality Impact Assessment:
No – as the proposal does not affect service delivery, an equality impact assessment is not required.

11. Consultation and Communications plan:
Yes – a 45-day staff consultation is planned to take place prior to the end of December 2018. Communications will take place via the usual internal channels and via 1:1 meetings with affected staff.

12. Legal Implications:
In developing this proposal officers are satisfied that the effect of this proposal will not cause the Local Authority (LA) to fail to meet its statutory duties to ensure and promote children's safety and welfare. Any legal implications of proposed staffing changes will be identified and addressed within the HR business case.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes - salaries
If no, when is the evidence expected?	
Please note: these figures should be cumulative	

£s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£573,400	£	-£	£573,400	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£573,400**	**£**	**-£**	**£573,400**	

13b. One-off project costs and income (not included in above):		
£s		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:
Chil1920-04 Children's Staffing Vacancies

Corporate Plan Priority:	
Service Area:	Children's Services
Director:	Julian Wooster
Assistant Director	Claire Winter
SAP Node	

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
x	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

The proposal is for a one year saving (2019/20) of £775,300 in social work staffing costs.

Recruitment of permanent social workers remains a challenge with 47 vacancies across Children's Social Care currently. A number of posts have been vacant with neither permanent or locum staff filling them for over 12 months. This proposal equates to not recruiting to a number of these vacant posts.

2a. Confidence level

90%
Case numbers continue to reduce slowly, and further partnership work may reduce this further.

There is a risk that case numbers will increase unexpectedly. Were this to occur it is likely that locum social workers would need to be recruited at higher cost for a period while longer term trends and impacts are assessed.

3. Impact on residents, businesses and other organisations:
Communities and partners can be empowered to support families at an early stage reducing the need for specialist social work services. This is current practice but is slow to develop effectively with some partners struggling to understand their early help role.

4. Impact on other services we provide:
No.

5. Impact on staff:
No staff impact as these are vacant posts and the proposal is for a one year saving only.

6. Resources and support needed to make the change:
None

7. Timescale to deliver and major milestones:	
Milestone	Date
No milestones as plan is to reduce budget for one year – full year effect - from vacant posts	

8. Risks and opportunities:
Risks – that social work referrals increase unexpectedly, and current FTE cannot cope with demand, leaving children potentially at risk. Opportunities – to work with partners and communities to enable them to identify concerns early and address them locally.

9. Dependencies:

10. Initial Equality Impact Assessment:
No

11. Consultation and Communications plan:
No.

12. Legal Implications:
In developing this proposal officers are satisfied that the effect of this proposal will not cause the Local Authority (LA) to fail to meet its statutory duties to ensure and promote children's safety and welfare.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	
Please note: these figures should be cumulative	

£s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£775,300	£	-£	£775,300	One-off
2020/21	-£775,300	£	-£	-£775,300	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£775,300**	**£**	**-£**	**£775,300**	

13b. One-off project costs and income (not included in above):		
£s		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:
Chil1920-05 Early Years Entitlements

Corporate Plan Priority:	Chil1920-05
Service Area:	Inclusion Group
Director:	Annette Perrington
Strategic Manager	Phil Curd
SAP Node	

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

The proposed change is in relation to the processing of payments of the Early Years entitlement and funding for 2 years olds including the extended entitlement paid to early years providers. The saving will come from the reduction of a single post.

Currently, the Admissions and Entitlements Team process estimates (paying 90% of each claim) to early years providers followed by actual forms which pay the remainder and adjustments which capture any changes (starters and leavers) for early years providers. The adjustments process is non-statutory and many other Local Authorities (LA) do not operate the opportunity for adjustments. The payment process as outlined runs for 3 funding periods in a year. The LA is paid based on the Early Years census in January so is not funded for children accessing the entitlement post census.

Adjustments are paid in arrears therefore to cease this support by the end of March 2019 Early Years settings would need to be notified of the change by Christmas.

Recognising that removing this will provide a challenge to providers it is proposed that a request is taken to Schools Forum Early Years subgroup in January 2019 seeking funding to support a post at the cost of approximately £20,000 from April

2019-March 2020 to limit disruption to Early Years settings from the ceasing of this activity. It is expected that School Forum will support this request.

Assuming School forum agree to fund this post until March 2020 the proposal would subsequently remove the post from 1st April 2020 therefore, making it an ongoing saving.

The saving, to include salary and on costs is approximately is £20,000.

Other advantages include:

- The settings should get a higher hourly rate as we will not be paying for hours the LA has not been paid for;
- Statistical information will be available by the time the term finishes rather than currently when the earliest it is available is the following half term; this will aid finance colleagues;
- We will not have the high volume of data issues that Core Data/Entitlements/Application Support need to resolve because claims are being submitted after a child has left the setting. This would save the LA time and data on Capita will be more accurate;
- It will save Core Data time as they will not have to clear suspense from the Adjustments;
- Entitlements team can request claim information earlier which means they should be able to complete Early Years census by the deadline without having to work the significant number of additional hours they do currently for census.

2a. Confidence level

75%

Confidence level reduced due to reliance on School Forum. If School Forum reject this proposal the removal of the post will take place from July 2019.

3. Impact on residents, businesses and other organisations:

Disadvantages for Early Years providers and parents from removing this post immediately are outlined below;

1. By funding this role for 12 months Schools Forum will be able to support SCC in minimising the disruption from these changes
2. It would remove the flexibility that allows parents to move settings part way through a term;
3. Funded 2 years who are awarded funding part way through the term will probably have to wait to access a space until the start of the following term;
4. If settings don't send in the appropriate documentation with their claim/claim appropriately/complete a 30 hours check, there will be no opportunity for them to claim later using an adjustment form therefore they will not be paid. This has the potential for more complaints and could potentially lead to sustainability issues/closures of settings. However, it is settings responsibility to comply with the requirements of Provider agreement and they are sent clear instructions by the team in advance so there should be no reason for settings to lose money;
5. When children overclaim at multiple settings neither provider will be able to amend their claim (on the summer actual claim, there were nearly 200 children

that overclaimed their hours); there is no action that can be taken to mitigate against this. 6. Settings will need support to amend their policies to reflect the change. The Entitlements and Early Years Team will continue to support settings as capacity allows.
4. Impact on other services we provide:
As above. Once the post is permanently removed in April 2020 there will be a reduction in work for the Core Data Team.

5. Impact on staff:
Proposals would be achieved through review of the staffing structure.

6. Resources and support needed to make the change:
It is likely that support will be required from HR around any staffing changes required.

7. Timescale to deliver and major milestones	
Milestone	Date
Inform Early Year settings	By end of Autumn Term 2018 or by March 2019
Schools Forum Decision to fund role for 1 year	16 January 2019

8. Risks and opportunities:
The risks for 1 & 2: The Local Authority has a statutory duty to secure a free place offering 570 hours a year over no fewer than 38 weeks of the year for all 3 & 4 year olds, including new starters and eligible 2 year olds. Families of eligible 2 year olds are the most economically disadvantaged in Somerset. Recognising this the proposal is for Early Years sub group to extend the processing of adjustments for another financial year by agreeing to fund a post from their current DSG surplus

9. Dependencies:
No dependencies

10. Initial Equality Impact Assessment:
Agreement with the Corporate Equalities Manager that an Equalities Impact Assessment is not required.

11. Consultation and Communications plan:
There is no legal requirement to consult with Early Year providers however the team will communicate the change as soon as possible, providing advice and guidance immediately and on an ongoing basis. Assuming the Early Year subgroup agrees to fund the post for another year, it will give the team chance to review processes properly and prepare settings for the change which could include organised events.

12. Legal Implications:
Under the Childcare Act (2006), SCC has a duty to secure sufficient childcare places for working parents (s6) and to secure early years provision free of charge (s7). The potential impact on SCC's ability to meet this duty must therefore be considered. The statutory guidance states that SCC **should** ensure that providers are treated in an equitable way and that the proper use of funding does not place undue administrative burdens on them. SCC **should** be mindful of the concerns of smaller providers (re. their cashflow) when making decisions about payment methods. SCC **should** regularly review how they pay providers to ensure that it continues to meet the needs of all providers in their area. **As far as reasonably practicable**, SCC **should** ensure that eligible children who move into the area are able to take up their place at any time. SCC are not required to secure additional free hours (extended entitlement) where the parent has applied after the set deadlines. SCC **must** be clear with providers on their policy in relation to how a child will be funded if they take up their place outside of any regular headcount or if they choose to change providers during the term. SCC **should** encourage providers to work together in this regard. Consideration should therefore be given to these requirements when amending the Provider Agreement and steps must be taken to ensure that the changes are clearly communicated. The Provider Agreement will need to be amended in line with the above. The Agreement cannot be amended unilaterally (unless to reflect legislative changes). Any changes will therefore need to be made to the 2019-2020 Agreement before any Providers sign up for the 2019-2020 entitlement.

13a. Financial Savings – net change to service budget in each year:					
Are the savings evidenced based (evidence should be included with this template)?	Yes				
If no, when is the evidence expected?	N/A				
Please note: these figures should be cumulative					
£s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£20,000	£	-£	£20,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£20,000**	**£**	**-£**	**£20,000**	**Ongoing**

13b. One-off project costs and income (not included in above):		
£s		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£

	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:

Chil1920-06 Reduce the cost of providing transport to specialist provision

Corporate Plan Priority:	Childrens 1920 – 06 (CAF 10b)
Service Area:	Inclusion – School Transport
Director:	Julian Wooster
Strategic Manager	Annette Perrington
SAP Node	

1.	**The proposal is to:**
√	**Managing Demand** - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
√	**Increasing Productivity** - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
√	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
√	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Building on the 18/19 proposal (CAF 10a) this proposal coordinates the activity which links the strategic Capital investment programme to children and young people attending their nearest appropriate specialist resource base, school / college. Children and young people attending specialist resource base or special school provision all have an education, Health and Care plan (EHCP) The Children and Families Act 2014 requires the Local Authority (LA) to consider any school provision requested by parents. This is known as parental preference. The Local Authority will also consider the nearest appropriate provision. Final decisions are determined on individual circumstances which take into account the appropriateness of the school / setting to meet the child's SEND (Special Educational Needs and Disabilities) needs and the most efficient use of resources. The final decisions must be named in the EHCP and once named this is legally binding upon both the LA and School setting. Before a school can be named the LA must consult with a school and consider any responses. The LA can in most cases overrule the school / setting where they are in receipt of state funding. The LA can also disagree with the parent and name a school/ setting of LA choice, however this could be subject to further challenge via Tribunal, which in turn could

have further financial implications on the High Needs and Local Authority travel budgets. In order to ensure efficient use of resources case workers should take into account travel time, distance and cost. Children and young people have an annual review of their Education, health and Care plan. This will also apply to all new EHCP's.

Key stage transfers occur nationally at the end of Year 6, end of Year 11. These transitions should be undertaken in the year proceeding transfer to support effective and successful transfer to a new school with parents/ carers and young people at the point of their annual review. Such points of transition provide an opportunity for existing school placements and travel arrangements to be reviewed and for savings to be made where previous school placements may not be the nearest appropriate.

In line with National trend the demand for places in specialist provision continues to increase. This is exacerbated by the Children and Families Act 2014, which increased the age up to which young people with SEND may have an EHCP to 25. Children and young people   can also attend local mainstream schools and colleges, where children and young people are over statutory walking distances where a school has been named in their EHCP this also requires consideration of travel eligibility and the same criteria as above apply.

Children and Young People who need specialist provision often must travel to receive this, and where this isn't available or of a good quality parents will often request specialist independent provision. To offset demand a large capital investment programme has been implemented in Somerset since 2016 to make sure that children and young people are placed as close to home as possible. Work is underway to mitigate this increase by ensuring there is sufficient capacity to meet needs locally and ensuring information, advice and guidance and SEND casework is robust and effectively manages parental expectation from an early stage. In addition to this, Somerset County Council has adopted the use of (personal Travel Payments (PTPs). These are offered to all parents of children that would otherwise have to be transported individually in a taxi.

Additional risks include market variances and whilst we are making best use of internal fleets but remain vulnerable to the commercial market, where costs have risen sharply in recent years. Under this proposal we intend to limit our call on the market for the number of individual journeys we require. This can be supported by placing children in their nearest appropriate provision, so they can be transported in groups.

This is a statutory duty and must be fulfilled. The policy has been revised to reduce the offer to a statutory minimum.

Key aspects of the proposal to achieve the identified saving are as follows. Improvements in practice will lead to outcomes 1 and 2 below, and the increase in capacity will lead to SEND placements being made more locally with a corresponding reduction in costs:

1. Cost avoidance through SEND Placements – moving 25% of the cohort of children identified as relevant for this proposal to schools closer to their homes address.
2. Improvement in case work through challenge provided at panels.
3. Developing capacity in special schools from September 2019 resulting in 25 new starts.

2a. Confidence level

75%

Each case must be considered on individual circumstances and in conjunction with the young person and parent/ carers. In some circumstances such a change may be difficult to achieve. Risks include parental resistance and challenge, delayed building programmes and impact upon multiple travel opportunities.

3. Impact on residents, businesses and other organisations:

This would impact on children and parent/carers where they are not attending their nearest appropriate school and where transition is required. However, as the service user has the option to decline a change then there is no impact unless the local authority disagrees, which carries the additional risk of appeal.

4. Impact on other services we provide:

This change in an improvement on current working practices only.

5. Impact on staff:

N/A

6. Resources and support needed to make the change:

This work will require coordination between the SEND Casework Team and officers in Transporting Somerset. This change to existing working practices has begun but requires continued monitoring and nurturing to ensure these relationships are robust and effective.

7. Timescale to deliver and major milestones:

Identify all children that could be moved to provision closer to home	Already undertaken
Identify the next suitable transition point for those children	Ongoing
Commence relocation conversations during the next available appropriate annual review	Ongoing
Move children to the nearest appropriate provision	Ongoing

8. Risks and opportunities:
There is a risk of reputational damage to the LA and additional challenge where children and young people and / or their parents differ in their views of the most appropriate specialist provision. Where such challenges proceed to the possibility of a tribunal, the LA will have to consider further each case as determined by case law precedence.

9. Dependencies:
This proposal is dependent upon Ofsted inspections of special schools, where any special school which moves into a category is likely to impact upon parental confidence for their child to attend

10. Initial Equality Impact Assessment:
All children identified will be considered to have a disability under the 2010 Equality Act. Some parents may also have disabilities under the Equality Act and should have reasonable adjustments considered as part of individual circumstances.

11. Consultation and Communications plan:
All conversations would be undertaken on a case by case basis. There is no need for any public consultation exercise.

12. Legal Implications:
Any SEND Casework activity will have to be undertaken in accordance with the relevant Code of Practice. The risk relating to tribunal have been outlined in sections 2a and 8.

13a. Financial Implications – net change to service budget in each year:

Are the savings evidenced based?	Yes
If no, when is evidence expected?	
Please note: these figures should be cumulative (as per the approach for MTFP and savings)	

£s	Savings	Income	Growth/Costs	Total	Ongoing or One-off?
2019/20	£98,325	£	-£	£98,325	ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
Total	£98,325	£	-£	£98,325	

13b. One off project costs and income (not included in above):

£s		
2018/19	Capital Costs	-£
	Capital Receipts	£

	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Appendix E4a - Corporate Services Proposals for Change - Requiring Consultation for 2019 - 2022

Proposal for Change:

CORP1920-07 Restructure of HR Admin and Payroll Service

Corporate Plan Priority:	Corp1920-07
Service Area:	HR Services
Director:	Chris Squire
Strategic Manager	Rachel Ellins
SAP Node	EIHA

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
X	**Increasing Productivity -** *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models *- Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services *- Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. **Outline of the proposed change:**
Proposed savings of £95,000 in 2019/20 and a further £9,200 in 2020/21 through a restructure of HR Admin and Payroll Services to reflect the service needs due to a changing customer base, mainly due to Academy Schools and the implementation of electronic processes which have brought efficiencies.

2a. **Confidence level**
100 % We have already seen a reduction in staff numbers from the processes already implemented and are confident that the ongoing work will achieve the further savings.

3. Impact on residents, businesses and other organisations:
N/A

4. Impact on other services we provide:
HR support required as some employees may end up with salary protection or redundancy, although it is thought most of the latter can be managed by voluntary redundancy.

5. Impact on staff:
It is anticipated that there will be a small reduction in staff numbers. This will be achieved via removal of vacant positions, voluntary redundancies and consideration of flexible working requests where possible. A restructure exercise will be required. There will be some additional changes, due to revised Job Assignments, that may result in protection for some employees and some opportunities for others to increase their grade. There are also some changes of hours that will result in savings overall. A change in the way Job Evaluation (JE) is managed may release additional savings but this is unlikely to be known until sometime in December or possibly the new year. *The number of FTE that might be lost is:* *TBC* *The number of posts that might be lost is:* *TBC*

6. Resources and support needed to make the change:
HR to support consultation. Kerry Diamond already informed of the need for support.

7. Timescale to deliver and major milestones:	
Start of staff consultation	November 2018
Other HR activities	December – March 2019
Implementation	April 2019 and July 2019

8. Risks and opportunities:
• Negative impact on staff morale/engagement. • Over estimation of savings that can be realised resulting in detriment to service delivery

9. Dependencies:
N/A

10. Initial Equality Impact Assessment:
N/A

11. Consultation and Communications plan:
Staff and trade union discussion as part of wider consultation
12. Legal Implications:
N/A

13a. Financial Implications – net change to service budget in each year:					
Are the savings evidenced based?				Yes, options have been costed by Finance but final structure still to be finalised.	
If no, when is evidence expected?					
Please note: these figures should be cumulative (as per the approach for MTFP and savings)					
£'s	*Savings*	*Income*	*Growth/Costs*	*Total*	*Ongoing or One-off?*
2019/20	*£*	*£*	*-£*	*£95,000*	*Ongoing*
2020/21	*£*	*£*	*-£*	*£9,200*	*Ongoing*
Total	*£*	*£*	*-£*	*£104,200*	*Ongoing*

13b. One off project costs and income (not included in above):		
£'000's		
2018/19	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£0

Proposal for Change:
Corp 1920 – 12 Corporate Affairs Restructure

Corporate Plan Priority:	CORP1920-12
Service Area:	ICT and Commercial & Procurement
Director:	Simon Clifford
Strategic Manager	Claire Griffiths/Andy Kennell
SAP Node	EIE / EII

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
X	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
The Commercial and Procurement (C&P) team and the ICT team sit within Corporate Affairs. This paper sets out proposals to restructure these services, merging functions where there are natural alignments within teams, aligning resources to corporate priorities, streamlining management functions and ensuring the structures are fit for future purpose. In addition, the C&P restructure will provide clarity of the team's role, re-orientating resources to have a more commercial focus, where appropriate, removing any legacy elements in the current structure. At the same time the restructure will deliver efficiency savings, reducing both the C&P and ICT departments' baseline budgets. Budget savings can only be secured if further income is generated, staffing costs are apportioned to other budget lines, staff opt to work less hours/take unpaid leave or staff numbers reduce with associated activities declining or stopped. All the above options continue to be explored. Staffing occupies the largest proportion of the C&P department's baseline budget costs and therefore the savings outlined in this paper are derived from a proposed

restructure. ICT has a 50/50 split between staff and contract costs, throughout 2018/19 savings have been made by reducing vacancies and optimising contract spend, which has avoided any reduction in permanent staff. With the further requirement for savings ICT is now focusing on making efficiencies by merging teams and reducing the management layer.

This will deliver proposed savings of £690,000 between 2019 and 2020.

Both of the above restructures will also link in to the Customers and Communities proposed saving of £500,000 which also identifies as part of the overall Corporate £3,262,900 projected saving for MTFP 2019/20.

2a. Confidence level

85%

A detailed proposed structure for C&P is in place and the detail has been worked through for ICT. However, any proposals are subject to the outcomes of staff consultation.

In addition, due to the potential for collective consultation and subject to an agreed date of commencement of the process, the new structure is likely to be in place late in May, rather than by 1 April 2019 so will not deliver quite a full in-year effect, 10 months as opposed to 12.

3. Impact on residents, businesses and other organisations:

There will be no impact on resident, businesses and or other organisations.

4. Impact on other services we provide:

Reduced resource across the service will impact on service levels, speed of response and ability to respond to major incidents, particularly in the ICT Service.

5. Impact on staff:

The principles of a proposed approach include;

- Rationalisation of management roles across the Directorate
- Alignment of procurement functions to corporate priorities
- Removing legacy structures in C&P and duplication of tasks with operations
- Focus on commercial activities
- Integrating functions within ICT to form two teams - an Operational and Transformation team
- The ICT restructure will introduce standard change delivery (TSR) as part of the Operations function and separate the Transformational shift to align more closely with Customers

As the outcomes of consultation and potential competency-based interviews for ring-fenced roles cannot be determined at this stage, the number of FTE's is not yet quantifiable.

The number of posts that might be lost is: 21

6. Resources and support needed to make the change:
As with all restructures the support and advice of HR is essential throughout the process.

7. Timescale to deliver and major milestones:	
Detailed restructure agreed at Corporate Affairs SLT Monday	19 November 2018
Collective consultation	December 2018 – February 2019
Anticipated end of consultation	Late February 2019
New structure in place	Late May 2019
Full effect of savings from	1st June 2019

8. Risks and opportunities:

As with the MTFP2 proposed restructure for C&P and ICT, future workload demand will need to be closely managed with each lead Commissioner to ensure additional commissioning demands against the revised team structure can flex or increase to accommodate and ensure delivery of requirements and reduce service risks.

Risks

- Reduced levels of service delivery as a result of the reduction in resources
- Delayed consultation will impact of 19/20 in year savings

Mitigation

- Prioritisation of workload focussed on organisation priorities and clearly published commissioning intentions
- Closely managed future workload through workload tracking/plans.

However, this restructure is an opportunity to introduce more efficient ways of working, maximising the opportunity for synergies across the Directorate.

9. Dependencies:
The outcome is subject to an internal consultation process with the effected teams and unions. At this formed part of the overall collective consultation of 45 days which started on the 29th November.

10. Initial Equality Impact Assessment:
Equalities Impact Assessment will be incorporated into the HR Business case.

11. Consultation and Communications plan:
A staff and union consultation will be undertaken. This will adhere to the agreed internal process, including staff briefings and 1-2-1's with potentially effected staff.

12. Legal Implications:
Legal have identified the need for an EIA to be completed which will form part of the HR Business Case In regard to ICT need to be aware that the Applications team supports business critical applications that enable statutory functions, this function could be reduced but not stopped.

13a. Financial Savings – net change to service budget in each year:					
Please note that there is a £220,000 CRF dependency for 2019/20 which will be reviewed annually. However, the overall total (£690,000) will remain ongoing as the 2020/21 shortfall as a result of the £220,000 being a one-off will be mitigated by Phase 2/3 of the restructure.					
Are the savings evidenced based (evidence should be included with this template)?			Yes		
If no, when is the evidence expected?			N/A		
Please note: these figures should be cumulative					
£s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£645,000	£	-£	£645,000	ongoing
2020/21	£45,000	£	-£	£45,000	ongoing
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£690,000**	**£**	**-£**	**£690,000**	ongoing

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Appendix E4b - Corporate Services Proposals for Change - For decision for 2019 - 2022

Proposal for Change:
Corp1920-01 Pathway to Employment Budget Reductions

Corporate Plan Priority:	Corp1920-01
Service Area:	Organisational Development, HR/OD
Director:	Chris Squire
Strategic Manager	Clive Mallon (Service Manager)
SAP Node	EIHA

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

The Human Resource/Organisation Development Service (HROD) has a £201,500 annual budget to run the Pathway to Employment Scheme. The scheme, which has been in existence for the past five years, aims to boost the employability of those not in Employment, Education or Training (NEET), vulnerable/disadvantaged young people within Somerset, such as Care Leavers or those with a disability.

A number of initiatives fall within the scheme, initiatives include;

- Work Experience (both at SCC and partner organisations)
- Employability and Training weeks
- Internships
- Paid work or Apprenticeships (both at SCC and partner organisations)
- Bespoke employability programmes with partner organisations, such as Skanska and Viridor.
- Taster weeks; where individuals can try a number of vocations
- Education and training programmes

Only one of the above initiatives is negatively impacted by the proposed budget reductions; paid work or apprenticeships within SCC. Traditionally services have acted as hosts to referred young people in short to medium term fixed term contracts and apprenticeships. Approximately eight people per year are supported within this initiative.

This proposal is to greatly reduce the Pathway to Employment scheme budget to £10,000 per year from 20/21. Releasing all bar £60,000 of uncommitted budget in 2019/20 provides an ongoing saving of £65,000. In 2020/21 a further £126,500 can be offered as a saving.

The retention of a small annual budget, of £10,000, from 20/21 allows for certain work (some of the other bullet points listed above) to continue to take place; such as the annual Care Leaver Employability Programme at Pinkery Resource Centre – these are 'low-cost, high-impact' programmes, without a budget these couldn't happen.

HR/OD will take the opportunity to redesign the scheme including alternative funding arrangements to maximise the scope of support that can be offered from 2019/20.

2a. Confidence level

100 %

Very few people have access to spend against the budget, an immediate stop can be put on spend meaning the saving is guaranteed.

3. Impact on residents, businesses and other organisations:

There is limited impact. All those currently on paid placements within SCC will be supported to complete their various opportunities. The impact of this budget reduction is that no new referrals can be made for those people that would be deemed as ready for a paid internal opportunity, supported by the scheme. Organisational Development (OD) will need to redesign the scheme and consider alternative funding arrangements to maximise the scope of support that can be offered from 2019/20.

Please note that the people 'supported' mentioned above only relates to those that would have had paid employment directly with SCC. Those that are put forward for partners schemes, such as the Skanska Work Experience/Apprentice Programme are not impacted. SCC can still be a viable employer for people from vulnerable/disadvantaged backgrounds, the only difference being is that host services will need to use their own budget to funds roles rather than receiving money from the Pathway to Employment budget.

4. Impact on other services we provide:

The impacts are minimal; the scheme has paid the salary of individuals in roles which have been used to support corporate meetings/initiatives, such as the

Young People’s Champions roles – if these are to continue beyond the current commitments the service will need to fund.

Service areas that have traditionally recruited people from the Pathway to Employment ‘pool’ are making plans as to how they can continue to recruit without having the financial assistance from the scheme. The service areas are positive that there are alternative arrangements that can be made to have little-to-no impact on future recruitment.

5. Impact on staff:

None (all current roles being supported will continue to the end of their contracts).

6. Resources and support needed to make the change:

No resources required to support this change.

7. Timescale to deliver and major milestones:

Confirmation of the decision being approved	December
Communication to regular supporters of the scheme	December
Communication to those that have ability to spend against the budget (confined to OD)	Immediately following above milestone.

8. Risks and opportunities:

Risks are minimal. We have the opportunity to reimagine the scheme and what support it can offer those groups traditionally referred.

9. Dependencies:

Not applicable.

10. Initial Equality Impact Assessment:

Impact assessment produced and reviewed by Equalities Manager.

11. Consultation and Communications plan:

Not required.

12. Legal Implications:

Not required.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£65,000	£	-£	£65,000	Ongoing
2020/21	£126,500	£	-£	£126,500	Ongoing
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£191,500**	**£**	**-£**	**£191,500**	**Ongoing**

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Somerset Equality Impact Assessment

Before completing this EIA please ensure you have read the EIA guidance notes – available from your Equality Officer

Organisation prepared for	**Somerset County Council**		
Version	**V1**	**Date Completed**	**15/11/18**

Decision within the Proposal for Change to reduce Somerset County Council's (SCC) Pathway to Employment budget (from £201.5k to £10k by 20/21) - Corp1920-01

Human Resources and Organisational Development (HR/OD) has a £201.5k annual budget to run the Pathway to Employment Scheme. The scheme, which has been in existence for the past five years, aims to boost the employability of NEET (Not in Employment, Education or Training) vulnerable/disadvantaged young people (generally between the ages of 16-24) within Somerset, such as Care Leavers or those with a disability. A number of initiatives fall within the scheme, initiatives include;

- Work Experience (both at SCC and partner organisations)
- Employability and Training weeks
- Internships
- Paid work or Apprenticeships (both at SCC and partner organisations)
- Bespoke employability programmes with partner organisations, such as Skanska and Viridor.
- 'Taster' weeks, where individuals can try a number of vocations
- Education and training programmes

Only one of the above initiatives is negatively impacted by the proposed budget reductions; paid work or apprenticeships within SCC. Traditionally services have acted as hosts to referred young people in short to medium term fixed term contracts and apprenticeships. Approximately eight people per year are supported within this initiative.

This proposal is to greatly reduce the Pathway to Employment scheme budget to £10k per year by 20/21. Releasing all bar £60k of uncommitted budget in 19/20 provides an ongoing saving of £65k. In 20/21 a further £126.5k can be offered as a saving. All those currently on paid placements within SCC will be supported to complete their various opportunities. The impact of the decision to stagger the reduction of budget will allow for paid placements at SCC to continue in 19/20. During 19/20, consideration will be made as to how without the budget, opportunities can best be offered. The other initiatives which fall within the scope of the scheme remain largely unaffected. SCC can still be a viable employer for people from vulnerable/disadvantaged backgrounds, the only difference being is that host services will need to use their own budget to fund roles rather than receiving money from the Pathway to Employment budget. The retention of a small annual budget allows for certain 'low-cost, high-impact' programmes to continue - without a budget these couldn't happen. HR/OD will need to redesign the scheme and consider alternative funding arrangements (such as bidding for grant money and the transfer of apprenticeship levy funds to partner organisations) to maximise the scope of support that can be offered from 19/20.
Evidence
What data/information have you used to assess how this policy/service might impact on protected groups? Sources such as the Office of National Statistics, Somerset Intelligence Partnership, Somerset's Joint Strategic Needs Analysis (JSNA), Staff and/ or area profiles,, should be detailed here
From the inception of the scheme data has been captured by HR/OD on each individual referred and supported. This data includes key information such as the individuals background, personal data and which initiative they are supported by. The evidence is clear cut – the majority of the scheme remains exactly the same. The difference is that internal SCC services wanting to host pathway to employment candidates (in paid work) will have to fund the salaries. Work will continue with our partners to expand the scope of their equivalent programmes to continue to maintain, and eventually increase, the number of opportunities available for in-scope individuals.

Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?				
The proposal was shared with the Strategic Commissioning Group on 15/11/18. The group supported the proposal to reduce the budget.				
Analysis of impact on protected groups				
The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service will achieve these aims. In the table below, using the evidence outlined above and your own understanding, detail what considerations and potential impacts against each of the three aims of the Public Sector Equality Duty. Based on this information, make an assessment of the likely outcome, before you have implemented any mitigation.				
Protected group	**Summary of impact**	**Negative outcome**	**Neutral outcome**	**Positive outcome**
Age	• The proposed decision will negatively impact more on younger people, this is due to the majority of individuals referred into the scheme being within the 16-24 age bracket. • The authority does now have a well-established apprenticeship scheme (while apprenticeships are available for any age group they do tend to attract younger candidates) which a number of these people would be suitable for. Apprentice numbers have swelled at the authority from 20 Nov 2016 to 192 at present. The real number of people impacted per year could therefore be fewer than eight.	☒	☐	☐
Disability	• The scheme has historically offered roles to people with disabilities. As above, only those that were interested in internal to SCC (paid) opportunities may be impacted.	☒	☐	☐

	• Service areas that have traditionally recruited disabled people from the Pathway to Employment ‘pool’ are making plans as to how they can continue to recruit without having the financial assistance from the scheme. The service areas are positive that there are alternative arrangements that can be made to have little-to-no impact on future recruitment.			
Gender reassignment	• Whilst this characteristic hasn’t been one in which the scheme has previously had referrals on I would consider them as ‘in-scope’ and therefore are impacted by this decision.	☐	☒	☐
Marriage and civil partnership	• No impact of this group based on this proposal	☐	☒	☐
Pregnancy and maternity	• No impact of this group based on this proposal	☐	☒	☐
Race and ethnicity	• No impact of this group based on this proposal	☐	☒	☐
Religion or belief	• No impact of this group based on this proposal	☐	☒	☐

Sex	• No impact of this group based on this proposal – there is an even split between males and females accessing initiatives via the Pathway to Employment scheme.	☐	☒	☐
Sexual orientation	• No impact of this group based on this proposal	☐	☒	☐
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	• Care Leavers make up the bulk of the NEET's supported by the scheme. With service areas being able to offer fewer paid roles (financed by the scheme) there will be some care leavers that cannot be internally supported. Alongside the Leaving Care service OD will work to expand the range of roles offered in partner organisations to offset the internal reduction.	☐	☒	☐

Negative outcomes action plan
Where you have ascertained that there will potentially be negative outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

Action taken/to be taken	**Date**	**Person responsible**	**How will it be monitored?**	**Action complete**
The positive news is that the majority of the initiatives and opportunities are not impacted by the reduction in budget. Between the time of writing and the beginning of the 19/20 financial year there is time to redesign the Pathway to Employment Scheme. The redesign of the scheme will need to look at what opportunities there are to replace the element of the scheme that would otherwise not run without the funding; at	01/04/2019	Clive Mallon		☐

this point we can also review those that access the scheme to ensure each of the protected characteristics are positively supported. Action: Review opportunities for grant funding, working with partners to provide alternative yet similar roles and update the Young People Strategy in line with the new scope of the scheme.				

If negative impacts remain, please provide an explanation below.

Completed by:	**Clive Mallon**
Date	**12/02/2019**
Signed off by:	**Chris Squire**
Date	**12/02/2019**
Equality Lead/Manager sign off date:	**Tom Rutland**
To be reviewed by: (officer name)	**Clive Mallon**
Review date:	**31/03/2019**

Proposal for Change:
Corp1920-02 Permanently release current budget for IT Training Manager position

Corporate Plan Priority:	Corp1920-02
Service Area:	Organisational Development, HR/OD
Director:	Chris Squire
Strategic Manager	Clive Mallon (Service Manager)
SAP Node	EIHA

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
The IT Training Manager post has been ‘frozen’ since March 2018 and a temporary management arrangement put in place (covered by existing staff within the service). In the interim period a review of the IT Training team structure has taken place and It has been decided to amend the structure to permanently remove the vacant manager post. To offset this, and put long term management support into the team, one of the existing IT Trainer posts will be upgraded to a manager post, which has been evaluated at a lower grade than the previously frozen post due to a new operating structure. As a result, there will be an overall reduction of one post in the team resulting in a saving.

2a. Confidence level
100 % Plans developed and ready to implement.

3. Impact on residents, businesses and other organisations:
There is no impact in the removal of this post, plans have been thought through and the interim period without the manager role filled have worked well.

4. Impact on other services we provide:
Impacts are initially minimal; consideration to the future of the IT Training Team and how it works to support the organisation is required (the team has halved in size in recent years yet support for IT and Tech increases).

5. Impact on staff:
None, post is empty. *The number of FTE that might be lost is:* *0 (vacant position)* *The number of posts that might be lost is:* *1 x vacancy*

6. Resources and support needed to make the change:
No resources required to support this change.

7. Timescale to deliver and major milestones:	
Removal of post from structure	1st April 2019

8. Risks and opportunities:
No risks identified.

9. Dependencies:
Not applicable.

10. Initial Equality Impact Assessment:
Not required.

11. Consultation and Communications plan:
Not required.

12. Legal Implications:
Not required.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes

If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£40,700	£	-£	£40,700	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£40,700**	**£**	**-£**	**£40,700**	Ongoing

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:
CORP1920-03 Vacant HR Advisor Position

Corporate Plan Priority:	Corp1920-03
Service Area:	HR & OD
Director:	Chris Squire
Strategic Manager	Sari Brice
SAP Node	EIHA

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Permanent removal of 22.20 hour HR Advisor vacancy. Post has been held vacant since resignation of postholder for duration of 2018/19. By removing this post £24,500 will be saved in 2019/20.

2a. Confidence level
100% There is no current postholder.

3. Impact on residents, businesses and other organisations:
N/A

4. Impact on other services we provide:
The removal of this post will impact on the resources available within the HR Advisory team and the level of support that can be provided across the organisation, particularly in relation to the team's ability to provide proactive support to the organisation on employee relations matters. Areas that will be affected and are being reviewed are briefing and training sessions for managers on managing disciplinary, grievances, performance management and sickness absence, frequency of link meetings with Strategic Managers, maintaining and updating HR Policies and procedures.

5. Impact on staff:
The number of FTE that might be lost is: 0.6 *The number of posts that might be lost is:* 1 *(vacant)*

6. Resources and support needed to make the change:
No resources required.

7. Timescale to deliver and major milestones:	
SAP OM structure updated	1 April 2019

8. Risks and opportunities:
Service is currently reviewing HR Officer workloads to accommodate this reduction.

9. Dependencies:
No dependencies.

10. Initial Equality Impact Assessment:
No.

11. Consultation and Communications plan:
Affected staff are already aware of the proposal and work is being undertaken within the Service to minimise the impact on workloads.

12. Legal Implications:
N/A.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£24,500	£	-£	£24,500	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£24,500**	**£**	**-£**	**£24,500**	**Ongoing**

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:
CORP1920-04 Vacant OD Service Manager post

Corporate Plan Priority:	Corp1920-04
Service Area:	HR Services
Director:	Chris Squire
Strategic Manager	Rachel Ellins
SAP Node	EIHA

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
X	**Increasing Productivity** - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Permanent removal of vacant position that was given up for part year in 2018/19 and will now be released permanently. This service manager position sits on the HR Organisational Development Team and will result in a saving of £47,700 in 2019/20.

2a. Confidence level
100 % This position can be fully released.

3. Impact on residents, businesses and other organisations:
No impact on residents, business or other organisations.

4. Impact on other services we provide:
Tasks of this role have been redistributed within the HR Service and some casual support is currently received from an ex member of staff. If still required in 19/20 this will be funded from other areas.

5. Impact on staff:
Removal of 1 vacant position, 0.95 FTE. *The number of FTE that might be lost is:* *0* *The number of posts that might be lost is:* *1 x vacancy*

6. Resources and support needed to make the change:
No resource required.

7. Timescale to deliver and major milestones:	
Updated Organisational Management (OM) Structure	1st April 2019

8. Risks and opportunities:
• Negative impact on staff morale/engagement. • Inability to deliver services to expectation

9. Dependencies:
No dependencies

10. Initial Equality Impact Assessment:
Following conversations with the Corporate Equalities Manager it was agreed that an Equalities Impact Assessment was not required.

11. Consultation and Communications plan:
N/A

12. Legal Implications:
N/A

13a. Financial Implications – net change to service budget in each year:	
Are the savings evidenced based?	Yes, options have been costed by Finance but final structure still to be finalised.
If no, when is evidence expected?	N/A
Please note: these figures should be cumulative (as per the approach for MTFP and savings)	

£'s	*Savings*	*Income*	*Growth/Costs*	*Total*	*Ongoing or One-off?*
2019/20	*£47,700*	*£*	*-£*	*£47,700*	*Ongoing*
2020/21	*£0*	*£*	*-£*	*£0*	
Total	*£47,700*	*£*	*-£*	*£47,700*	*Ongoing*

13b. One off project costs and income (not included in above):		
£s		
2018/19	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£0

Proposal for Change:
CORP1920-05 Permanent reduction in Learning & Development Training Budget

Corporate Plan Priority:	Corp1920-05
Service Area:	Organisational Development, HR/OD
Director:	Chris Squire
Strategic Manager	Clive Mallon (Service Manager)
SAP Node	EIHB

1.	**The proposal is to:**
X	**Managing Demand** - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
X	**Increasing Productivity** - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
In 2018/19 £100,000 of the authority-wide Learning and Development (L&D) budget was offered as an 'in-year' saving to meet HR and Organisational Design (HR/OD) contribution to Medium Term Financial Plan (MTFP). This proposal is to formalise those arrangements and for the budget to be permanently removed from the budget. HR/OD distribute L&D budget annually to Children's and Adults L&D teams, ECI and retain a proportion for corporate training. This proposal would impact on each of those teams. Statutory training is not impacted by the proposed budget reduction.

2a. Confidence level
100 *%* Plans developed and ready to implement.

3. Impact on residents, businesses and other organisations:
Each of ECI, Adults, Children’s and Corporate L&D budgets will be affected. The majority of the saving will come from the Corporate L&D budget with each of the other business area apportionments being reduced to make up the saving. The value of saving was made in year in 2018/19, this proposal removes the budget on an ongoing basis – whilst challenging it was achievable in 2018/19 with minimal impact therefore it is achievable on a permanent basis. It is worth nothing that the value of the authority-wide L&D budget has halved in recent years and will equate to less that £200 per employee from 2019/20, which is incredibly low. Alongside this proposal work has commenced to centralise L&D across the authority. This plan involves bringing the Children’s L&D, Adults L&D and Organisational Development (including IT Training Team) teams together into one L&D function. It is anticipated that better working practices would reduce the required spend on L&D which can be offset against the planned budget reduction. A detailed investigation on the spend against the L&D budgets is required to further review usage to ensure only true L&D spend is made against the budget; early indications are that there has been spend against the budget for non-L&D activity. Other areas of development outside of these budgets will be reviewed to be fully made use of; the increase in available qualifications via the apprenticeship levy into 19/20 should further reduce the impact (e.g. SCC current fund years 2 and 3 of Open Uni Social Work Degree courses, this cost should be able to be met by the levy in future years, a ‘saving’ of £6,000 per student per year is possible).

4. Impact on other services we provide:
As above, minimal impacts identified – and no impact on statutory training.

5. Impact on staff:
None, although more work is required to review the element provided to the Children’s L&D team – currently the budget provided to that team pays for staff salaries and there is an ‘agreed overspend’ to pay for the L&D initiatives the team arranges. This review is taking place within the rebasing of budgets within Children’s Services, led by Finance.

6. Resources and support needed to make the change:
No resources required to support this change.

7. Timescale to deliver and major milestones:	
Post decision sign off, review the spend areas and decide on Business Area L&D apportionments	Dec 2018
Communicate with impacted teams	Jan 2019
New budget values go live	April 2019

8. Risks and opportunities:
Other than the risks identified above there are none.

9. Dependencies:
The reduction in budget is made easier if the L&D teams amalgamate.

10. Initial Equality Impact Assessment:
Discussion on proposals with the equalities lead took place on the 20th November 2018 and it was agreed that an impact assessment was not required. Whilst the budget will reduce the spend level will remain the same as 2018/19 and may in fact increase based on the plans detailed above. The services successfully delivered training to staff without compromising frequency, location etc therefore no staff groups are negatively impacted by this proposal.

11. Consultation and Communications plan:
Not required

12. Legal Implications:
N/A

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£100,000	£	-£	£100,000	Ongoing

2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£100,000**	**£**	**-£**	**£100,000**	**Ongoing**

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:

CORP1920-13 ICT Contract and Service Changes

Corporate Plan Priority:	CORP1920-13
Service Area:	Corporate Services
Director:	Simon Clifford
Strategic Manager	Andy Kennell
SAP Node	EII

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
X	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

This proposal is aiming to deliver £847,000 in 2019/20, of which £502,000 will be ongoing and £345,000 will be a one-off through;

- Reducing licence count and support on a number of ICT contracts
- Deferring the implementation of enhanced email security for an additional year
- Reducing contract costs based on reduction of hosting infrastructure required.

2a. Confidence level

75 %

There are ongoing negotiations and initiatives with some of the contracts associated with this proposal.

3. Impact on residents, businesses and other organisations:
There will be no impact on residents, businesses or other organisations.

4. Impact on other services we provide:
There is a small increase in the level of risk of infection and malware attack against the council that may gain access to mailboxes as a result of not implementing enhanced email security. This risk will be mitigated by further user training and communication around best practice use of email and manual monitoring.

5. Impact on staff:
None.

6. Resources and support needed to make the change:
An estimate of 3 days of ICT effect to migrate to the alternative connectivity and 1-2 days of effort from ICT to remove unlicensed software and install alternative (open source) versions.

7. Timescale to deliver and major milestones:	
Implement alternative comms to Express route.	By end of 18/19 financial year

8. Risks and opportunities:
There is a small increase in the level of risk of infection and malware attack against the council that may gain access to mailboxes as a result of not implementing advanced email security. This risk will be mitigated by further user training and communication around best practice use of email and manual monitoring.

9. Dependencies:
None

10. Initial Equality Impact Assessment:
Following agreement from the Corporate Equalities Manager it was agreed that an Equalities Impact Assessment was not required.

11. Consultation and Communications plan:
Following agreement with the Consultation Manager it was agreed that there was no need for consultation.

12. Legal Implications:

No legal implications. Basic exchange cloud protection (EOLP) meets the minimum requirements for PCI DSS (Payment card guidance) and PSN (Public Sector Network) but fails to meet industry best practice guidelines. Also note that this proposal is predicated on the basis that the contract(s) permit the proposed course of action, due process will be followed to ensure this happens to remove the risk of legal challenge.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£847,000	£	-£	£847,000	345k one off (review 20/21)
2020/21	£-345,000	£	-£	£-345,000	One off
2021/22					
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£502,000**	**£**	**-£**	**£502,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:
CORP1920-14b ICT Resource Income Generation

Corporate Plan Priority:	CORP1920-14b
Service Area:	ICT
Director:	Simon Clifford
Strategic Manager	Andy Kennell
SAP Node	EII

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
X	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

This proposal is aiming to deliver £20,000 of additional one-off income in 19/20 through the following;

- To exploit opportunities to generate income through charging for resource time

2a. Confidence level

80 %

Based on resource requirements/requests received from Somerset Waste Partnership and neighbouring local authorities we are confident that we can deliver the savings identified.

3.	**Impact on residents, businesses and other organisations:**
There will be no impact on residents, businesses and other organisations.	

4.	**Impact on other services we provide:**
There will be no negative impacts on any of the other services that we current provide.	

5.	**Impact on staff:**
Some resource will be asked to work flexibly on temporary assignments.	

6.	**Resources and support needed to make the change:**
None required.	

7.	**Timescale to deliver and major milestones:**
Request for resource will be reviewed on a regular basis and will be used as an income opportunity as and when the opportunities arise.	

8.	**Risks and opportunities:**
None noted.	

9.	**Dependencies:**
This proposal is heavily dependent on neighbouring local authorities and Somerset Waste Partnership continuing to require resource.	

10.	**Initial Equality Impact Assessment:**
Following agreement with the Corporate Equalities Manager it was agreed that a Equalities Impact Assessment was not required.	

11.	**Consultation and Communications plan:**
Following agreement with the Consultation Manager it was agreed that consultation would be not be necessary.	

12.	**Legal Implications:**
This proposal is covered by the Local Government (Goods and Services) Act 1970 which gives power to supply services between local authorities and other public bodies to utilise surplus capacity and give benefits of scale	

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	N/A

Please note: these figures should be cumulative					
£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£	£20,000	-£	£20,000	One off
2020/21	£	£-20,000	-£	£-20,000	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£**	**£20,000**	**-£**	**£20,000**	**One-off**

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:
Corp1920-17-Additional Contractual Efficiency Savings

Corporate Plan Priority:	CORP1920-17
Service Area:	Commercial and Procurement
Director:	Simon Clifford
Strategic Manager	Claire Griffiths
SAP Node	Tbc for individual Services

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
X	**Increasing Productivity** - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Undertake deep dive contract reviews from a commercial perspective, to identify efficiency savings. These may be derived from a range of sources including de-scoping of services, renegotiation of contract terms, enforcement of financial penalties for non-performance, comparison of invoices against works complete to identify discrepancies, comparison of contract payments versus annual contract value, evaluation of contract performance against contract Key Performance Indicators (KPIs). A long list of contract / groupings of contracts has been compiled from an initial assessment of the Top 100 contracts (ranked on annual value). This list includes individual contracts and frameworks and the final work plan will be discussed and agreed with SLT before being rolled out. Opportunities for synergies with specific contracts identified as part of the 2019/20 MTFP will also be identified. Work has already commenced in ICT and has set the approach for all contract deep dives.

2a. Confidence level
80% Until the contract deep dives commence the actual potential for savings cannot be quantified. However, with work to date in ICT there is a high confidence of achieving £68,000 to date. **Service Activity** — **Saving** Express Route — £53,000 PSN Connection — £15,000 In addition, there is an 80% confidence on £100,000 of mobile phone savings. This delivers a total to date of £168,000. The remaining £332,000 target will form part of the pipeline of work.

Service Activity	Saving
Express Route	£53,000
PSN Connection	£15,000

3. Impact on residents, businesses and other organisations:
N/A

4. Impact on other services we provide:
Potentially, particularly if services are de-scoped from a specific contract. An evaluation of the impact of this will be undertaken at that time.

5. Impact on staff:
No impact on staff

6. Resources and support needed to make the change:
Staff responsible for the operational delivery of contracts/frameworks that are the subject of deep dive will be required to give support to C&P officers. If services are descoped, there may also be resource implications. Yet to be determined. Finance, HR and legal are likely to be required, depending on the outcomes of each contract Deep Dive.

7. Timescale to deliver and major milestones:	
Work to commence November 2018 to achieve savings as far as possible for full financial year but will be an ongoing rolling programme of work	Rolling programme of work

8. Risks and opportunities:
To be identified at an individual contract level.

9. Dependencies:
To be identified at an individual contract level.

10. Initial Equality Impact Assessment:
None

11. Consultation and Communications plan:
None at present

12. Legal Implications:
As noted above, the opportunity to renegotiate contract terms, to enforce penalties for non-performance and to take action under other contractual provisions will depend in each case on the terms of each contract concerned.

13a. Financial Savings – net change to service budget in each year:

Are the savings evidenced based (evidence should be included with this template)?	No
If no, when is the evidence expected?	January 2019 onwards
Please note: these figures should be cumulative	

£'000's	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£168,000	£	-£	£168,000	On-going
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£168,000**	**£**	**-£**	**£168,000**	**ongoing**

13b. One-off project costs and income (not included in above):

£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:

Review of Fees and Charges

Corporate Plan Priority:	Corp1920-23
Service Area:	All
Director:	All (Lead Alyn Jones)
Strategic Manager	Martin Gerrish
SAP Node	

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
x	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Review charge out rates in respect of external customers and time charge rates against capital and grant funded project. The purpose of the review is to ensure that services are recouping the total costs of providing services where a charge can be made or the costs of deploying staff to capital and third-party projects. This will be achieved by the following; • Verify the overhead recovery rate charged and ensuring it includes all appropriate costs and that they are predicated upon a 19/20 price base. This will include a review of staffing costs, direct costs of providing the service and indirect/overhead recovery costs (including any inflationary costs). • We will also consider benchmarking of recovery rates and costs against our local authority near neighbours.

- We will review the legal powers to charge under the Local Government Act 2003 and the Local Authorities (Goods and Services) 1970 and subsequent legislation.

An initial business case will be developed in Economic and Community Infrastructure (ECI) which will then be considered against all relevant services across Somerset County Council.

Savings will be derived by releasing revenue costs in the event of further capitalisation or securing sustainable increases in securing revenue for chargeable activity.

The outcome of the review will set out the standard charging rates across SCC from which on variances can then be documented.

Initial assessments have identified that direct costs associated with a service employing 35 staff could recover direct costs of approximately £70,000.

2a. Confidence level

80 %

This is based on an initial of the potential revenue to be released within ECI (£120,000).

3. Impact on residents, businesses and other organisations:

Potential impact of services users as a result of increased charges.

4. Impact on other services we provide:

None

5. Impact on staff:

None

6. Resources and support needed to make the change:

Finance support to review overhead recovery rates and capital funding rules/guidelines.

Focused legal advice on the legislative parameters for charging for services.

7. Timescale to deliver and major milestones:

Legal review	14 December 2018
ECI case study to be complete	4 January 2019

Service based budget review to reallocate revenue costs to charges/capital	11 January 19

8. Risks and opportunities:
• Limitations of capital requirements. • Services confirm that they are already recouping all relevant costs. • Lack of staff resources to review budgets to required timescale. • Opportunities – increase charging rates and identify total cost for service delivery.

9. Dependencies:
No.

10. Initial Equality Impact Assessment:
No.

11. Consultation and Communications plan:
Engagement with services to identify possible increase in charges. Following this review engagement with service users and capital finance (internal).

12. Legal Implications:
To be determined following legal review. However, reviews of ECI case studies suggest no implications which will limit the ability of this saving to be realised.

13a. Financial Savings – net change to service budget in each year:

Are the savings evidenced based (evidence should be included with this template)?	No
If no, when is the evidence expected?	January 2019

Please note: these figures should be cumulative

£s	*Savings*	*Income Generated*	*Cost Involved (also see 13b)*	*Total*	*Ongoing or One-off?*
2019/20	*£0*	*£120,000*	*-£0*	*£120,000*	*Ongoing*
2020/21	*£0*	*£0*	*-£0*	*£0*	
2021/22	*£0*	*£*	*-£0*	*£0*	
Total	***£0***	***£120,000***	***-£0***	***£120,000***	

£'000's	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£	£	-£	£	
2020/21	£	£	-£	£	

2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£**	**£**	**-£**	**£**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£0
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£0

Appendix E5 - ECI Services Proposals for Change - For decision for 2019 - 2022

Proposal for Change:

ECI1920-03 - Reduction in Rights of Way Service Delivery

Corporate Plan Priority:	
Service Area:	Rights of Way
Director:	Alyn Jones (Lead Director Paula Hewitt)
Strategic Manager	Andrew Turner
SAP Node	EHDCKBA

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Reduction in Rights of Way Service Delivery

The main revenue activity, aside of salaries, is routine vegetation clearance. The annual contract spend on routine vegetation clearance is approximately £85k (delivered through a Framework Agreement & competitive process). It is proposed that £25k of this budget is surrendered.

2a. Confidence level

80 %

Whilst there is a very high level of confidence that the delivery of the saving can be executed by adjusting the vegetation clearance schedule to the available budget, it remains to be seen what the associated impact will be in terms of insurance claims, serving of statutory notices on the Council.

3. Impact on residents, businesses and other organisations:
There will be a likely decrease in the percentage of the network that is deemed ‘easy to use’ with the potential for an increase in complaints. Section 56 notices for ‘out of repair’ may be served where routes become obstructed by growth. Contractors who have invested in the Vegetation Clearance framework contract will have less income as a result but may partially benefit from the need for a call-off contract to address routes as one-off cuts as opposed to scheduled cuts. Priority routes (promoted trails and utility routes) will be preserved which should manage the impact to some degree. A reduction in accessibility of routes could have an impact on the tourism industry and thus the local economy.

4. Impact on other services we provide:
The potential for a decline in the percentage of routes that are accessible could have a consequential but undetermined impact on the wider health objectives (relating to encouraging greater levels of physical activity). Rights of Way play a role in modal shift and therefore any reduction in service delivery could impact on trying to reduce motorised vehicle journeys.

5. Impact on staff:
Vegetation clearance is mainly proactive. Potential that staff will spend more time dealing with complaints about overgrown paths. This may divert resource away from other aspects of service delivery. It may generate increased uptake in volunteer schemes putting pressure on officer resource to administer these schemes.

6. Resources and support needed to make the change:
The decrease in service delivery will hopefully encourage greater participation in volunteer schemes, e.g.: strimmer scheme, adopt-a-path. Assuming there is an increase in uptake, an additional budget may be required for capital items – this has been scheduled below.

7. Timescale to deliver and major milestones:	
Parish & Town Council consultation on clearance schedule and path hierarchy	Nov 18 - Jan 19
Review of schedule to fit with budget	Feb 19
Completion	31st March 19 to take effect for FY 2019/20

8. Risks and opportunities:
Risks: See above and below for main risks, i.e. network accessibility (serving of notices), health, tourism, local economy, modal shift, staff morale/ retention. This reduction could result in a decrease in the competitiveness of tendered rates, as contractors will have to cut paths which are more difficult to cut, having been cut less frequently or not at all. Best value will become less obtainable and the initial schedule review will precipitate into further reduction in future years as prices go up. **Opportunities:** Parish Councils and volunteers may help to offset the reduction in service delivery, but this is ultimately reliant on them being willing to do so. In addition, the impact of this proposal may be mitigated by encouraging greater levels of participation from volunteers.

9. Dependencies:
An increase in capital allocation will be required to cope with any upturn in volunteer recruitment. Staff resourcing of volunteer schemes may also need reviewing with a possible role for Business Support, where resources allow.

10. Initial Equality Impact Assessment:
Yes - an EIA has been produced. Acceptance of this proposal will likely lead to a general decline in service delivery, impacting on all communities of Somerset and the local economy.

11. Consultation and Communications plan:
Consultation would be required with Parish & Town Councils to review the schedule and to review the network hierarchy (an exercise they last assisted with around a decade ago). User groups and the Local Access Forum would form part of this consultation exercise. The outcome would need to be communicated with all key stakeholders.

12. Legal Implications:
This proposal could result in SCC not fulfilling its duty of keeping routes free from growth. Roughly 4 out of 5 routes are available and the 20% that are not available are generally down to historic or current obstructions or temporary closures due to failing or missing structures. Obstructed by vegetation could be added to this list if the proposal is accepted. There is no statutory duty to consult on implementing the proposal, but it would be advisable that any reduction in delivery is informed by those that know the network best, i.e.: the local inhabitants.

13a. Financial Implications – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	No
If no, when is evidence expected?	January 2019 The schedule will be revised in accordance with available

				budget and tendered framework rates.	
Please note: these figures should be cumulative					
£'s	Savings	Income Generated	Cost Involved (see also 13b)	Total	Ongoing or One-off?
2019/20	£25,000	£0	-£0	£25,000	Ongoing
2020/21	£0	£0	-£0	£0	-
2021/22	£0	£0	-£0	£0	-
2022/23	£0	£0	-£0	£0	-
2023/24	£0	£0	-£0	£0	-
Total	£25,000	£0	-£0	£25,000	

13b. One off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£5
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	-£5
2020/21	Capital Costs	-£5
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	-£5
2021/22	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	-£0
	TOTAL	-£10

Somerset Equality Impact Assessment			
Organisation prepared for	**Somerset County Council**		
Version	**V1**	**Date Completed**	**13/11/18**
Description of what is being impact assessed			
Reduction in Rights of Way Service Delivery – ECI1920-03 The reduction in service delivery will be implemented through reducing the proactive vegetation clearance schedule. This will have an impact on the physical network and is therefore likely to impact on all protected groups; i.e.: anyone who is able to access the public rights of way network could potentially be affected by this reduction in service delivery.			
Evidence			
What data/information have you used to assess how this policy/service might impact on protected groups?			
An exercise was undertaken approximately 12 years ago with Parish & Town Councils to categorise their local networks based on levels of use. These categories are used in prioritising how we respond to issues on the network as part of a risk-based approach. Parishes were also consulted in relation to the vegetation clearance schedule. We currently don't have detailed information on accessible routes specifically but where possible this will form part of the consideration as to where and where not reductions are made in the vegetation clearance schedule.			
Who have you consulted with to assess possible impact on protected groups?			
It has not been possible to consult and receive responses prior to the decision being taken. However, Parish & Town Councils, user group representatives and the Local Access Forum will all be consulted prior to implementation of the reduction.			

Analysis of impact on protected groups				
Protected group	**Summary of impact**	**Negative outcome**	**Neutral outcome**	**Positive outcome**
Age	• Potential for some rights of way to become inaccessible due to vegetation not being cut. Those young and old could be disproportionately affected. If paths become inaccessible then they cannot access the countryside the same way as able-bodied people.	☒	☐	☐
Disability	• Potential for some rights of way to become disproportionately inaccessible due to vegetation not being cut. Wherever possible accessible routes (where known and on the schedule) will continue to be maintained appropriately. If paths become inaccessible then they cannot access the countryside the same way as able-bodied people.	☒	☐	☐
Gender reassignment	• No disproportionate impact.	☐	☒	☐
Marriage and civil partnership	• No disproportionate impact.	☐	☒	☐
Pregnancy and maternity	• No disproportionate impact.	☐	☒	☐
Race and ethnicity	• No disproportionate impact.	☐	☒	☐
Religion or belief	• No disproportionate impact.	☐	☒	☐
Sex	• No disproportionate impact.	☐	☒	☐

Sexual orientation	• No disproportionate impact.	☐	☒	☐
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	• Those who use isolated lowly-used rights of way could be disproportionately affected.	☒	☐	☐

Negative outcomes action plan

Action taken/to be taken	Target Date	Person responsible	How will it be monitored?	Action complete
Consultation on vegetation clearance schedule and path categories	31/01/2019	Jake Taylor	Ongoing supervision	☐
Review of schedule (informed by consultation results)	28/02/2019	Rob Coate	Ongoing supervision	☐
Promotion of volunteer schemes	Ongoing	Jake Taylor	Ongoing supervision	☐

If negative impacts remain, please provide an explanation below.

Whilst the above measures will hopefully mitigate for the reduction in service delivery, there are likely to be occasions where paths become overgrown and reports of such are lodged with the Rights of Way Service. Volunteer action could be called upon to resolve the issue, but where this is not possible, then any available revenue budget can be used to cut the vegetation reactively instead of proactively. Well used routes and accessible routes will be high priorities where they are not already on the schedule. Where there is insufficient revenue budget then there is the risk that either the overgrowth will increase and become a bigger task to clear, or someone may serve a notice upon the Highway Authority asserting that a route is out of repair.

Completed by:	**Pete Hobley**
Date	**13/11/18**

Signed off by:	**Pete Hobley**
Date	**13/11/18**
Equality Lead/Manager sign off date:	**13/11/18**
To be reviewed by: (officer name)	**Pete Hobley**
Review date:	**28/02/19**

Proposal for Change: Verge Maintenance.

ECI1920-04 - Implement a 1-swathe width cut across the entire planned verge maintenance programme 2019/2020

Routine and Environmental maintenance Project

Corporate Plan Priority:	
Service Area:	Highways Maintenance (Operations)
Director:	Alyn Jones (Lead Director Paula Hewitt)
Strategic Manager	Andrew Turner
SAP Node	

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
x	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
To implement a 1-swathe width cut across the entire planned verge maintenance programme 2019/2020. (Commencing May 2019). The service currently implements variable swathe width cuts across the network. Saving to be achieved by modifying extent of cutting undertaken in the 16-week countywide programme. Visibility splays and forward sight lines, as defined in the inventory, to remain as part of the agreed service provision.

2a. Confidence level

90%

- SCC to inform Skanska via Task Order/Service Instruction in advance of the 2019 verge maintenance cutting programme. April 2019.
- Uncertainty of verge maintenance rates for 2019/2020.

3. Impact on residents, businesses and other organisations:

- Low impact on communities and business. Whilst the change would see a reduction in operational output, the overall verge maintenance programme would still deliver/align with the current SCC policy. A and B network, inclusive of visibility splays, cut twice; C and unclassified network, inclusive of visibility splays, cut once. Sensitive sites cut last.

4. Impact on other services we provide:

- No direct impact as a consequence.

5. Impact on staff:

- No direct impact as a consequence.

6. Resources and support needed to make the change:

- No resource/support needed to make the change.

7. Timescale to deliver and major milestones:

Milestone	Date
SCC to inform Skanska via Task Order/Service Instruction	April 2019

8. Risks and opportunities:

1. Risk of affecting the overall contract turnover and subsequent revenue rebate.
2. Whilst a there is a very low risk there maybe contractual Early Warning Notices/Compensation event with Skanska.
3. Visibility splays must remain as part of this programme.
4. Reduction in service can positively enhance wildlife and flora protection and enable creation of new habitats.
5. The change to working practices would better align the current verge maintenance operations with the Somerset County Council ‘Highways Bio-diversity Manual’.
6. Potential insurance implications.
7. Self-seeded trees will be allowed to establish creating a greater maintenance liability in future.
8. Potential for reputational damage.

9. Dependencies:

N/A

10. Initial Equality Impact Assessment:

Yes – see EIA

11. Consultation and Communications plan:

Yes – communication strategy to be developed.

12. Legal Implications:
N/A

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes (inventory data – Confirm)
If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£90,000	£	-£	£90,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	£90,000	£	-£	£90,000	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Somerset Equality Impact Assessment

Organisation prepared for	**Somerset County Council**		
Version	**1**	**Date Completed**	**30/10/2018**

Description of what is being impact assessed

Implement a 1-swathe width cut across the entire **planned verge maintenance programme (ECI1920-04).**

This proposal is to:

1. Implement a 1-swathe width cut across the entire planned verge maintenance programme 2019/2020. (Commencing May 2019).
2. Currently variable swathe width cuts across the network.
3. Saving to be achieved by modifying extent of cutting undertaken in this 16-week countywide programme.
4. Visibility splays and forward sight lines, as defined in the inventory, to remain.

Evidence

What data/information have you used to assess how this policy/service might impact on protected groups?

This information is not available as the impact cannot be predicted at this stage.

Who have you consulted with to assess possible impact on protected groups?

There is no requirement for formal consultation as this is a service adjustment.

Analysis of impact on protected groups				
Protected group	**Summary of impact**	**Negative outcome**	**Neutral outcome**	**Positive outcome**
Age	• The proposals may have a greater impact on older residents and children as increased verge vegetation growth may impede access to safe points of refuge adjacent to the highway network and/or impede access to pedestrian walk ways.	☒	☐	☐
Disability	• Increased verge vegetation growth may impede access to the local network and/or impede access to pedestrian links.	☒	☐	☐
Gender reassignment	• N/A. The proposal is a reduction in operations only, not a change or deviation from existing policy.	☐	☒	☐
Marriage and civil partnership	• N/A. The proposal is a reduction in operations only, not a change or deviation from existing policy.	☐	☒	☐
Pregnancy and maternity	• Increased verge vegetation growth may impede access to the local network and/or impede access to pedestrian links.	☒	☒	☐
Race and ethnicity	• N/A. The proposal is a reduction in operations only, not a change or deviation from existing policy.	☐	☒	☐
Religion or belief	• N/A. The proposal is a reduction in operations only, not a change or deviation from existing policy.	☐	☒	☐
Sex	• N/A. The proposal is a reduction in operations only, not a change or deviation from existing policy.	☐	☒	☐
Sexual orientation	• N/A. The proposal is a reduction in operations only, not a change or deviation from existing policy.	☐	☒	☐

Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	• N/A. The proposal is a reduction in operations only, not a change or deviation from existing policy.	☐	☒	☐

Negative outcomes action plan				
Action taken/to be taken	**Date**	**Person responsible**	**How will it be monitored?**	**Action complete**
Service reductions are expected to have significant impacts. That said, in the unlikely event that safety or serviceability issues arise, they will be dealt with using the reactive safety defect programme of work (which remains unaffected by these proposals). This is a statutory duty of the local authority and remains in place.	01/04/2019	Andrew Turner	The impact managed through the Reactive Safety Defect Programme.	☐
SCC local Area Highways Offices (AHO) to pursue enforcement of the powers afforded by the HA1980 and utilise recharge process.	01/04/2019	AHO's	Through conversations with the AHO's & R&E project.	☐

If negative impacts remain, please provide an explanation below.

N/A

Completed by:	**Neil McWilliams**
Date	**30/10/2018**
Signed off by:	**Andrew Turner**
Date	**31/10/2018**

Equality Lead/Manager sign off date:	**03/12/2018**
To be reviewed by: (officer name)	**Neil McWilliams**
Review date:	**01/09/2019**

Proposal for Change

ECI1920-05 - Capitalisation of the existing revenue funded Ditches and Grips budget

Routine and Environmental maintenance Project

Corporate Plan Priority:	
Service Area:	Highways Maintenance (Operations)
Director:	Alyn Jones (Lead Director – Paula Hewitt)
Strategic Manager	Andrew Turner
SAP Node	

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
x	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

1. Capitalisation of the revenue funded Ditches and Grip budget spend.
2. Works involve creating new, permanent assets.

2a. Confidence level

80 %

- Confirmed that this activity does comply with capital funding requirements. The creation of new ditch and grip assets can be undertaken using capital funding.

3. Impact on residents, businesses and other organisations:

- No impact. Operational delivery would continue.

4. Impact on other services we provide:

- No direct impact. Operational delivery would continue.

5.	Impact on staff:
	• No direct impact as a consequence.

6.	Resources and support needed to make the change:
	• No resource/support needed to make the change.

7.	Timescale to deliver and major milestones:
Milestone	Date
SCC to Instruct Skanska via Service Instruction/Task Order.	April 2019

8.	Risks and opportunities:
	• No impact. Operational delivery would continue.

9.	Dependencies:
N/A	

10.	Initial Equality Impact Assessment:
N/A	

11.	Consultation and Communications plan:
N/A	

12.	Legal Implications:
N/A	

13a.	Financial Savings – net change to service budget in each year:
Are the savings evidenced based (evidence should be included with this template)?	Yes - Taken from base budget for Ditches & Grips.
If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£60,000	£	-£	£60,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£60,000**	**£**	**-£**	**£60,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change

ECI1920-09 - Highways – Winter & Emergency Service – Removal of Roadside Salt Supplies

Corporate Plan Priority:	
Service Area:	Highways Operations
Director:	Alyn Jones (Lead Director Paula Hewitt)
Strategic Manager	Andrew Turner
SAP Node	EHDCFC

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Removal of roadside salt supplies for self-help usage by the travelling public in winter conditions. Prior to 2018/2019 SCC policy was for salt to be supplied for this operation contained in grit bins and 1 tonne dumpy bags. This service was stopped for the winter of 2018/2019 as a one-off measure. Whilst this has been temporarily reinstated the proposal is to remove this provision as an ongoing measure from 2019/2020 onwards.

2a. Confidence level
100 %
The service has demonstrated that it is able to deliver this saving by removing this service.

3. Impact on residents, businesses and other organisations:
This is a service that has traditionally been supplied by the County Council in order to promote self-help by the travelling public, residents, local businesses etc. This approach is promoted in Council publicity material and is supported on a national basis by the Department for Transport.

4. Impact on other services we provide:
Greater demand from the travelling public, residents, local businesses, District/Town/Parish Councils, Elected Members and others for additional roads to be included on the County Council's precautionary Salting Network.

5. Impact on staff:
No impact on staff.

6. Resources and support needed to make the change:
None – will be managed within the service area.

7. Timescale to deliver and major milestones:	
Milestone	Date
Decision	February 2019
Implementation	31st March 2019

8. Risks and opportunities:
The proposal may adversely affect the ease of use and travel across the highway network in winter conditions. The proposal will reverse the Council's current approach to the distribution of salt for self-help usage. A Community Snow Warden scheme is to be piloted through winter 2019/20 to mitigate the effects of this service adjustment.

9. Dependencies:
Will rely upon the co-operation of the travelling public, residents, local businesses, District/Town/Parish Councils, Elected Members and others. Any reduction in the Skanska budgets issued through the Annual Plan may affect the contractual revenue rebate.

10. Initial Equality Impact Assessment:
Yes. This affects access to the highway network for all.

11. Consultation and Communications plan:
Yes. Direct communication with District/Town/Parish Councils, Elected Members and others will be required. Communicating these changes to the wider public would require press release(s) and follow up interviews through local media channels. In order to mitigate the potential impact on communities the County Council has developed a proposal to offer to top up grit bins as a chargeable service. Changes to County Council publicity documents promoting the self-help approach and changes to the County Council website would be required. A Community Snow Warden scheme will also be promoted following winter 2018/19.

12. Legal Implications:
None

13a. Financial Implications – net change to service budget in each year:					
Are the savings evidenced based (evidence should be included with this template)?			Yes		
If no, when is evidence expected?			N/A		
Please note: these figures should be cumulative					
£'s	Savings	Income Generated	Cost Involved (see also 13b)	Total	Ongoing or One-off?
2019/20	£40,000	£	-£	£40,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	£40,000	£	-£	£40,000	

13b. One off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Somerset Equality Impact Assessment

Organisation prepared for	Somerset County Council		
Version	V1	Date Completed	31/10/2018

Description of what is being impact assessed

SCC Financial Imperative Actions - Highways - Winter & Emergency Service (Roadside Salt Supplies) – ECI1920-09

This proposal concerns roadside salt supplies for self-help usage by the travelling public in winter conditions. The proposal is to remove this provision of roadside salt (grit bin replenishment, 1 tonne dumpy bags and 25kg bags) for the winter of 2019/20 onwards.

Evidence

What data/information have you used to assess how this policy/service might impact on protected groups?

- Evidence will be collated for this proposal through winter 2018/19 which will see this proposal implemented as a result of Cabinet decision dated 12 September 2018.
- The local knowledge of the Somerset County Council (SCC) Highways Group of the Somerset highways network.
- Suitably qualified and experienced personnel (SQEP) who have considerable experience in managing winter service.
- Bench-marking against 'Well Managed Highways – Code of Practice (2016)" Minimum Winter Network.
- Many years' experience of contacts with local stakeholders who use the Somerset highways network.
- SCC's "Equality Act: Protected Characteristics – January 2013". Although five years old, the data in relation to the protected characteristics that are relevant to this analysis are still appropriate.

Who have you consulted with to assess possible impact on protected groups?

No formal consultation has been carried out with any protected groups who may be impacted by this proposal. However, as this proposal is being implemented through 2018/19, there will be dialogue with communities to manage and mitigate changes in service levels, in particular, the development of a Community Snow Warden Scheme. Further mitigation will be achieved by utilisation of farming contractors and other ad hoc activities depending on available resources.

SCC will invite Parish Councils to pay to have their grit bin topped up. This will enable engagement to happen with those most impacted by the proposal and allow for a better assessment of any issues that arise. A record of this will be maintained and will inform a review of the **Somerset County Council Winter & Emergency Policy Plan.**

Analysis of impact on protected groups

Protected group	Summary of impact	Negative outcome	Neutral outcome	Positive outcome
Age	• The proposals do have a greater impact on rural areas. Rural areas do have a larger proportion of older residents than urban areas. • The proposals could impact access to schools and education facilities for children and young people.	☒	☐	☐
Disability	• The removal of roadside salt supplies will make the urban highway network, including footways, less accessible and more hazardous than previously.	☒	☐	☐
Gender reassignment	• N/A	☐	☒	☐
Marriage and civil partnership	• N/A	☐	☒	☐

Pregnancy and maternity	• The removal of roadside salt supplies will make the urban highway network, including footways, less accessible and more hazardous than previously. It will thus be less available for use by pregnant and new mothers and their support team and, if used, more hazardous to drive on.	☒	☐	☐
Race and ethnicity	• N/A	☐	☒	☐
Religion or belief	• N/A	☐	☒	☐
Sex	• N/A – see Pregnancy / Maternity implications above.	☐	☒	☐
Sexual orientation	• N/A	☐	☒	☐
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	• Carers. The removal of roadside salt supplies will make the urban highway network, including footways, less accessible and more hazardous than previously. It will thus be less available for use by carers accessing people who require care and, if used, more hazardous to drive on. • Socio-economic. The removal of roadside salt supplies will make the urban highway network, including footways, less accessible and more hazardous than previously. It will thus be less available for use by people getting to work or accessing other services and, if used, more hazardous to drive on. • Rurality. The proposals do have a greater impact on rural areas. The removal of roadside salt supplies will make the urban highway network, including footways, less accessible and more hazardous than previously. It will thus be less available for use by people travelling around rural areas and, if	☒	☐	☐

	used, more hazardous to drive on. Any public bus services will have a less accessible and more hazardous network to drive on. • Isolation. The proposals do have a greater impact on isolated groups, especially in rural areas. The removal of roadside salt supplies will make the urban highway network, including footways, less accessible and more hazardous than previously. It will thus be less available for use by people travelling around rural areas and, if used, more hazardous to drive on. Any public bus services will have a less accessible and more hazardous network to drive on.			

Negative outcomes action plan

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
Publicity by SCC in advance of the 2018/2019 winter season to alert all road users as to the changes to the network compared to the winter of 2017/2018 – to be replicated for future winter seasons.	01/04/2019	David Peake	Record kept of media interactions, internet and social media postings, direct communications with parish/town councils and elected members. Record of responses received from the travelling public, parish/town councils and elected members.	☐
Section 3.3.1 of the Somerset County Council Winter & Emergency Policy Plan states that 'where conditions or events are unusual they are to be responded to by	01/04/2019	David Peake	Record kept of the number of requests	☐

contacting a Client Representative and/or operative to carry out appropriate treatment'. This may be used to mitigate any impact to the equalities protected groups outlined above where it is deemed 'unusual'. The policy specifically references pregnant women going into labour.			that SCC Highways Group receives.	
Somerset County Council Winter & Emergency Policy Plan to be updated to ensure it is fit for purpose in light of these short term changes.	01/04/2019	David Peake	Record kept of the number of requests that SCC Highways Group receives	☐

If negative impacts remain, please provide an explanation below.	
To be reviewed.	
Completed by:	**David Peake**
Date	**31st October 2018**
Signed off by:	**Andrew Turner**
Date	**31st October 2018**
Equality Lead/Manager sign off date:	**3/12/2018**
To be reviewed by: (officer name)	**David Peake**
Review date:	**01/04/2019**

Proposal for Change
ECI1920-10 - Highways Staff Structure Review

Corporate Plan Priority:	
Service Area:	Highways Maintenance (Operations)
Director:	Alyn Jones (Lead Director – Paula Hewitt)
Strategic Manager	Andrew Turner
SAP Node	

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
X	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Asset management is a well-established discipline for the management of physical assets. Many asset owning organisations have adopted the principles of asset management and as a result, can demonstrate benefits in terms of financial efficiencies, improved accountability and stewardship of the asset, better value for money and improved customer service.

The primary purpose of this Proposal for Change is to:

- Fulfil the Highway Commissioning intentions set out in the Service Plan dated 2017/18 and 2018/19 for the creation of asset management function within ECI Operations after developing a risk-based approach based on 'Well managed highways infrastructure'.
- To map out the approach in developing and implementing the asset management framework;
- Provide the organisational platform for cohesive asset management across the service areas;
- Facilitate the production of subsequent business cases for related investment (e.g. DfT Incentive funding, SRA funding, etc);
- Enable the development of corporate planning and the setting of associated budgets; and
- Allow the identification and provision of best value investment opportunities across all highway assets; and above all

- Inform the resources and staffing structure to deliver the above.

However, whilst this service redesign activity is undertaken, a number of posts in the Highways Operations service will be held vacant. This will enable an equivalent saving to be delivered in the short to medium term (0-9months) prior to determining the changes to the service structure.

2a. Confidence level

80%

The asset management project is in its early stages and the Project Initiation Document (PID) is currently in draft form. As such, there is a significant amount of work to do to meet the key deliverables of the project which are:-

- An integrated asset management plan;
- Lifecycle plans for each service area; and
- Review of policy and levels of service.

Whilst there is potential and likelihood for restructure, it is too early in the project timeline to be definitive on the grades / numbers of staff in scope.

An equivalent saving will be realised in the short to medium term by holding vacancies within the service.

3. Impact on residents, businesses and other organisations:

No

4. Impact on other services we provide:

The asset management project will be seeking to provide an integrated approach across Highways Operations so the function and output of the various teams may be in scope.

5. Impact on staff:

A small number of posts might be lost and will be identified through a restructure at the appropriate time.

The number of FTE that might be lost is: *TBC*

The number of posts that might be lost is: *TBC*

6. Resources and support needed to make the change:

Project management resource has been secured – a dedicated Project Manager is assigned to this task working (approx. one day per week)

Project support officer support is required but this resource has not been secured.

7. Timescale to deliver and major milestones:

Milestone	Date
Project completion	31 March 2019

Staff consultation	Late spring / early summer 2019
Restructure implementation	Autumn 2019

8. Risks and opportunities:
• Savings not realised through staff restructuring; • Integration of disparate service areas proves unviable; • Robustness and futureproofing of operating systems for management and interpretation of data requiring the need for further changes; and • Fundamental shift from Central Government funding structures.

9. Dependencies:
The proposed restructuring will also be considered in conjunction with other restructuring opportunities across ECI.

10. Initial Equality Impact Assessment:
Not required

11. Consultation and Communications plan:
Staff consultation but will be required at a later date. To be undertaken at the completion of the asset management project after work stream activities are defined and therefore greater clarity on resources is required to fulfil tasks.

12. Legal Implications:
This proposal is at an early stage and so will need to be considered when developed fully. Once proposals are finalised, specific legal advice may be required

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	No
If no, when is the evidence expected?	Qtr1 19/20
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£80,000	£	-£	£80,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£80,000**	**£**	**-£**	**£80,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change

ECI1920-013 - Highways – Winter & Emergency Service (Gritter Fleet Disposal)

Corporate Plan Priority:	
Service Area:	Highways
Director:	Alyn Jones (Lead Director Paula Hewitt)
Strategic Manager	Andrew Turner
SAP Node	EHDCFC

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
X	**Increasing Productivity** - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
To sell the three gritters which have been replaced by new gritters purchased in advance of the 2018/19 winter season. The gritters are no longer required to support service delivery.

2a. Confidence level
100 %
The gritters are no longer required.

3. Impact on residents, businesses and other organisations:
No impact on residents, businesses and other organisations. SCC will still retain enough gritters to undertake the routes in the identified in the current winter service policy

4. Impact on other services we provide:
None

5. Impact on staff:
No impact on staff.

6. Resources and support needed to make the change:
Resources required from Fleet Management to dispose of the gritters.

7. Timescale to deliver and major milestones:	
Milestone	Date
Winter of 2018/2019	31st March 2019

8. Risks and opportunities:
No risks as the three gritters are redundant fleet.

9. Dependencies:
The are no dependencies associated with the 19/20 saving.

10. Initial Equality Impact Assessment:
Not applicable

11. Consultation and Communications plan:
None

12. Legal Implications:
None

13a. Financial Implications – net change to service budget in each year:					
Are the savings evidenced based (evidence should be included with this template)?			Yes		
If no, when is evidence expected?			N/A		
Please note: these figures should be cumulative					
£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£27,000	£	-£	£27,000	One off
2020/21	£-27,000	£	-£	£-27,000	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	£	£	-£	£	

13b. One off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£

	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:

ECI1920-14 - Highways - Disposal of Land Rover Fleet

Corporate Plan Priority:	
Service Area:	Highways
Director:	Alyn Jones (lead Director Paula Hewitt)
Strategic Manager	Andrew Turner
SAP Node	EHDCFC

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
X	**Increasing Productivity** - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Following the review and revision of the Winter Service Policy, there is no requirement for SCC operational staff to drive in challenging climatic conditions that would necessitate the specific provision of a 4x4 vehicle.

The fuel saving resulting from the disposal of the Land Rover fleet is estimated to be almost £16,000 (£3,200 per annum) based on approximate running costs of a Land Rover with an average staff mileage of around 8,500 miles per year over a five-year period.

Additionally, there will be a capital receipt estimated around £75,000 associated with the disposal of the Land Rover fleet.

Additional reasons to support the disposal include:-

- With the exception of one vehicle, the Land Rover fleet are all blue in colour which is inconsistent with the requirements of Chapter 8 of the Traffic Signs Manual, Part 2;
- The vehicles are uncomfortable and difficult to drive over prolonged periods, especially on the urban network whilst undertaking safety and serviceability inspections. The discomfort has attracted complaints from operational staff;

including two occasions of back strains due to prolonged use of the vehicles.
- The expense associated with poor fuel efficiency.
- The emissions are proportionally higher than a conventional vehicle.

2a. Confidence level

100 %

The five Land Rovers are no longer required for operational service requirements due to adjustments in working practices and service contingencies.

3. Impact on residents, businesses and other organisations:

No impact on residents, businesses and other organisations.

SCC will retain access to 4x4 vehicles on a '*call-off*' basis in the event service-critical highway staff require transportation to their work place during periods of severe inclement weather.

4. Impact on other services we provide:

None

5. Impact on staff:

No impact on staff.

6. Resources and support needed to make the change:

Resources required from Fleet Management to dispose of the Land Rover fleet.

7. Timescale to deliver and major milestones:

Milestone	Date
Winter of 2018/2019	By 31st March 2019

8. Risks and opportunities:

The only occasion when 4x4 vehicles would be required is to transport service-critical staff to their work place. A mitigation/ transportation plan is currently being concluded to ensure service resilience in the event of severe inclement weather.

9. Dependencies:

None

10. Initial Equality Impact Assessment:

Not applicable

11. Consultation and Communications plan:

None

12. Legal Implications:

None

13a. Financial Implications – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is evidence expected?	N/A

Please note: these figures should be cumulative					
£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£3,200	£	-£	£3,200	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£3,200**	**£**	**-£**	**£3,200**	

13b. One off project costs and income (not included in above):		
£'s		
2019/20	Capital Costs	-£
	Capital Receipts	£75,000
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£75,000
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£75,000

Proposal for Change:

ECI1920-17 – Reduce Traffic Management and Parking Services revenue costs

Corporate Plan Priority:	
Service Area:	Traffic Management and Road Safety
Director:	Alyn Jones (Lead Director Paula Hewitt)
Strategic Manager	Bev Norman
SAP Node	EHDF

1.	**The proposal is to:**
x	**Managing Demand** - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
x	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Review how Traffic Management and Parking services are undertaken with a view to reducing the revenue budget by £100K. This will include ensuring full cost recovery, income generation and service re-design by bringing Parking Services into the Traffic Management service structure.

Resources to support the development and implementation of these proposals including the Parking Review have been made available by refocusing existing traffic engineering resources.

Local SCC Traffic Engineers no longer deal with individual and very local traffic engineering requests that benefit a small number of individuals, including requests for new or amendments to existing signing, lining, speed limits, HGVs restrictions, disabled parking bays etc but focus on those schemes which have the greatest benefit. These minor requests will be included in the wider parking review for the area and form part of the evidence base for road safety and congestion issues.

2a. Confidence level
90%:
An additional £100K saving from the revenue budget will be achieved through full cost recovery, income generation and service re-design.

3. Impact on residents, businesses and other organisations:
The service re-design, particularly in relation to a Parking Review may impact on residents and businesses, however individual impact assessments will be undertaken as required.

4. Impact on other services we provide:
None identified

5. Impact on staff:
Resources to support the development and implementation of these proposals including the Parking Review have been made available by refocusing existing traffic engineering resources.

6. Resources and support needed to make the change:
None identified

7. Timescale to deliver and major milestones:

Milestone	Date
Review existing structures in Traffic Management and Parking Services and implement any changes	End Feb 2019
Review chargeable services to ensure full cost recovery	End Feb 2019
Commence Countywide Traffic and Parking review (key decision 21/12/18)	Jan 2019

8. Risks and opportunities:
Any risks and opportunities will be identified as an outcome of the area reviews described above.

9. Dependencies:
None.

10. Initial Equality Impact Assessment:
No not at this stage

11. Consultation and Communications plan:
There will be extensive consultations as part of each review.

12. Legal Implications:
All of the services delivered in Traffic Management, Parking and Road Safety are statutory duties. Under the Traffic Management Act 2004, if the authority fails to perform its duty to manage the highway network, the Department for Transport can appoint a traffic director to ensure that the duty is performed properly. The Local Authority will be expected to pay the full costs of this.

13a. Financial Savings – net change to service budget in each year:					
Are the savings evidenced based (evidence should be included with this template)?			[N/A]		
If no, when is the evidence expected?			[ ]		
Please note: these figures should be cumulative					
£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£50,000	£50,000	-£	£100,000	One off but reassess following 19/20
2020/21	£	£	-£	£-100,000	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£**	**£**	**-£**	**£**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change

ECI1920-19 - Further reduction in Road Safety and Transport Data service.

Corporate Plan Priority:	
Service Area:	Traffic Management and Road Safety
Director:	Alyn Jones (Lead Director – Paula Hewitt)
Strategic Manager	Bev Norman
SAP Node	EHDF

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
x	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Reduce revenue costs by £150,000 in 2019/20 by reducing the Road Safety and Transport Data services towards a statutory minimum funded from SCC budgets. This is a 22% reduction of the total revenue budget.

These savings will be achieved by reducing the money spent on road safety education, including events and data analysis as well as raising income to cover some of this activity through external sponsorship.

Service delivery will be maintained to ensure compliance with the relevant statutory requirements (set out below).

2a. Confidence level

90 %

SCC has only very recently developed its Road Safety Strategy and part of SCC's commitment is to work with our partners to make every journey in Somerset Safer. With reduced revenue funding this is going to be very difficult for us to achieve. There is a commitment to adopt a Safer Systems approach to road safety in the County.

3. Impact on residents, businesses and other organisations:
There is a potential impact for all users of Somerset's highway network as a result of reduced road safety education not being as available; increased congestion as a result of delays caused by road traffic accidents; and increased costs to other partners and stakeholders i.e. emergency services.

4. Impact on other services we provide:
The road safety strategy has direct links to public health objectives associated with increasing activity levels. If roads are perceived to be less safe, then this impacts on the County Vision for promoting healthy residents. There activities could be supported through sponsorship and income generation.

5. Impact on staff:	
A small number of posts might be lost and will be identified through a restructure at the appropriate time	
The number of FTE that might be lost is:	**TBC**
The number of posts that might be lost is:	**TBC**

6. Resources and support needed to make the change:
Income and sponsorship funding could help to offset some of this change, and to provide additional income to support service delivery.

7. Timescale to deliver and major milestones:	
Implementation	1st April 2019

8. Risks and opportunities:
Risks The reduction in road safety delivery risks could influence the number of people hurt in road collisions, including those fatally and seriously injured. Less data resources will make the team less responsive to requests for data including local communities, and for input into schemes and highway monitoring. **Opportunity** The road safety team are already planning to launch a sponsorship programme to try to support our work. Income through charging to be reviewed. A procurement exercise to cover the Transport Data database has been approved, as with less resources we need access to the most flexible, modern, easy to use, and best value system to enable the data to be accessed and manipulated with minimum input.

9. Dependencies:
None

10. Initial Equality Impact Assessment:
Yes – an EIA has been produced

11. Consultation and Communications plan:
No external consultation required in addition to general MTFP consultation.

12. Legal Implications:
While central government sets the regulatory framework for roads, vehicles and road users, and national road safety strategies, road safety delivery occurs primarily at the local level with Local Government being the lead delivery agent, working in partnership with many other agencies and stakeholders. Local Authorities Local authorities have various statutory duties related to road safety: The Road Traffic Act 1988 (Section 39) requires local authorities in Great Britain to • take steps both to reduce and prevent accidents • prepare and carry out a programme of measures designed to promote road safety • carry out studies into accidents arising out of the use of vehicles on roads or part of roads, other than trunk roads, within their area • take such measures as appear to the authority to be appropriate to prevent such accidents The Road Traffic Regulation Act 1984 (Section 122) requires local authorities in Great Britain to • to secure the expeditious, convenient and safe movement of vehicular and other traffic (including pedestrians) The Traffic Management Act 2004 (Section 16) requires local authorities in England and Wales to manage and maintain their road networks to • secure the expeditious movement of traffic on, and the efficient use of, their road networks • avoid, eliminate or reduce road congestion or other disruption to the movement of traffic on their road network or a road network for which another authority is the traffic authority. We do not believe that a reduced service will affect SCC's ability to fulfil its statutory responsibility for Road Safety.

13a. Financial Implications – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is evidence expected?	

Please note: these figures should be cumulative

£'000's	Savings	Income Generated	Cost Involved (see also 13b)	Total	Ongoing or One-off?
2019/20	£150,000	£	-£	£150,000	ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	£150,000	£	-£	£150,000	

13b. One off project costs and income (not included in above):		
£'000's	**N/A**	
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Somerset Equality Impact Assessment

Organisation prepared for	**Somerset County Council**		
Version	**1**	**Date Completed**	**2/11/18**
Description of what is being impact assessed			
ECI19 Reduce the budgets allocated to the Road Safety Trainer and Projects delivery of the road safety training and education. These budgets enable road safety education delivery to children, older road users and other vulnerable road users group such as motorcyclists and young drivers. Reduce Road Safety Project Support post to 10 hours. Total Saving £30,000. This a 50% reduction of the budget in these areas.			
Evidence			
What data/information have you used to assess how this policy/service might impact on protected groups?			
The Road Traffic Act states that local authorities must carry out studies into accidents arising out of the use of vehicles. The above are part of the team which leads the evidenced based approach to road safety delivery, which can demonstrate a reduction in people injured on Somerset's roads, particularly those killed and seriously injured. Any reduction in service will have an impact across all groups that use our highway network, including drivers, pedal cyclists, pedestrians, mobility scooter users, children, the elderly, and those with mobility impairments. The Road Safety Service currently deliver to around 30,000 people per year, some aspects generate income, as some programmes are performed for other authorities. If resources are reduced then this may not be feasible. Research has indicated that social deprivation is associated with increased injury and fatality levels in road traffic collisions, therefore Somerset residents living in deprived areas may suffer more under this proposal. The proposal could also impact on schools and education facilities for children and young people, as well as their parents and grandparents, and disabled people. Joint Strategic Needs Assessment highlights that children are affected by the physical environment in which they are brought up. http://www.somersetintelligence.org.uk/joint-strategic-needs-assessment-2015/16.pdf For example, some communities have been described as "obesogenic" – encouraging obesity and overweight in people who live there. This can be because exercise is difficult, with limited open space and sports facilities, including in schools. It may be difficult			

to incorporate exercise into daily life in some communities; walking or cycling to school or playing in the street are far less attractive when traffic is busy and the infrastructure for pedestrians and cyclists is poor, or there are fears about unsafe travel. This could also lead to increased congestion and lower air quality if parents/carers decide to drive their children to school. The Somerset Children and Young People's Plan 2016-2019 highlights promoting healthy outcomes and giving children the best start in life. If people feel travel is less safe affecting the likelihood of cycling and walking.
Who have you consulted with to assess possible impact on protected groups?
There has been no specific consultation with affected groups. A local authority can determine how it delivers it service in this area. Consultation did take place earlier this year over the new Road Safety Strategy, this was supported by the respondees.
Analysis of impact on protected groups

Protected group	Summary of impact	Negative outcome	Neutral outcome	Positive outcome
Age	• Reduced ability to carry out road safety remedial education work. Older road users are the age group in our injury collision statistics which are currently not reducing in line with our target. There is a risk that this will lead to an increase in deaths and other injuries.	☒	☐	☐
Disability	No significant impact identified	☒	☐	☐
Gender reassignment	No significant impact identified	☐	☒	☐
Marriage and civil partnership	No significant impact identified	☐	☒	☐

Pregnancy and maternity	No significant impact identified	☒	☐	☐
Race and ethnicity	No significant impact identified	☐	☒	☐
Religion or belief	No significant impact identified	☐	☒	☐
Sex	No significant impact identified	☐	☒	☐
Sexual orientation	No significant impact identified	☐	☒	☐
Other, e.g. carers, veterans, homeless, low income, rurality/isolation, etc.	• Those within the community who live in deprived areas are more likely to be involved in road injury collisions therefore this group could be affected by the reduced capacity in Road Safety Education.	☒	☐	☐

Negative outcomes action plan

Action taken/to be taken	Date	Person responsible	How will it be monitored?	Action complete
Alternative funding sources will be sought	28/01/2019	Nick Cowling	Sponsorship will be recorded	☐

If negative impacts remain, please provide an explanation below.

It is not guaranteed that funding will be available.

Completed by:	**Nick Cowling**
Date	**18/11/18**
Signed off by:	**Bev Norman**
Date	**3/12/18**
Equality Lead/Manager sign off date:	**3/12/18**
To be reviewed by: (officer name)	**Nick Cowling**
Review date:	**March 2019**

Proposal for Change:

ECI1920-20 - Rights of Way - reduction of Town & Village Green budget and reduction of Exmoor National Park Authority contribution

Corporate Plan Priority:	
Service Area:	ECI Operations - Highways
Director:	Alyn Jones (Lead Director – Paula Hewitt)
Strategic Manager	Andrew Turner
SAP Node	EHDCK

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Surrender Town & Village Green budget of £15k for 2019/20

A one-off in-year saving of £15k can be surrendered in relation to Town & Village Green registrations. This would be the second year of surrendering this budget.

Exmoor National Park Authority (ENPA) contribution – reduce by £5k

The current contribution from the Council to ENPA for delivery of statutory functions in relation to rights of way is £28,046. It is proposed that this could be reduced by £5,000 to £23,046. This would be the second year of a reduction in the contribution.

2a. Confidence level

100 %

Both savings are deliverable.

3. Impact on residents, businesses and other organisations:
Where there are Town & Village Green applications local inhabitants will possibly be denied access to the potential Greens. There is no guarantee that the applications will succeed. The oldest application dates from 2010. There are currently no applications that are holding up development. The performance of ENPA in relation to rights of way may start to decline. They generally provide to a higher standard than the Council can afford to do across the rest of the County. Any decline in the 'ease of use' of ENP's rights of way may have an impact on tourism and local businesses.

4. Impact on other services we provide:
N/A

5. Impact on staff:
N/A

6. Resources and support needed to make the change:
N/A

7. Timescale to deliver and major milestones:	
Milestone	Date
Inform ENPA of the reduction in revenue contribution.	Following MTFP decision

8. Risks and opportunities:
Risks: Not processing a Town & Village Green application for 2 years running could lead to applicants having to wait up to 9 years and could lead to a claim of failing to process these applications under the Commons Act 2006 and/or a complaint to the Local Government Ombudsman. There are currently 6 applications awaiting determination. Reducing the contribution to ENPA could lead to a decline in the accessibility of the rights of way and may have a knock-on effect on tourism linked to walking, riding and cycling. **Opportunities:** ENPA already has a volunteer workforce, and a further reduction in budget may be an opportunity for greater involvement of the volunteers in rights of way work. Businesses may also see it as an opportunity to help where they can. ENPA also has an opportunity to bid for funding from the RoW capital budget in relation to capital rights of way works, subject to available allocation.

9. Dependencies:
N/A

10. Initial Equality Impact Assessment:
N/A

11. Consultation and Communications plan:
N/A

12. Legal Implications:
Following consultation with the ENPA it has been agreed that a 5k reduction will be implemented for 2019/20. The ENPA will continue to manage and maintain the relevant statutory functions in relation to Rights of Way without any significant implications to level of service. SCC is satisfied that adequate measures are in place in relation to Rights of Way

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	
Please note: these figures should be cumulative	

Town & Village Green saving					
£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£15,000	£0	-£0	£15,000	One off
2020/21	-£15,000	£0	-£0	-£15,000	
2021/22	£0	£0	-£0	£0	
2022/23	£0	£0	-£0	£0	
2023/24	£0	£0	-£0	£0	
Total	**£0**	**£0**	**-£0**	**£0**	
ENPA contribution saving					
£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£5,000	£0	-£0	£5,000	Ongoing
2020/21	£0	£0	-£0	£0	
2021/22	£0	£0	-£0	£0	
2022/23	£0	£0	-£0	£0	
2023/24	£0	£0	-£0	£0	
Total	**£20,000**	**£0**	**-£0**	**£20,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£

		Sub-total	£
2021/22	Capital Costs		-£
	Capital Receipts		£
	Estimate of redundancy costs		-£
	Estimate of resource costs to deliver		-£
		Sub-total	£
		TOTAL	£

Proposal for Change
ECI1920-21 - Monmouth House Lease Surrender

Corporate Plan Priority:	
Service Area:	Corporate Property
Director:	Paula Hewitt
Strategic Manager:	Claire Lovett
SAP Node	EIJC

1.	The proposal is to:
X	**Managing Demand** - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Monmouth House Lease Surrender

Surrender of under-utilised lease of Monmouth House (leased in) and move of Somerset Waste Partnership to Broughton House (SCC owned property) with associated rental income.

2a. Confidence level

100 %

This change is already in the delivery phase, but securing the saving will depend upon the readiness of the new accommodation (works are required to make it ready for occupation) and the timing of the move.

3. Impact on residents, businesses and other organisations:

No impact on residents.

There is clearly an impact on the Somerset Waste Partnership and we have been working closely with them to ensure the replacement accommodation is suitable.

4. Impact on other services we provide:
None.

5. Impact on staff:
None

6. Resources and support needed to make the change:
None save property, legal and SWP staff in implementing the change. The majority of work in this respect has been completed and is therefore in the nature of sunk cost.

7. Timescale to deliver and major milestones:	
Milestone	Date
Implementation	*31 Jan 2019*

8. Risks and opportunities:
N/A

9. Dependencies:
No dependencies on other teams – delivery is dependent upon getting the required works to the property completed on time

10. Initial Equality Impact Assessment:
Not relevant in this instance.

11. Consultation and Communications plan:
No.

12. Legal Implications:
N/A.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidence based (evidence should be included with this template)?	Yes (current costs saved and agreed rental to be paid)
If no, when is the evidence expected?	N/A
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£90,000	£	-£	£90,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£90,000**	**£**	**-£**	**£90,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of Redundancy costs	-£0
	Estimate of Resource costs to deliver	-£0
	Sub-total	£0
2020/21	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
2021/22	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
	TOTAL	£0

Proposal for Change
ECI1920-22 - Vacation of 1 The Crescent, Taunton

Corporate Plan Priority:	
Service Area:	Corporate Property
Director:	Paula Hewitt
Strategic Manager:	Claire Lovett
SAP Node	EIJL

1.	**The proposal is to:**
X	**Managing Demand** - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Vacation of 1 The Crescent, Taunton and Lease Surrender

Surrender of lease of surplus building (leased in) and move of teams to underutilised first floor of Paul Street Library.

2a. Confidence level

100 %

This change is already in the delivery phase, but securing the saving will depend upon the readiness of the property (works/activities are required to make it ready for occupation) and the timing of the move.

This proposal is about early delivery of savings identified through the A Block project.

3. Impact on residents, businesses and other organisations:

No impact on residents.

There is clearly an impact on the teams involved and we have been working closely with them and the Library Service to ensure a smooth transition.

4. Impact on other services we provide:
None.

5. Impact on staff:
N/A

6. Resources and support needed to make the change:
None save property, legal and service staff in implementing the change. The majority of work in this respect has been completed and is therefore in the nature of sunk cost.

7. Timescale to deliver and major milestones:	
Milestone	Date
Implementation	1/4/2019

8. Risks and opportunities:
N/A

9. Dependencies:
No dependencies other than on those already directly engaged in the project.

10. Initial Equality Impact Assessment:
Not relevant in this instance.

11. Consultation and Communications plan:
No.

12. Legal Implications:
N/A.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidence based (evidence should be included with this template)?	Yes (current costs saved and agreed rental to be paid)
If no, when is the evidence expected?	N/A

Please note: these figures should be cumulative

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£85,000	£	-£	£85,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£85,000**	**£**	**-£**	**£85,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of Redundancy costs	-£0
	Estimate of Resource costs to deliver	-£0
	Sub-total	£0
2020/21	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
2021/22	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
	TOTAL	£0

Proposal for Change
ECI1920-23 - New Rental Income

Corporate Plan Priority:	
Service Area:	Corporate Property
Director:	Paula Hewitt
Strategic Manager:	Claire Lovett
SAP Node	EIJHC

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
X	**Increasing Productivity** - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
New Rental Income for Production Kitchen This relates to rental for a production kitchen unit on the old St Augustine's site. The current tenant only paid rental based on profitability as a legacy of the Free School Meals project but has served notice. A new tenant/provider is being sought for the unit.

2a. Confidence level
60 % There is a risk that no tenant or new provider can be found to take on the unit or that a deal is done which again relies on profitability and is therefore less assured. Our group is not in control of delivery.

3. Impact on residents, businesses and other organisations:
None.

4. Impact on other services we provide:
None.

5. Impact on staff:
N/A

6. Resources and support needed to make the change:
Procurement and Childrens' have an input here as we understand a replacement provider is wanted, otherwise property would seek a tenant in the normal way.

7. Timescale to deliver and major milestones:	
Milestone	Date
Implementation	August 2019

8. Risks and opportunities:
N/A

9. Dependencies:
Procurement/Education input/delivery needed – further discussion required.

10. Initial Equality Impact Assessment:
Not relevant in this instance.

11. Consultation and Communications plan:
No.

12. Legal Implications:
N/A.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidence based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	N/A

Please note: these figures should be cumulative

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£	£20,000	-£	£20,000	One-off
2020/21	£	£-20,000	-£	£-20,000	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£**	**£**	**-£**	**£**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of Redundancy costs	-£0
	Estimate of Resource costs to deliver	-£0
	Sub-total	£0

2020/21	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
2021/22	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
	TOTAL	£0

Proposal for Change:

ECI1920-24 – Staff Restructure

Corporate Plan Priority:	
Service Area:	Corporate Property
Director:	Paula Hewitt
Strategic Manager	Claire Lovett
SAP Node	EIJJB

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
x	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
x	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Restructure

Loss of Apprentice Role – as an apprenticeship in our Estates Team comes to an end, this proposal would involve removing that post from the structure and covering those functions previously carried out by the apprentice through re-distribution of those functions among the remaining team and re-prioritisation of other tasks.

2a. Confidence level

100 %

3. Impact on residents, businesses and other organisations:

None

4. Impact on other services we provide:

None

5. Impact on staff:

The number of FTE that might be lost is: 1

The number of posts that might be lost is: 1

6. Resources and support needed to make the change:
Finance and HR advice required

7. Timescale to deliver and major milestones:	
Milestone	Date
Implementation date	Jan 2019

8. Risks and opportunities:
Loss of staff in Estate and CHSU may have compliance implications and make it more likely that Health and Safety risks are less closely managed.

9. Dependencies:
None

10. Initial Equality Impact Assessment:
Not in this instance

11. Consultation and Communications plan:
No

12. Legal Implications:
None

13a. Financial Savings – net change to service budget in each year:					
Are the savings evidenced based (evidence should be included with this template)?			Yes		
If no, when is the evidence expected?					
Please note: these figures should be cumulative					
£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£13,000	£	-£	£13,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£13,000**	**£**	**-£**	**£13,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£
	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£

	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change:

ECI1920-24a – Staff restructure

Corporate Plan Priority:	
Service Area:	Property Services
Director:	Paula Hewitt
Strategic Manager	Claire Lovett
SAP Node	EIJM

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
x	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
x	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Flexible Retirement – following discussions with one member of staff, there has been an application for flexible retirement which would see a full time post reduced to 3/5.

2a. Confidence level
60 %
Further work is needed on viability and service impact and the flexible retirement in particular will need to be agreed with input required from the individual, Finance and HR.

3. Impact on residents, businesses and other organisations:
None

4. Impact on other services we provide:
We will be less able to respond to enquiries from other services, Members partners and the public. We will be asking other members of staff to take on more.

5. Impact on staff:
The number of FTE that might be lost is: 0.4
The number of posts that might be lost is: 0.4

6. Resources and support needed to make the change:
Finance and HR advice and agreement needed.

7. Timescale to deliver and major milestones:	
Milestone	Date
Implementation date	Oct 2019

8. Risks and opportunities:
Losses of staff in Estate and CHSU may have compliance implications and make it more likely that Health and Safety risks are less closely managed.

9. Dependencies:
Figures for flexible retirement awaited.

10. Initial Equality Impact Assessment:
Not relevant in this instance

11. Consultation and Communications plan:
No

12. Legal Implications:
N/A

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidenced based (evidence should be included with this template)?	Yes – although validation of figures awaited
If no, when is the evidence expected?	Enter date
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£10,000	£	-£	£10,000	Ongoing
2020/21	£10,000	£	-£	£10,000	Ongoing
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£20,000**	**£**	**-£**	**£20,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£
	Capital Receipts	£

	Estimate of Redundancy costs	-£
	Estimate of Resource costs to deliver	-£
	Sub-total	£
2020/21	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
2021/22	Capital Costs	-£
	Capital Receipts	£
	Estimate of redundancy costs	-£
	Estimate of resource costs to deliver	-£
	Sub-total	£
	TOTAL	£

Proposal for Change
ECI1920-25 - Corporate Landlord

Corporate Plan Priority:	
Service Area:	Corporate Property
Director:	Paula Hewitt
Strategic Manager:	Claire Lovett
SAP Node	EIJHA

1.	The proposal is to:
X	**Managing Demand** - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
X	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
X	**Reductions in Services** - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Corporate Landlord

This proposal relates to the new Corporate Landlord model for delivering property and asset management, whereby responsibility for our property assets passes to the Corporate Property Group allowing for a consistent and joined up approach to all property matters and enabling savings from rationalisation, increased utilisation and economies of scale.

2a. Confidence level

70 %

A key dependency for this proposal is the centralisation of property and FM budgets due to take place from April 2019. Work continues on identifying the relevant budgets and ensuring all expenditure and income is identified to avoid built in overspends.

Further work is required to determine the details of delivery and source of savings.

3. Impact on residents, businesses and other organisations:

The County Council remain committed to meeting its duties under the reasonable adjustment elements of the Equality Act 2010

4. Impact on other services we provide:
None anticipated at present.

5. Impact on staff:
None The County Council remain committed to meeting its duties under the reasonable adjustment elements of the Equality Act 2010

6. Resources and support needed to make the change:
Finance support and input from services needed.

7. Timescale to deliver and major milestones:	
Milestone	Date
Completion of budget review and establishment of shadow budgets	30/11/18
Implementation date for Corporate Landlord Model	01/04/19
Detailed savings plan in place	30/06/19

8. Risks and opportunities:
None identified at present.

9. Dependencies:
Continued SLT support for implementation across the board.

10. Initial Equality Impact Assessment:
No not at present.

11. Consultation and Communications plan:
No.

12. Legal Implications:
N/A.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidence based (evidence should be included with this template)?	Not yet (see above)
If no, when is the evidence expected?	April to June 2019
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£50,000	£	-£	£50,000	Ongoing
2020/21	£	£	-£	£	

2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£50,000**	**£**	**-£**	**£50,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of Redundancy costs	-£0
	Estimate of Resource costs to deliver	-£0
	Sub-total	£0
2020/21	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
2021/22	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
	TOTAL	£0

Proposal for Change
ECI1920-26 - Reprographics Review

Corporate Plan Priority:	
Service Area:	Corporate Property
Director:	Paula Hewitt
Strategic Manager:	Claire Lovett
SAP Node	EIJLBFE

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
X	**Increasing Productivity** - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
X	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Reprographics Review

New model of operations for Reprographics being proposed involving reduced reliance on high cost per click in-house options and reduced overhead.

- Relocate two Multi-functional devices (MFDs) with full colour enabled from elsewhere in County Hall to Reprographics to be used for small-scale print jobs and terminate the lease (3 months' notice) on two large-scale Xerox machines.
- Reprographics to act as a broker for print/finish jobs, outsourcing when print quality and/or price is better than in-house.
- Set up a dynamic procurement system or increased number of approved external suppliers to 'bid' for each print job Review job descriptions for two posts in Reprographics.
- Review job descriptions for two posts in Reprographics.

2a. Confidence level

70 %

3. Impact on residents, businesses and other organisations:
None anticipated at present.

4. Impact on other services we provide:
None anticipated at present.

5. Impact on staff:
No impacts identified at this time.

6. Resources and support needed to make the change:
Finance support needed for further validation work. Procurement already providing support to review.

7. Timescale to deliver and major milestones:	
Milestone	Date
Implementation	Jul 2019

8. Risks and opportunities:
None identified at present.

9. Dependencies:
Support of all services

10. Initial Equality Impact Assessment:
Not relevant in this instance.

11. Consultation and Communications plan:
No.

12. Legal Implications:
N/A.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidence based (evidence should be included with this template)?	Not yet (see above)
If no, when is the evidence expected?	December 2018
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£25,000	£	-£	£25,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	

Total	**£25,000**	**£**	**-£**	**£25,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of Redundancy costs	-£0
	Estimate of Resource costs to deliver	-£0
	Sub-total	£0
2020/21	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
2021/22	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
	TOTAL	£0

Proposal for Change
ECI1920-27 - Beckett House

Corporate Plan Priority:	
Service Area:	Corporate Property
Director:	Paula Hewitt
Strategic Manager:	Claire Lovett
SAP Node	EIJC

1.	**The proposal is to:**
X	**Managing Demand** - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
X	**Increasing Productivity** - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2.	**Outline of the proposed change:**

Beckett House, Williton

Savings expected from current running costs assuming new use or disposal – options currently being explored include possible re-use as enterprise centre which could generate income, but this may not hit property budgets and so this proposal relates only to the small annual running costs currently picked up within our group, which would either be passed to tenants or reassigned as the property is disposed of. This proposal will require the relocation of the Registration Service.

2a.	**Confidence level**

70 %

Further work is required to determine the details of delivery and source of savings and it is simply too early to be more confident.

3.	**Impact on residents, businesses and other organisations:**

None anticipated at present.

4.	**Impact on other services we provide:**

Possible impacts on Registration Service and Economic Development.

5. Impact on staff:
N/A

6. Resources and support needed to make the change:
Further discussions needed with affected services.

7. Timescale to deliver and major milestones:	
Milestone	Date
Implementation	Oct 2019

8. Risks and opportunities:
None identified at present.

9. Dependencies:
None identified at present.

10. Initial Equality Impact Assessment:
Not relevant in this instance.

11. Consultation and Communications plan:
No.

12. Legal Implications:
N/A.

13a. Financial Savings – net change to service budget in each year:					
Are the savings evidence based (evidence should be included with this template)?			Yes		
If no, when is the evidence expected?					
Please note: these figures should be cumulative					
£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£3,000	£	-£	£3,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£3,000**	**£**	**-£**	**£3,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of Redundancy costs	-£0

	Estimate of Resource costs to deliver	-£0
	Sub-total	£0
2020/21	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
2021/22	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
	TOTAL	£0

Proposal for Change
ECI1920-28 - Dr Morgan's School Site

Corporate Plan Priority:	
Service Area:	Corporate Property
Director:	Paula Hewitt
Strategic Manager:	Claire Lovett
SAP Node	EIJLBB

1.	**The proposal is to:**
X	**Managing Demand** - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
	Service Delivery Models - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Dr Morgan's School Site, Bridgwater Savings expected from current running costs assuming disposal by October 2019. This proposal relies on the planned relocation of the Libraries West operation to new more suitable premises. This project is well underway.

2a. Confidence level
60 %
The project to relocate the current occupying services is well underway, but delivery is not yet certain and further work is needed to confirm both the level of savings and timing of the disposal which is reliant upon finding a buyer.

3. Impact on residents, businesses and other organisations:
None anticipated at present.

4. Impact on other services we provide:
None other than in relation to the relocation of services.

5. Impact on staff:
N/A

6. Resources and support needed to make the change:
Further discussions needed with affected services. Legal support regarding disposal and new lease arrangements.

7. Timescale to deliver and major milestones:	
Milestone	Date
Implementation	July 2019

8. Risks and opportunities:
Market risks for disposal.

9. Dependencies:
Completion of new lease.

10. Initial Equality Impact Assessment:
Not relevant in this instance.

11. Consultation and Communications plan:
No.

12. Legal Implications:
N/A.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidence based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£10,000	£	-£	£10,000	Ongoing
2020/21	£10,000	£	-£	£10,000	Ongoing
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£20,000**	**£**	**-£**	**£20,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of Redundancy costs	-£0

	Estimate of Resource costs to deliver	-£0
	Sub-total	£0
2020/21	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
2021/22	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
	TOTAL	£0

Proposal for Change
ECI1920-29 - Health and Safety System Replacement

Corporate Plan Priority:	
Service Area:	Corporate Property
Director:	Paula Hewitt
Strategic Manager:	Claire Lovett
SAP Node	EIJM

1.	The proposal is to:
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
X	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:
Health and Safety System Replacement Savings secured through procurement of new supplier for Health and Safety management system. Implementation took place in 18/19 with savings only to be realised in 19/20 due to mobilisation costs.

2a. Confidence level
100 %

3. Impact on residents, businesses and other organisations:
None.

4. Impact on other services we provide:
None.

5. Impact on staff:
N/A

6. Resources and support needed to make the change:
None.

7. Timescale to deliver and major milestones:	
Milestone	Date
Implementation	April 2019

8. Risks and opportunities:
None.

9. Dependencies:
None identified at present.

10. Initial Equality Impact Assessment:
Not relevant in this instance.

11. Consultation and Communications plan:
No.

12. Legal Implications:
N/A.

13a. Financial Savings – net change to service budget in each year:	
Are the savings evidence based (evidence should be included with this template)?	Yes
If no, when is the evidence expected?	
Please note: these figures should be cumulative	

£'s	Savings	Income Generated	Cost Involved (also see 13b)	Total	Ongoing or One-off?
2019/20	£20,000	£	-£	£20,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	**£20,000**	**£**	**-£**	**£20,000**	

13b. One-off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of Redundancy costs	-£0
	Estimate of Resource costs to deliver	-£0
	Sub-total	£0
2020/21	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0

2021/22	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
	TOTAL	£0

Proposal for Change:
ECI1920-33 - Economic Development savings

Corporate Plan Priority:	
Service Area:	Economic and Community Infrastructure
Director:	Michele Cusack (Lead Director Paula Hewitt)
Strategic Manager	Paul Hickson
SAP Node	EEA

1.	**The proposal is to:**
	Managing Demand - *Examine what can be done to influence our demand and reduce service pressures/costs or increase income, including raising fees and charging for services. How could we work across the wider local system with partners, are we picking up costs that should be paid by a different part of the system? Evidence of current and expected future demand will be required as part of future planning.*
	Increasing Productivity - *Since 2011/12 the Council has made most of its savings through efficiency measures. Like most Councils there is now less scope for traditional efficiency savings. What efficiency/productivity savings are available? What are the biggest expenditure items in your service? Are we getting best value from our contracts? Are we exploring opportunities to negotiate?*
Y	**Service Delivery Models** - *Are you aware of any alternative delivery models that could deliver services differently? What examples from other authorities could we adopt? E.g. commission from another party, joint venture… recognising that some options will have a long lead in times and would not necessarily impact on the financial gap in 2018/19.*
	Reductions in Services - *Are there services which partners could provide instead? Are all your services adding value? Are there any services which could safely and legally be stopped? What would the impact be on residents? Could residents be empowered to do it themselves?*

2. Outline of the proposed change:

Economic Development savings - this proposal includes the following two elements to enable a reduction in the net revenue base budget allocation by SCC for economic development from 2019/20:

1. **Fund SCC's contribution to the annual programme management costs of the Connecting Devon and Somerset programme through the use of capital receipts flexibility –** Connecting Devon and Somerset is a major infrastructure programme designed to enable the roll-out of superfast broadband infrastructure in areas where the market will not provide this. Due to the scale and "step change" nature of the Connecting Devon and Somerset programme (enabling greater digital service delivery in communities and greater digital access to services), there is scope to finance all of SCC's share of these programme management costs for the remaining delivery period of this transformational programme via capital receipts flexibilities. It is estimated that the programme will need to run for a further two financial years (2019/20 and 2020/21) need coverage of these costs via capital receipts for this period. **This would enable a £180,000 pa reduction in revenue budget provision for economic development.**
2. **Public Health funding of inclusive growth outcomes via economic development** – Deployment of part of SCC's public health grant to facilitate

SCC's economic development service to develop evidence and focus strategic and commissioning capacity on inclusive growth approaches in line with the emphasis on this agenda in the Heart of the South West productivity strategy and Somerset improving lives strategy. Scope has been identified to allocate £50,000 of SCC's public health grant for this purpose in 2019/20. **This would enable an on-going £50,000 revenue budget saving in economic development in 2019/20.**

2a. Confidence level

100 %

Subject to the confirmation of the availability of funds via capital receipts and deployment of public health grant these proposals are deliverable.

3. Impact on residents, businesses and other organisations:

There are no significant impacts for businesses, residents or other organisations resulting from these proposals.

4. Impact on other services we provide:

Corporate/cross service impacts:

1. Need for SCC to generate sufficient annual capital receipts for the remainder of the Connecting Devon and Somerset programme to ensure that its programme management costs can be financed via capital receipts flexibilities. The current expectation is that the period of this requirement will be the 2019/20 and 2020/21 financial years.

Service level impacts:

1. Public Health – greater linkages in evidence base, strategy and resulting commissioning priorities between economic development and public health. This will have positive impacts given that levels of individual economic well-being and opportunity are determinants of public health and because improvements in the health of the workforce contribute to improvements in business productivity.

5. Impact on staff:

No significant impacts on staff

6. Resources and support needed to make the change:

ECI Director and Finance Director level support to ensuring that capital receipts are applied to financing SCC's contribution to the programme management costs of the Connecting Devon and Somerset programme until it is completed.

7. Timescale to deliver and major milestones:

Milestone	Date
Identification of means to deliver revenue funded savings related to economic development expenditure	October 2018

Drafting and finalisation of change proposal documentation	October/November 2018
Decision to implement revenue funded savings associated with this change proposal	December 2018
Implementation of revenue funded savings effective	April 2019

8. Risks and opportunities:

Risks

1. **Financial risk – insufficient capital receipts generated by SCC to finance the annual Connecting Devon and Somerset programme management costs.** This is considered a low level risk as these programme management costs do not necessitate a large amount of capital receipts being generated

Opportunities

1. **Strategic opportunity** – increased levels of corporate working between SCC economic development and public health services. Planning and delivery of this saving is a catalyst to the development of closer collaborative working between public health and economic development, particularly linked to the pursuit of more inclusive outcomes from economic growth.

9. Dependencies:

Delivery of this saving dependent on SCC generating sufficient capital receipts to finance Connecting Devon and Somerset programme management costs in its remaining period.

Interdependency with SCC public health commissioning and improving lives strategy for realisation of part of this saving.

10. Initial Equality Impact Assessment:

Not identified as being required.

11. Consultation and Communications plan:

1. No statutory consultation requirements associated with this proposal.
2. No external consultations or communications necessary for this proposal as no impacts upon SCC's partners and stakeholders
3. There will be a need to accompany the public health grant deployment element of this saving with communications to economic development staff so that the associated focus on inclusive growth outcomes is understood and given appropriate focus in work programmes.

12. Legal Implications:

1. No legal implications associated with this proposal.

13a. Financial Implications – net change to service budget in each year:

Are the savings evidenced based? (evidence should be included in the proforma)?	Yes
If no, when is evidence expected?	N/A

Please note: these figures should be cumulative					
£'s	Savings	Income Generated	Cost Involved (see also 13b)	Total	Ongoing or One-off?
2019/20	£230,000	£	-£	£230,000	Ongoing
2020/21	£	£	-£	£	
2021/22	£	£	-£	£	
2022/23	£	£	-£	£	
2023/24	£	£	-£	£	
Total	£230,000	£	-£	£230,000	Ongoing

13b. One off project costs and income (not included in above):		
£'000's		
2019/20	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£
	Sub-total	£0
2020/21	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
2021/22	Capital Costs	-£0
	Capital Receipts	£0
	Estimate of redundancy costs	-£0
	Estimate of resource costs to deliver	-£0
	Sub-total	£0
	TOTAL	£0

Appendix F

Use of Capital Receipts Flexibility 2016/17-18/19

Using the powers under the Governments' guidance on the flexible use of capital receipts, the table below summarises the business cases for initiatives which have applied capital receipts to fund revenue expenditure:

Description of project and aims	Qualifying Expenditure	Expenditure 2016/17-2018/19
		£000
LD - Supporting the transformation of the Learning Disability service as part of the externalisation to the Dimensions social enterprise.	Costs to undertake the necessary work to create the new social enterprise and provide support as required once it begins operation, including costs of reducing staffing numbers. (as per Council paper July 2016)	6,078
Corporate Change Programme – work to support a number of transformation projects across the authority as part of the Core Council Programme, including the Financial Imperative Programme to reduce budget.	Staff time	4,971
ICT transformation – a number of projects to upgrade SCC's systems and networks to improve efficiency and support the Technology and People (TAP) programme.	Staff time and system development	1,852
Broadband – the Connecting Devon and Somerset programme to bring high-spend broadband connectivity to communities and businesses to rural areas that are not deemed commercially viable by providers. The aim is to increase business relocation and activity within Somerset – improving Business Rates and Council Tax yields.	Project management, technical assurance and similar delivery costs that are not included within the grant agreements with BDUK / MHCLG.	201
Libraries – the review of the current service and proposals for future delivery and redesign, as reported to the Cabinet October 2018.	Staff time, consultations and community events, including time to analyse data and feedback. Support from legal, finance and property leads.	265
Registration – to make the service more accessible electronically and to reduce administrative activity in the future.	Development of new system.	30

Leisure decommissioning – the project to consider the end of the 1610 contract and transfer of sites / provision to schools, to consider any future provision. The aim is reduced direct costs of provision falling on SCC.	Staff time to consider options and consult with schools and academies about taking on assets and leisure provision.	49
Corporate affairs – 5 transformational posts within Customers and Communities to make future savings, and to improve communications channels and customer experience.	Staff time	154
Property – a number of development projects across the Council's estate to rationalise the property usage / support the asset strategy, including A Block at County Hall.	Staff time	206
Children's Fund Support Services (FSS) – improvements to the service delivery of Early Help/ getset and a focus on reducing the need to occupy a number of getset buildings.	Staff time	118
Adopt South West regional adoption agency (RAA) – the launch of a new partnership agency aimed at improving the adoption process through more efficient matching and family finding, coordinated adopter recruitment and a consistent offer of adoption support.	Staff time to ensure setup of the agency and the transition to the new way of working could be effectively achieved.	50
ECI commissioning – to develop the approach to future commissioning of services, to improve the Value For Money that can be delivered and to produce future savings from, e.g. re-procurement exercises.	Staff time	25
Community governance – Cabinet member for Education and Transformation involvement in work on transformational activity.	Member time	6.5
Redundancy costs – in some instances reducing the numbers of staff employed to achieve the reform of services may require severance payments and compensation to the Pension fund for the cost savings to be achieved.	Severance payments and for members of the Pension fund, pension fund strain payments made to the fund	1,000 + 1,000 (additional MTFP sale + 18/19 base budget)

Appendix G

Proposed use of Capital Receipts Flexibility for MTFP (2019-22)

Using the powers under the governments' guidance on the flexible use of capital receipts, the table below summarises the initiatives to which capital receipts are planned to be applied to fund the revenue expenditure subject to development of robust business cases.

These business cases will demonstrate that: the initiative will generate future savings or reduce future costs, and the costs being funded are implementation or set up costs and not on-going operational costs. The robustness of business cases will be reviewed by March 2019.

Description of project and aims	**Qualifying Expenditure**	**Amount of expenditure MTFP (2019-22)**	**Savings Forecast (note 1)**	**Payback period**
		£000	£000	Years
Supporting the transformation of the Learning Disability service as part of the externalisation to Dimensions social enterprise.	Costs to undertake the necessary work to create the new social enterprise and provide support as required once it begins operation, including costs of reducing staffing numbers. (as per Council paper July 2016)	624	Service redesign	
Corporate Change Programme - work to support a number of transformation projects across the authority as part of the Core Council Programme, including the Financial Imperative Programme to reduce budget.	The Corporate Change Programme will provide savings in 2 ways: i) by running the Financial Imperative Programme to provide budget savings across the whole Council and ii) by assisting on individual transformational projects	3,018	i) circa £15m planned in 2019/20 alone. ii)values depend on individual projects supported.	Less than 1 year.
ICT - a number of projects to upgrade SCC's systems and networks to improve efficiency	Staff time	660	£690K in a full year (See saving CORP19/20 – 12)	Less than 1 full year
Broadband - the Connecting Devon and Somerset programme	Project management, technical assurance and similar delivery	1,143	Difficult to estimate exact impact of the	

to bring high-spend broadband connectivity to communities and businesses to rural areas that are not deemed commercially viable by providers. The aim is to increase business relocation and activity within Somerset – improving Business Rates and Council Tax yields.	costs that are not included within the grant agreements with BDUK / MHCLG. Suitable Broadband connectivity was identified by central government as the greatest barrier to business growth.		programme on business relocation, household growth and therefore Business Rates and Council Tax yields.	
Corporate affairs - 5 transformational posts within Customers and Communities to make future savings, and to improve communications channels and customer experience.	Staff time	462	(CORP19/20-16)	
Property - a number of development projects across the Council's estate to rationalise the property usage / support the asset strategy, including A Block at County Hall.	Staff time	618	Over £700k per annum from County Hall A Block Business Case / Taunton rationalisation alone (see Business Case – Cabinet December 2018). Additional savings will come from further property rationalisation projects.	Less than 1 full year when completed.
ECI commissioning - to develop the approach to future commissioning of services, to improve the Value For Money that can be delivered and to produce future savings from, e.g. re-	Staff time	211	Depends on individual commissioning activity in any given year (See ECI 19/20-15).	

procurement exercises.				
Libraries - the completion of the project with the implementation delivery of the agreed new service model as agreed by Cabinet October 2018.	Staff time and support for new service provision	65	£323k in a full year (see Cabinet report 5th November 2018)	Less than 1 year when fully implemented.
Community governance - Cabinet member for Education and Transformation involvement in work on transformational activity.	Member time	28	Depends on individual transformational activities in any given year (see DS02)	
Children's Fund Support Services (FSS) – improvements to the service delivery of Early Help/ getset and a focus on reducing the need to occupy a number of getset buildings.	Staff time	55	Saving costs targeted to be achieved from reduced running and maintenance	
MTFP (2019/22) Total		**6,885**		

Note 1: in most instances the on-going savings are not solely dependent upon this additional investment. The focus of other existing resources will be required to ensure delivery of savings.

Appendix I

Government Grants 2019/20 - 2021/22

This table sets out the Government Grants included in the Councils MTFP. It must be noted that for 2020/21 and 2021/22 there is no certainty about value in the absence of a Spending Review beyond 2019/20. These will not be confirmed for some time.

Type of Grant	2019/20 £m	2020/21 £m	2021/22 £m
Special (Non-Specific):			
Lead Local Flood Authority	0.076	0.080	0.084
Inshore Fisheries Conservation Authority	0.132	-	-
Extended Rights to Free Travel	0.367	0.349	0.332
New Homes Bonus	2.390	2.034	1.779
Local Reform and Community Voices	0.321	0.305	0.290
S31 Business Rates Cap (NDR relief)	8.835	1.785	1.821
Rural Services Delivery Grant	-	1.928	1.928
Social Care Support Grant	4.267	-	-
Brexit Preparation	0.087	-	-
Service Specific:			
Dedicated Schools Grant (H)	210.000	202.500	197.500
Dedicated Schools Grant (EDB)	40.873	40.873	40.873
Pupil Premium Grant	9.300	9.000	8.800
Music Education Grant	0.663	0.663	0.663
Sixth Form Funding (S6F)	1.770	1.575	1.575
Primary PE and Sports Grant	2.750	2.700	2.650
Troubled Families	1.228	-	-
School Improvement, Brokering and Monitoring Grant	0.617	0.617	0.617
Year 7 Catch Up premium grant	0.115	0.100	0.070
Universal Infants Free School Meals	3.900	3.825	3.750
Opportunity Areas	2.150	2.150	2.150
School Centred Initial Teacher Training (SCITT)	0.480	0.480	0.480
DFE Rough Sleepers Strategy	0.048	0.048	0.048

DOE Ext Personal Adviser Duty Implementation Grant	0.025	0.025	0.025
DOE Staying Put	0.140	0.140	0.140
Improved Better Care Fund	20.188	20.188	20.188
Winter Funding	2.498	2.498	2.498
Public Health	20.176	20.176	20.176
LEP - Start Up Fund	0.700	0.700	0.700
LEP - Growth Hub	0.320	0.320	0.320
Step Up Social Work	1.849	1.849	1.849
DEFRA - AONB & LARC	0.363	0.366	0.368
Bus Service Operators Grant	0.454	0.454	0.454
Building Schools for the Future contributions	2.534	2.534	2.534
Police & Crime Panel	0.070	0.070	0.070
Bikeability Grant	0.050	0.050	0.050
LARC	0.040	0.040	0.040
LEP (Econ DEV)	0.010	0.010	0.010
TOTAL	**332.614**	**320.432**	**314.832**
Of which:			
Confirmed (some with value assumptions)	***330.439***	***263.969***	***258.523***
Estimated	***9.347***	***56.463***	***56.309***
	339.786	***320.432***	***314.832***

Earmarked Reserves – description and projected balance up to 31 March 2022

Name of Reserve	Description	Balance - as at 1 April 2019 (£m)	2019/20 Planned Use (£m)	Balance - as at 1 April 2020 (£m)	2020/21 Planned Use (£m)	Balance - as at 1 April 2021 (£m)	2021/22 Planned Use (£m)	Balance - as at 31 March 2022 (£m)
BSF Bridgwater Equaliation Reserve	Set aside to meet future contract costs of the authorities PFI schools in Bridgwater. The reserve has been put aside by previous years underspends.	**5.713**	0.000	**5.713**	0.000	**5.713**	0.000	**5.713**
Insurance Fund Reserve	As the authority largely self-insures, this reserve has been set aside for Incurred But Not Reported (IBNR), MMI levy and other insurance related balances that the broker has recommended we need to hold against a variety of exposures.	**3.765**	0.704	**4.469**	0.601	**5.070**	0.601	**5.671**
Somerset Rivers Authority	Relates to unspent SRA funding (interim and local partner funding). This is not ours to use, must be approved by SRA Board.	**3.049**	-0.130	**2.919**	-0.130	**2.789**	-0.130	**2.659**
Reserves for capital purposes	Set aside to meet the revenue costs of the authorities capital projects	**2.695**	0.000	**2.695**	0.000	**2.695**	0.000	**2.695**
Local Enterprise Partnership (LEP)	Set aside to meet the future operational costs of the Heart of the South West Local Enterprise Partnership (of which SCC are the administering body). The fund is controlled by the LEP so is not available for the authority to utilise.	**2.465**	0.000	**2.465**	0.000	**2.465**	0.000	**2.465**
Public Health Earmarked	Ring-fenced underspends from the authorities Public Health budget. Only available for Public health related expenditure.	**1.357**	-1.357	**0.000**	0.000	**0.000**	0.000	**0.000**

Name of Reserve	Description	Balance - as at 1 April 2019 (£m)	2019/20 Planned Use (£m)	Balance - as at 1 April 2020 (£m)	2020/21 Planned Use (£m)	Balance - as at 1 April 2021 (£m)	2021/22 Planned Use (£m)	Balance - as at 31 March 2022 (£m)
Environment Commuted Sums Reserve	Consists of developer payments for highways maintenance liabilities that are drawn down when conditions have been met	**1.027**	0.089	**1.116**	0.089	**1.205**	0.089	**1.294**
West Somerset Opportunity Area (NEW)	3 year programme funded by the DfE. Decision in January 2018 for all current and future grant funding to be allocated to the WSOA delivery plan	**0.771**	-0.771	**0.000**	0.000	**0.000**	0.000	**0.000**
Operating Account - SSE	The cumulative surpluses/deficits of the authorities trading accounts (Support Services for Education (SSE)).	**0.717**	0.000	**0.717**	0.000	**0.717**	0.000	**0.717**
Supply Mutual Fund Reserve	This is a scheme run by Insurance for maintained schools to cover the costs of supply teachers for schools that buy in. At the end of each academic year, the current scheme requires the balance to be returned to schools who have not claimed above their contribution level. Therefore, this is not ours to use.	**0.524**	0.000	**0.524**	0.000	**0.524**	0.000	**0.524**
S106 funds	Relates to interest earned on developers s106 contributions. Not available for the authority to utilise as the funds are repayable to the developer.	**0.475**	0.203	**0.678**	0.202	**0.880**	0.203	**1.083**
Invest to Save Fund	Set aside to fund efficiency projects within the authority	**0.367**	2.852	**3.219**	0.000	**3.219**	0.000	**3.219**
Central Schools Budget - Compact	Planned under spend to be used to reduce the pressure on the High Needs budget, and support strategic initiatives with Schools Forum support	**0.335**	-0.250	**0.085**	0.000	**0.085**	0.000	**0.085**
Economic Development Fund	Funds Economic Development activity that is not capitalisable, or contributes to specific capital projects. This balance is committed to iAero project, and without	**0.331**	-0.131	**0.200**	-0.100	**0.100**	-0.100	**0.000**

	this amount the high profile project and significant match funding would be lost							
SWP - WDA	Funds set aside within the Somerset Waste Partnership and approved by the Somerset Waste Board pooled budget for various projects	**0.301**	-0.182	**0.119**	0.000	**0.119**	0.000	**0.119**
Elections	Set aside to smooth the cost of elections (every 4 years) into an equal amount each year.	**0.295**	0.253	**0.548**	0.253	**0.801**	-1.022	**-0.221**
Flood Recovery & 20 year plan	Money awarded to SCC after the flooding for remedial and preventative measures (some amounts held by SRA). Ring-fenced to certain works and geographical locations.	**0.165**	-0.165	**0.000**	0.000	**0.000**	0.000	**0.000**
Somerset Drug & Alcohol	Used to offset ongoing pressures. Pooled budget with partner agencies.	**0.126**	-0.126	**0.000**	0.000	**0.000**	0.000	**0.000**
Futures for Somerset	Futures for Somerset pay a premium on top of reimbursing SCC for seconded staff payroll. This reserve will cover any redundancy costs of those staff whilstin the employ of Futures for Somerset.	**0.105**	0.000	**0.105**	0.000	**0.105**	0.000	**0.105**
Total Transport Pilot Fund	Ring-fenced funding for a number of specific transport projects.	**0.074**	-0.074	**0.000**	0.000	**0.000**	0.000	**0.000**
Superfast Broadband	Set aside to fund the authorities Connecting Devon & Somerset broadband project	**0.055**	0.000	**0.055**	0.000	**0.055**	0.000	**0.055**
Sustainable Drainage Funding	Suds/LLFA Defra Grant Reserve funding to be used to handle flood risk	**0.049**	-0.021	**0.028**	-0.028	**0.000**	0.000	**0.000**
Hinkley Project	Ring-fenced funding that is provided specifically for us to client the Hinkley development.	**0.023**	0.000	**0.023**	-0.012	**0.011**	-0.011	**0.000**
LD Equalisation Reserve	Equalisation fund for initial additional costs relating to the Discovery contract.	**-0.910**	0.910	**0.000**	0.000	**0.000**	0.000	**0.000**
Operating Accounts - DILLINGTON	The cumulative surpluses/deficits of the authorities trading accounts (Dillington).	**-1.373**	-0.170	**-1.543**	-0.170	**-1.713**	-0.170	**-1.883**

Name of Reserve	Description	Balance - as at 1 April 2019 (£m)	2019/20 Planned Use (£m)	Balance - as at 1 April 2020 (£m)	2020/21 Planned Use (£m)	Balance - as at 1 April 2021 (£m)	2021/22 Planned Use (£m)	Balance - as at 31 March 2022 (£m)
Repairs and Maintenance Fund (inc BMIS)	Historical overspends against Property Repairs and Maintenance and BMIS (schools property indemnity scheme). BMIS scheme is now ended and the balance on the scheme will have to be written off	**-3.389**	3.389	**0.000**	0.276	**0.276**	0.276	**0.552**
DSG (Early Years, High Needs & De-delegated services)	Funding of the additional hours for 3&4 year olds for eligible working parents (DfE funded based on the numbers in Jan 2018, for a new initiative in Sept 2018). The EY surplus beign used to offset EY high needs costs and development of EY training. The High Needs cumulative deficit of £5.6m to be managed (DSG recovery plan reducing in year spend and using one off savings to repay)	**-5.577**	0.000	**-5.577**	0.000	**-5.577**	0.000	**-5.577**
Total (excluding School Balances)		**13.536**	**5.023**	**18.559**	**0.981**	**19.540**	**-0.264**	**19.276**

Appendix: K

Reserves and Balances Policy Statement

Introduction

This statement sets out the Council's policies underpinning the maintenance of a level of general balances and earmarked reserves within the Council's accounts.

Statutory position

A local authority is not permitted to allow its spending to exceed its available resources so that overall it would be in a deficit. Section 32 and 43 of the Local Government Finance Act 1992 require authorities to have regard to the level of balances and reserves needed for meeting estimated future expenditure when calculating the budget requirement.

Balances and reserves can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing, this forms part of the general fund;
- A contingency to cushion the impact of unexpected events or emergencies, this also forms part of the general fund, and;
- A means of building up funds often referred to as earmarked reserves, to meet known or predicted liabilities.

This policy statement is concerned with general balances and earmarked reserves as defined above.

Purposes of balances and reserves

The Council has a long-standing policy of maintaining a small general balance to mitigate against unforeseen overspendings or a major unexpected event.

Although there is no generally recognised official guidance on the level of general balances to be maintained, the key determining factor to the level is that is must be justifiable in the context of local circumstances, and council taxpayer's money should not be tied up unnecessarily. The Council's external auditor, and the Section 151 Officer, comments on the level of balances and reserves as part of the annual audit of the Council's financial position and at the time of budget setting respectively.

While general balances are unallocated, earmarked reserves are held for specific purposes.

Level of balances and reserves

Due to the serious financial challenges facing the Council, the level of general balances and reserves has become unusually low for a council of this size. A prudent level could be 3%-5% of the sum of council tax plus settlement funding i.e.

between £10m and £17m. This is normally enough to cover unforeseen circumstances and the risk of higher than expected service pressures. The Council is holding a brought forward balance of £12.704m at 1 April 2019 and forecasts a carry forward balance at 31 March 2022 of £19.926m. The Section 151 Officer recommends that this balance be increased further over the MTFP (2019-22) to mitigate against ongoing uncertainty of local government funding because of the Governments proposed changes and the lack of a Spending Review beyond 2019/20.

The level of earmarked reserves will vary annually, and it is noticeable that the level of usable reserves have been replenished during 2018/19 to help improve the councils financial resilience.

Proposed Policy for 2019/20

In view of the on-going uncertainty, general balances ought to be further strengthened as proposed in the MTFP to mitigate against future risks.

With regard to earmarked reserves, firm plans for repaying in full the negative reserves should be developed and implemented as soon as possible.

Going forwards, the Section 151 Officers approval must be sought before any service can draw down on a reserve (earmarked or general) so that a view can be made at the time as to the appropriateness of this use of funds in accordance with the financial circumstances facing the council at the time.

Appendix: L

General Fund – Movements during 2019/22

General Fund	**Value £m**
Balance brought forward 2018/19	12.892
In Year Transfers (2018/19):	
Base Budget contribution 2018/19	2.000
Additional revenue contributions (Mnt8)	1.000
One-off levy grant	1.031
Contingency contribution	0.800
Negate the impact of deficit earmarked reserves	-6.086
Current Balance	11.637
Estimated in year underspend to be transferred to General Fund	1.067
Balance at 31 March 2019	**12.704**
In Year Transfers (2019/20):	
Base Budget contribution 2019/20	2.000
Planned contribution to reduce impact of deficit reserves on General Fund	4.300
Balance at 31 March 2020	**19.004**
In Year Transfers (2020/21):	
Base Budget contribution 2020/21	0.534
Balance at 31 March 2021	**19.538**
In Year Transfers (2021/22):	
Estimated contribution 2021/22 in relation to budget smoothing	0.534
Balance at 31 March 2022	**20.072**

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Paper D

Cabinet
- 11th February 2019

Treasury Management Strategy Statement 2019-20

Cabinet Member: Cllr Mandy Chilcott – Cabinet Member, Resources
Division and Local Member: All
Lead Officer: Peter Lewis – Interim Director of Finance (Section 151 Officer)
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	Seen by:	Name	Date
Report Sign off	County Solicitor	Honor Clarke	21-01-2019
	Monitoring Officer	Scott Wooldridge	21-01-2019
	Corporate Finance	Peter Lewis	17-01-2019
	Human Resources	Chris Squire	21-01-2019
	Senior Manager	Stephen Morton	14-01-2019
	Cabinet Member	Cllr Mandy Chilcott	21-01-2019
	Opposition Spokesperson	Cllr Liz Leyshon	21-01-2019
	Relevant Scrutiny Chairman	Cllr Anna Groskop	21-01-2019
Forward Plan Reference:	FP/17/11/01		
Summary:	The Council recognises that effective treasury management underpins the achievement of its business and service objectives and is essential for maintaining a sound financial reputation. It is therefore committed to driving value from all of its treasury management activities and to employing suitable performance measurement techniques, within the context of effective risk management. This report brings together the requirements of the Chartered Institute of Public Finance Accountants (CIPFA) Treasury Management in the Public Services Code of Practice Revised 2017 Edition (CIPFA TM Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities: Revised 2017 Edition (CIPFA Prudential Code). Whilst most of the requirements of the 2018 Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance are no longer relevant to Treasury Management Investments (it now overwhelmingly refers to non-treasury investments), it does adhere to MHCLG guidance to prioritise Security, Liquidity and Yield, in that order. The Council currently holds £324.55m of debt as part of its strategy for funding previous years' capital programmes. Of this,		

	£159.05m is Public Works Loan Board (PWLB) debt, £108m is Lender Option Borrower Option (LOBO) debt, and a further £57.5m of fixed rate bank loans. As at 31st December the average rate paid on all debt was 4.66%. Investment balances for 2018-19 to the 31st December have ranged between £185m to £251m, averaging £218m. These balances include approximately £60m of cash held on behalf of other entities, just over £53m as at 31st December being for the Local Enterprise Partnership (LEP). An average rate of 0.95% has been achieved, yielding an annual income in excess of £2m. Within this figure £10m is invested with the Churches, Charities, Local Authorities (CCLA) pooled Property Fund, currently yielding in excess of 4%. A new Investment Strategy paper covering non-treasury investments is to be presented separately at this meeting.
Recommendations:	The Cabinet is asked to endorse the following and recommend approval by Council on 20th February 2019: • To adopt the Treasury Borrowing Strategy (as shown in Section 2 of the report). • To approve the Treasury Investment Strategy (as shown in Section 3 of the report) and proposed Lending Counterparty Criteria (attached at Appendix B to the report). • To adopt the Prudential Treasury Indicators in section 4. The Cabinet is recommended: • To note the current Treasury Management Practices (TMPs) attached at Appendix D to the report. •
Reasons for recommendations	Under new CIPFA guidance the Treasury Management Strategy (TMS) can be delegated to a committee of the Council under certain conditions. However, it is seen as a key element of the overall Capital Strategy and as that must be presented to the Full Council, it is regarded as appropriate that the TMS should be part of that process.
Links to Priorities and Impact on Service Plans:	Effective Treasury Management provides support to the range of business and service level objectives that together help to deliver the Somerset County Plan.
Consultations undertaken:	None

Financial Implications:	The budget for investment income in 2019-20 is £1.53m, based on an average investment portfolio of £160m at an interest rate of 0.95%. (These figures are net of balances held on behalf of external investors i.e. the Local Enterprise Partnership). The budget for debt interest paid in 2019-20 is £16.12m, based on an average debt portfolio of £356.3m at an average interest rate of 4.52%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.
Legal Implications:	Treasury Management must operate within specified legal and regulatory parameters as set out in the summary, and in more detail in the TMPs.
HR Implications:	None
Risk Implications:	The TMS is the Council's document that sets out strategy and proposed activities to conduct Treasury Management activity while mitigating risks. Appendix D, the Treasury Management Practices document gives detailed explanation of the policies and procedures specifically used in treasury risk management.
Other Implications (including due regard implications):	None
Scrutiny comments / recommendation (if any):	The Audit Committee is the body responsible for ensuring effective scrutiny of the treasury management strategy and policies.

1. Introduction and Background

Treasury management is the management of the Council's cash flows, borrowing and treasury investments, and the associated risks. The Council has significant debt and treasury investment portfolios and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Investments held for service purposes or for commercial profit, collectively referred to as non-treasury investments, are considered in a new report, the Investment Strategy.

Treasury risk management at the Council is conducted within the framework of the CIPFA Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Non-treasury investments are substantially covered by the 2018 Revised MCHLG guidance in the separate Investment Strategy.

Under Section 3 of the LGA 2003 (duty to determine affordable borrowing limit), a Local Council must have regard to the CIPFA Prudential Code. This code requires the setting of a number of Prudential Indicators, benchmarks within which Treasury and Investment Management, and Capital Financing are managed. The setting of Prudential Indicators for Treasury Management requires Authorities to recognise key implications of their borrowing and investment strategies. These relate to the affordability of overall borrowing limits, the maturity structure of borrowing, and longer-term investments.

In formulating the Treasury Management Strategy, and the setting of Prudential Indicators, Somerset County Council (SCC) adopts the Treasury Management Framework and Policy recommended by CIPFA. These can be found in Appendix A.

The current TMPs are attached for information as Appendix D to this report and set out the main categories of risk that may impact on the achievement of Treasury Management objectives. No treasury management activity is without risk. The successful identification, monitoring and control of risks are the prime criteria by which the effectiveness of its treasury management activities will be measured. The main risks to the Council's treasury activities are:

- Credit and Counterparty Risk (security of investments)
- Liquidity Risk (inadequate cash resources)
- Market or Interest Rate Risk (fluctuations in price / interest rate levels)
- Refinancing Risk (impact of debt maturing in future years)
- Legal & Regulatory Risk

The schedules to the TMPs provide details of how those risks are actively managed.

External Context
The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2019-20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year-on-year, broadly in line with the Bank of England's (BoE) November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while wages, adjusted for inflation grew by 1.0%.

At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

Following the BoE's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the BoE expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee (MPC) continues to reiterate that any further increases will be at a gradual pace and limited in extent.

The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts. The BoE released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

The Council’s treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The BoE’s MPC has maintained expectations for slow and steady rate rises over the forecast horizon.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose’s view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck, and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a “no deal” Brexit still hangs over economic activity (at the time of writing this commentary in mid-December). As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose’s interest rate projections, due to the strength of the US economy and the ECB’s forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

An economic and interest rate forecast provided by Arlingclose is attached at Appendix C.

Internal Context
As at 31st December 2018 the external long-term debt portfolio of SCC stood at just over £324m as in the table below.

	Balance on 31-03-2018 £m	Debt Matured / Repaid £m	New Borrowing £m	Balance on 31-12-2018 £m	Increase/ Decrease in Borrowing £m
Short Term Borrowing	0.00	0.00	0.00	0.00	0.00
PWLB	159.05	0.00	0.00	159.05	0.00
LOBOs	113.00	5.00	0.00	108.00	-5.00
Fixed Rate Loans	57.50	0.00	0.00	57.50	0.00
Total Borrowing	**329.55**	**5.00**	**0.00**	**324.55**	**-5.00**

The investment portfolio at the same time stood at just over £191m, although approximately £60m of this was held on behalf of other entities, just over £53m being for the Local Enterprise Partnership (LEP).

	Balance as at 31-03-2018 £m	Rate of Return at 31-3-2018 %	Balance as at 31-12-2018 £m	Rate of Return at 31-12-2018 %
Short-Term Balances (Variable)	16.89	0.49	30.49	0.75
Comfund (Fixed)	179.68	0.69	151.15	0.94
CCLA Property Fund	10.00	4.22	10.00	4.07
Total Lending	**206.57**	**0.84**	**191.64**	**1.07**

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while useable reserves and working capital are the underlying resources available for investment.

Statutory guidance is that debt should remain below the CFR, except in the short-term. The Council expects to comply with this in the medium term.

In the table below, as shown in the Capital Strategy, the ‘Assumed debt not yet taken’ row indicates that £91m of new borrowing could be needed by the end of March 2020. Timings of actual capital expenditure linked to the capital plan are not totally predictable, but it is envisaged that significant levels of borrowing may be necessary during 2019-20.

External Debt and the Capital Financing Requirement in £ millions

	31.3.2018 actual	**31.3.2019 forecast**	**31.3.2020 budget**	**31.3.2021 budget**	**31.3.2022 budget**
Short term debt	8.360	10.000	10.000	10.000	10.000
Long term debt *	316.101	309.606	306.483	301.285	294.708
Assumed debt not yet taken	0.000	21.792	90.985	139.723	181.355
PFI & leases	44.118	42.948	41.972	40.970	39.872
Total external borrowing	**368.579**	**384.346**	**449.440**	**491.978**	**525.935**
Capital Financing Requirement	**366.114**	**385.443**	**450.733**	**493.447**	**527.551**

*Reduces for Minimum Revenue Provision (MRP) & debt repayment

SCC has a projected cash income of approximately £800m for 2019-20.

These factors represent significant cash flow, and debt and investment portfolio management for the Council’s Officers. In the current financial and economic environment and taking into account potential influencing factors, it is imperative that the Council has strategies and policies in place to manage flows and balances effectively. The strategies and policies herein state the objectives of Treasury Management for the year and set out the framework to mitigate the risks to successfully achieve those objectives.

2. Borrowing Strategy

The Council currently holds £324.55m of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in the table above shows that the Council may have a need to borrow up to £91m by the end of 2019-20.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

The Council will adhere to MHCLG guidance, which states "Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed".

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow shorter-term loans instead, i.e. from Local Authorities for 1-3 years, or PWLB for 5-10 years.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2019-20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The use of Call Accounts and MMFs will continue for short-term liquidity; However, it may be appropriate and/or necessary to borrow short-term (1 week to 3 months) to cover cash flow fluctuations. Where this is deemed advantageous, short-term funds will be obtained from the money market using the services of a panel of money market brokers.

Sources of borrowing: Approved sources of borrowing are cited in the TMPs. Whilst all options will be considered, it is most likely that the primary source for borrowing will be the Public Works Loan Board (PWLB). It is envisaged that any new borrowing, should it be taken, will be in the short to medium-term periods (up to 25 years), as this is most compatible with the current maturity profile. Interest rates for these maturities are expected to remain lowest as the continued economic uncertainty necessitates lower interest rates for longer. Variable rate loans also currently mitigate the cost of carry. Shorter-dated Equal Instalment of Principal (EIP) loans are cheaper than loans paid on maturity and are repaid systematically in equal instalments over their life. Both will be actively considered, as will shorter dated loans (1-3 years) from other Local Authorities.

No new borrowing will be in the form of LOBOs. SCC will continue with the current policy not to accept any option to pay a higher rate of interest on its' LOBO loans and will exercise its own option to repay the loan should a lender exercise an option. SCC will also investigate opportunities to repay where a lender is looking to exit the LOBO by selling the loan. This would be undertaken in conjunction with our treasury advisors. SCC may utilise cash resources for repayment or may consider replacing any loan(s) by borrowing from the PWLB or other Local Authorities. Depending on prevailing rates and the amount to be repaid, new loans might be taken over a number of maturities. The 'Maturity Structure of Borrowing' indicators have been set to allow for this contingency strategy.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. Officers continually monitor repayment rates and calculate premiums to identify opportunities to repay or reschedule PWLB loans.

3. Investment Strategy

In 2018, the MHCLG issued revised Statutory Guidance on Local Government Investments (3rd Edition). It states "Investments made by local authorities can be classified into one of two main categories:

- Investments held for treasury management purposes; and
- Other investments.

"Where local authorities hold treasury management investments, they should apply the principles set out in the Treasury Management Code. They should disclose that the contribution that these investments make to the objectives of the local authority is to support effective treasury management activities. The only other element of this Guidance that applies to treasury management investments is the requirement to prioritise Security, Liquidity and Yield in that order of importance".

The changes made to the 3rd edition of this Guidance reflect changes in patterns of local authority behaviour. Some local authorities are investing in non-financial assets, with the primary aim of generating profit. Others are entering into very long-term investments or providing loans to local enterprises or third sector entities as part of regeneration or economic growth projects that are in line with their wider role for regeneration and place making.

In addition, the National Audit Office and the Public Accounts Committee have raised a number of concerns about local authority behaviour that this guidance aims to address. These are:

- Local authorities are exposing themselves to too much financial risk through borrowing and investment decisions;
- There is not enough transparency to understand the exposure that local authorities have as a result of borrowing and investment decisions; and
- Members do not always have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving.

This strategy applies only to investments held for treasury purposes. Any non-treasury investments are dealt with in a separate Investment Strategy (separate agenda item). The Council's treasury investments can be divided into two areas. Money that is lent to help smooth anticipated monthly cash flow movements, and funds which have been identified as not being immediately required (core balances), which can be lent over a longer timeframe. Total balances for 2018-19 to the end of November have ranged between £185m to £251m, averaging £218m to the 31st December 2018. These balances include approximately £60m of cash held on behalf of other entities, just over £53m being for the Local Enterprise Partnership (LEP).

If a passive borrowing strategy is adopted, i.e. internal borrowing to fund capital expenditure, investment levels will decrease. If Arlingcloses' 'cost of carry' and breakeven analysis determines that the Council borrows additional sums at long-term fixed rates in 2019-20 with a view to keeping future interest costs low, investment balances could possibly be higher.

Objectives: The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2019-20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Investment strategy will largely be driven by the implementation of the borrowing strategy.

- If a passive borrowing strategy is adopted, investment levels will decrease. In this scenario, investments will need to be kept short to meet proposed capital spend. As currently, the majority of funds would likely be invested via short-term deposits with highly rated banks, local authorities, and the use of the money market funds, providing security via diversification, and liquidity.
- If ‘cost of carry’ and breakeven analysis suggests that the Council should borrow additional sums at long-term fixed rates in 2019-20, balances would increase, potentially significantly. In this case it may be more appropriate to diversify a proportion of investments into more secure and/or higher yielding asset classes during 2019-20.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Council’s “business model” for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Implementation: The Section 151 Officer (Director of Finance) under delegated powers will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. He in turn delegates responsibility for implementing policy to Treasury Management Officers. This is done by using only the agreed investment instruments, and credit criteria below and in appendix B. As is current procedure, the use of a new instrument or counterparty would be proposed in conjunction with the Council’s Treasury Advisors, Arlingclose and specifically authorised by the Section 151 Officer (Director of Finance).

Approved Investments: The list below shows currently approved instruments, with a brief description of current and potential investment instrument characteristics underneath.

- Business Reserve Accounts and term deposits.
- Deposits with other Local Authorities.
- AAA-rated Money Market Funds *
- The Debt Management Office (DMO)
- Variable Net Asset Value (VNAV) Money Market Funds.
- Gilts and Treasury Bills.
- Certificates of Deposit with Banks and Building Societies
- Commercial Paper
- Use of any public or private sector organisation that meets the creditworthiness criteria rather than just banks and building societies.
- Building Societies – Including unrated Societies with better creditworthiness than their credit rated peers.
- Corporate Bonds – Can offer access to high credit rated counterparties, such as utility, supermarket, and infrastructure companies.
- Covered Bonds and Reverse Repurchase Agreements (Repos) present an opportunity to invest short-term with banks on a secured basis and hence be exempt from bail-in
- Pooled Funds. These funds allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. Their values change with market prices, so will be considered for longer investment periods. It would be the Council's intention to be invested in Longer-dated Bond Funds or Equity Funds, and for Property Funds for 5 years plus.

* Following EU reform to the operation and management of Money Market Funds implemented during 2018-19, all non-government MMFs will have to convert from Constant Net Asset Value (CNAV) to LVNAV (Low Volatility Net Asset Value) or VNAV. Those used by SCC have convert to LVNAV. LVNAV funds have to operate within tighter requirements (e.g. tolerance of the fund's NAV deviating from £1 narrows from 99.5p to 99.8p; and higher liquidity requirements).

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council’s investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Approved counterparties – Credit Rated: SCC maintains a restricted list of financial institutions to be used as counterparties, and in accordance with the credit criteria set out in appendix B. Any proposed additions to the list must be approved by the Section 151 Officer (Director of Finance).

Approved counterparties – Non-Credit Rated: As investment decisions are never made solely based on credit ratings, and some institutions may not have ratings at all, account will be taken of any relevant credit criteria in appendix B, and any other relevant factors including advice from our treasury advisors for the approval of individual institutions. Again, this will be specifically authorised by the Section 151 Officer (Director of Finance).

Credit rating: SCC has constructed and will maintain a counterparty list based on the criteria set out in Appendix B. The minimum credit quality is proposed to be set at A- or equivalent. The credit standing of institutions (and issues if used) will be monitored and updated on a regular basis.

SCC will continuously monitor counterparties creditworthiness. All three credit rating agencies' websites will be visited frequently, and all ratings of proposed counterparties will be subject to verification on the day of investment. (MHCLG guidance states that a credit rating agency is one of Standard & Poor's, Moody's Investor Services Ltd, and Fitch Ratings Ltd). All ratings of currently used counterparties will be reported to the monthly treasury management meeting, where proposals for any new counterparties will be discussed. New counterparties must be approved by the Section 151 Officer (Director of Finance) before they are used. Any changes to ratings that put the counterparty below the minimum acceptable credit quality whilst we have a deposit, or a marketable instrument will be brought to the attention of the Section 151 Officer (Director of Finance) immediately, and an appropriate response decided on a case-by-case basis. Sovereign credit ratings will be monitored and acted on as for financial institution ratings. Investment limits are set by reference to the lowest published long-term credit rating from the three rating agencies mentioned above. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Other information on the security of investments: The Council understands that credit ratings are good, but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including those outlined below.

- Credit Default Swaps and Government Bond Spreads.
- GDP and Net Debt as a Percentage of GDP for sovereign countries.
- Likelihood and strength of Parental Support.
- Banking resolution mechanisms for the restructure of failing financial institutions, i.e. bail-in.
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.
- Underlying securities or collateral for 'covered instruments'.
- Other macroeconomic factors

It remains the Council's policy to suspend or remove institutions that still meet criteria, but where any of the factors above give rise to concern. Also, when it is deemed prudent, the duration of deposits placed is shortened or lengthened, depending on counterparty specific metrics, or general investment factors.

The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Investment limits: Investment limits are set out in appendix B. In setting criteria in appendix B, account is taken of both expected and possible balances, the availability and accessibility of the various instruments to be used, and their security, liquidity, and yield characteristics.

Liquidity management: The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

4. Prudential and Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

The Authorised Limit and Operational Boundary are Prudential Indicators and are authorised by Full Council as part of the Capital Strategy. They are included here for information only. The 'Maturity Structure of Borrowing'', 'Principal sums invested for periods longer than a year', and 'Credit Risk' Indicators are specific Treasury Management Indicators and are to be adopted as per the recommendations set out in this paper.

Authorised limit and Operational Boundary: The Council is required to set an authorised limit and an operational boundary for external debt. In order that the preceding borrowing strategy can be carried out, the following Prudential Indicators have been proposed to Council in the Capital Strategy but are shown again here to give the full picture. (These figures rounded to nearest million)

	2019-20 £m	**2020-21 £m**	**2021-22 £m**
Authorised limit			
Borrowing	487	536	579
Other Long-Term Liabilities	54	54	54
Total	541	590	633
Operational boundary			
Borrowing	457	506	549
Other Long-Term Liabilities	47	46	45
Total	504	552	594

Maturity Structure of Borrowing: The Council has set for the forthcoming year, both the upper and lower limits with respect to the maturity structure of its borrowing. The calculation is the amount of projected borrowing maturing in each period, expressed as a percentage of the total projected borrowing. CIPFA Code guidance for the ‘maturity structure’ indicator states that the maturity of LOBO loans should be treated as if their next option date is the maturity date. The ‘maturity structure of borrowing’ indicators have been set with regard to this, and having given due consideration to proposed new borrowing, current interest rate expectations, and the possibility of rescheduling or prematurely repaying loans outlined in the borrowing strategy. The three shorter-dated bands have each increased by 5%, otherwise the bands and limits remain as for 2018-19 and are: -

	Upper Limit	Lower Limit
Under 12 months	50%	15%
>12 months and within 24 months	25%	0%
>24 months and within 5 years	25%	0%
>5 years and within 10 years	20%	5%
>10 years and within 20 years	20%	5%
>20 years and within 30 years	20%	0%
>30 years and within 40 years	45%	15%
>40 years and within 50 years	15%	0%
>50 years	5%	0%

Principal sums invested for periods longer than a year: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

The prime policy objectives of local authority investment activities are the security and liquidity of funds, and authorities should avoid exposing public funds to unnecessary or unquantified risk. Authorities should consider the return on their investments; however, this should not be at the expense of security and liquidity. It is therefore important that authorities adopt an appropriate approach to risk management with regards to their investment activities. Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Authorities should also consider carefully whether they can demonstrate value for money in borrowing in advance of need and can ensure the security of such funds. These principles should be borne in mind when investments are made, particularly for the medium to long term. It is proposed that SCC will have a rolling portfolio of cash deposits via the Comfund, including the possibility of some in excess of one year. Should the Council wish to diversify more into pooled funds, it would be the Council's intention to be invested in these for periods of 1-5 years plus. Therefore, a prudential indicator of £40m is deemed necessary for year 1, with anticipated reductions at this point, in years 2 and 3.

	2019-20	**2020-21**	**2021-22**
Prudential Limit for principal sums	**£m**	**£m**	**£m**
invested for periods longer than 1 year	40	40	40

The sums indicated in this indicator do not include any investment in non-Treasury Investments covered by a separate Investment Strategy.

Credit Risk Indicator: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk (in conjunction with Arlingclose) and will be calculated quarterly.

Credit risk indicator	**Target**
Portfolio average credit rating (score)	A (6.0)

CIPFA no longer recommends setting upper limits on fixed and variable rate exposures, so these are no longer calculated for this paper.

5. Other Matters

The CIPFA Code requires the Council to include the following in its treasury management strategy.

Derivative Instruments: The code requires that the Council must explicitly state whether it plans to use derivative instruments to manage risks. The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). However, the Council does not intend to use derivatives.

Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require Full Council approval.

External Service Providers: The code states that external service providers should be reviewed regularly and that services provided are clearly documented, and that the quality of that service is controlled and understood.

SCC recognises, as per CIPFA guidance, that, "the overall responsibility for treasury management must always remain with the Council". So as not to place undue reliance on treasury advisors and other external services, SCC has always sourced its own information, performed its own analysis of market and investment conditions, and the suitability of counterparties. It continues to do so through embedded practices, thereby maintaining the skills of the in-house team to ensure that services provided can be challenged, and that undue reliance is not placed on them.

Member Training: All public service organisations should be aware of the growing complexity of treasury management in general, and its application to the public services in particular. Modern treasury management, and particularly non-treasury investments demand appropriate skills.

The new Investment Strategy demands a greater level of understanding and involvement by members, and that document sets out the specific requirements for that purpose; However, there should still be an appropriate level of skills and understanding applied to the Treasury Management Strategy.

All SCC Members receive introductory training, which includes an overview of the treasury management function.

SCC Officers would be able and willing to provide a more detailed level of training, if Councillors thought that there would be no conflict of interest.

Through contacts with the CIPFA Treasury Management Forum and its independent Treasury Advisors, SCC could also facilitate training via an independent third party. SCC Officers also have contacts within a number of money market brokers and fund managers who could provide training.

As and when needed, information sheets could be prepared and made available to help keep members abreast of current developments.

Markets in Financial Instruments Directive II (MiFID II): As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could “opt up” to professional client status, providing certain criteria was met. This included having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the Council have at least a year’s relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Council has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. As a result, the Council will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

6. Background papers

Local Government Act 2003 – Guidance under section 15(1)(a) 3rd Edition, effective from 1 April 2018.

The CIPFA ‘Treasury Management in the Public Services’ Code of Practice Revised Edition 2017.

CIPFA Prudential Code for Capital Finance in Local Authorities: Revised Edition 2017.

Note: For sight of individual background papers please contact the report author.

Appendix A

Treasury Management Policy Statement

Introduction and Background

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the code), as described in Section 5 of the Code

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management: -

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.

- Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. Full Council Members) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review, and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance as Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Policies and Objectives of Treasury Management Activities

2.1 The Council defines its treasury management activities as: -

> *"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important but are secondary considerations.

<u>SCC Lending Counterparty Criteria 2019-20</u> Appendix B

The following criteria will be used to manage counterparty risks to Somerset County Council Investments for new deposits / investments from the time that the new Treasury Management Strategy is passed by Full Council at its meeting in February 2019.

Please note that the limits in this appendix apply only to Treasury Management Investments, not to those detailed in the Separate Investment Strategy.

Where deposits held were made under previous criteria, there will be no compulsion to terminate those deposits to meet new criteria, where a penalty would be incurred.

Deposits - Any Financial Institution that is authorised by the Prudential Regulation Authority to accept deposits, or is a passported EEA institution, which is entitled to accept deposits in the UK, or is a UK Building Society can be lent to, subject to the rating criteria below at the time of the deposit.

Unrated Building Societies
Unrated Building Societies as identified by Treasury Advisors can be used, with a maximum of £1m per Society and a maximum maturity of 1 year.

Marketable Instruments – Any bank, other organisation, or security whose credit ratings satisfy the criteria below: -

Rating of Counterparty or Security
<u>Deposits or instruments of less than 13 months duration (Refer to long-term ratings)</u>
Fitch A- or above
S&P A- or above
Moody's A3 or above

The maximum deposit / investment amount for any authorised counterparty or security that has as a minimum at least two ratings of the three above will be £20m. This is approximately 8.0% of maximum balance, 9.2% of average balance for the year to 31st December 2018-19. The % may be significantly less if borrowing up to the CFR is taken early in the year.

The maximum deposit / investment amount for any authorised counterparty or security that has as a minimum - Fitch AA-, S&P AA-, and Moody's Aa3, will be £25m. This is approximately 10.0% of maximum balance, 11.5% of average balance for the year to 31st December 2018-19. The % may be significantly less if borrowing up to the CFR is taken early in the year.

<u>Deposits or instruments of more than 13 months duration (Refer to long-term ratings)</u>
Fitch AA- or above
S&P AA- or above
Moody's Aa3 or above

The maximum deposit / investment amount for more than 13 months for any authorised counterparty or security that has as a minimum at least two ratings of the three above will be £10m. This figure is to be included in the overall figure above.

The allowed deposit amounts above are the single maximum per counterparty at any one time, and that counterparty or security must be rated as above or better by at least two of the three agencies. Short-term ratings will be monitored and considered in relative rather than absolute terms.

It remains the Council's policy to suspend or remove institutions that still meet criteria, but where any of the other factors below give rise to concern. Also, when it is deemed prudent, the duration of deposits placed is shortened or lengthened, depending on counterparty specific metrics, or general investment factors.
Where deposits held were made under previous criteria, there will be no compulsion to terminate those deposits to meet new criteria, where a penalty would be incurred.

Operational Bank Accounts
As the Council's current bankers, Nat West are currently within the minimum criteria. If they should fall below criteria, the instant access Call Account facility may still be used for short-term liquidity requirements and business continuity arrangements. This will generally be for smaller balances where it is not viable to send to other counterparties or in the event of unexpected receipts after the daily investment process is complete. Money will be placed in the instant access Nat West call account overnight.

Public Sector Bodies
Any UK Local Authority or Public Body will have a limit of £15m and a maximum maturity of 5 years.

The UK Government, including Gilts, T-Bills, and the Debt Management Office (DMADF) will be unlimited in amount and duration.

The table below gives a definition and approximate comparison of various ratings by the three main agencies: -

Definitions of Rating Agency Ratings

	Fitch		Moody's		S&P	
Short-Term	F1+	Exceptionally strong	P-1	Superior	A-1+	Extremely strong
	F1	Highest quality			A-1	Strong
	F2	Good quality	P-2	Strong	A-2	Satisfactory
	F3	Fair quality	P-3	Acceptable	A-3	Adequate
	B	Speculative	NP	Questionable	B and below	Significant speculative characteristics
	C	High default risk				
	(+) or (-)		(1,2, or 3)		(+) or (-)	
Long-Term	AAA	Highest quality	Aaa	Exceptional	AAA	Extremely strong
	AA	V High quality	Aa	Excellent	AA	Very strong
	A	High quality	A	Good	A	Strong
	BBB	Good quality	Baa	Adequate	BBB	Adequate capacity
	BB	Speculative	Ba	Questionable	BB and below	Significant speculative characteristics
	B	Highly Speculative	B	Poor		
	CCC	High default risk	Caa	Extremely poor		

Financial Groups
For Financial Groups (where two or more separate counterparties are owned by the same eventual parent company) investments can be split between entities, but an overall limit equal to the highest rated constituent counterparty within the group will be used.

Country Limits
Excluding the UK, there will be a limit of £30m. This is approximately 12.0% of maximum balance, 13.6% of average balance for the year to 31st December 2018-19. The % may be significantly less if borrowing up to the CFR is taken early in the year.

Money Market Funds
With regulatory changes now effected, previously titled Constant Net Asset Value (CNAV) Money Market Funds have been converted into Low Volatility Net Asset Value (LVNAV) funds. Any LVNAV Fund used must be rated by at least two of the main three ratings agency, and must have the following, (or equivalent LVNAV) ratings.

Fitch AAAmmf | Moody's Aaa-mf | Standard & Poor's AAAm

Subject to the above, deposits can be made with the following limits: -
The lower of £15m or 0.5% of the total value for individual Funds.
No more than 50% of total deposits outstanding are to be held in LVNAV MMFs.

VNAV Pooled Funds
Currently, not all Variable Net Asset Value (VNAV) Funds carry a rating. Many VNAV bond funds are not rated. Equity, multi-asset and property funds are also not credit rated. The decision to invest in a particular asset class or fund will be based on the evaluation of the risk/reward characteristics including volatility, expected income return and potential for capital growth.

No more than £30m of total deposits outstanding are to be held in VNAV Funds (excluding LVNAV MMFs).

Other Indicators
The Council will continue to use a range of indicators, not just credit ratings. Among other indicators to be taken into account will be: -

- Credit Default Swaps and Government Bond Spreads.
- GDP, and Net Debt as a Percentage of GDP for sovereign countries.
- Likelihood and strength of Parental Support.
- Banking resolution mechanisms for the restructure of failing financial institutions, i.e. bail-in.
- Share Price.
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.
- Underlying securities or collateral for 'covered instruments'.
- Other macroeconomic factors

Appendix C

Arlingclose Economic Outlook & Interest Rate Forecast

Economic Outlook

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019-20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year on year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continue to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

Credit Outlook

The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest rate forecast

Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity *(at the time of writing this commentary in mid-December).* As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

The table below highlights the forecast for key benchmark rates

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.17**
Arlingclose Central Case	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.13**
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	**-0.85**
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	**0.17**
Arlingclose Central Case	**0.90**	**0.95**	**1.10**	**1.30**	**1.40**	**1.40**	**1.40**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.27**
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	**-0.76**
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.33**
Arlingclose Central Case	**1.15**	**1.25**	**1.35**	**1.50**	**1.70**	**1.60**	**1.50**	**1.40**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.40**
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	**-0.77**
5-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.15**	**1.25**	**1.35**	**1.50**	**1.50**	**1.40**	**1.35**	**1.35**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**	**1.33**
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.66**
10-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.50**	**1.65**	**1.70**	**1.80**	**1.80**	**1.75**	**1.75**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	**-0.71**
20-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**2.00**	**2.10**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.18**
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
50-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.90**	**1.95**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**1.99**
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Underlying assumptions:

- Our central interest rate forecasts are predicated on there being a transitionary period following the UK's official exit from the EU.

- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.

- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.

- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.

- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.

- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.

- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.

- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitionary period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

Appendix D

SOMERSET COUNTY COUNCIL

TREASURY MANAGEMENT PRACTICES

Version 5: May 2016

Approved by Section 151 Officer

…………………………… Date…………………

Approved by Deputy Section 151 Officer

…………………………… Date…………………

Introduction

The overriding legislation governing Treasury Management in Local Authorities is the Local Government Act 2003. Statutory Instrument 3146, the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, states that: -

> *"In carrying out its functions under Chapter 1 of Part 1, a local authority shall have regard to the code of practice contained in the document entitled "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" published by CIPFA, as amended or reissued from time to time".*

Furthermore, the Act states that: -

> *"In complying with their duties under section 3(1) and (2) (duty to determine affordable borrowing limit), a local authority and the Mayor of London shall have regard to the code of practice entitled the "Prudential Code for Capital Finance in Local Authorities" published by CIPFA, as amended or reissued from time to time".*

This code requires the setting of a number of Prudential Indicators, benchmarks within which, Treasury and Investment Management, and Capital Financing are managed. The first Prudential Indicator in respect of treasury management is that the Council has adopted the CIPFA TM Code.

The Office of the Deputy Prime Minister, (now Communities and Local Government) issued guidance on Local Government Investments under section 15(1) of the LGA 2003. Revised guidance is effective from 1st April 2010. The overriding aim of the guidance is to encourage authorities to invest prudently, without burdening them with detailed prescriptive regulation.

The guidance defines a prudent investment policy as having two objectives: achieving first of all security (protecting the capital sum from loss) and then liquidity (keeping the money readily available for expenditure when needed). The generation of investment income is distinct from these prudential objectives and is accordingly not a matter for the guidance. However, that does not mean that authorities are recommended to ignore such potential revenues. Provided that proper levels of security and liquidity are achieved, it may then (but only then) be reasonable to seek the highest yield consistent with those priorities. This widely recognised investment policy is sometimes more informally and memorably expressed as follows: -

__S__ecurity - __L__iquidity -__Y__ield ...in that order!

This serves to demonstrate the link from legislation through to regulation and the importance of the CIPFA Codes. The Council adopts the content and the spirit of the Prudential and TM codes.

In formulating the annual Treasury Management and Annual Investment Strategies, and the setting of Prudential Indicators, SCC adopts the Treasury Management Framework and Policy recommended by the CIPFA TM Code. These are outlined overleaf: -

Treasury Management Policy Statement

Introduction and Background

1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the code), as described in Section 5 of the Code

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management: -

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.

- Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

1.3 The Council (i.e. full Council Members) will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review, and an annual report after its close, in the form prescribed in its TMPs.

1.4 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance & Performance as Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

1.5 The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Policies and Objectives of Treasury Management Activities

2.1 The Council defines its treasury management activities as: -

> "The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

2.4 The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important, but are secondary considerations.

CIPFA recommends that an organisations treasury management practices include those of the following that are relevant to its treasury management powers and the scope of its' treasury management activities:

TMP1 Risk Management

TMP2 Performance measurement

TMP3 Decision-making and analysis

TMP4 Approved instruments, methods and techniques

TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP6 Reporting requirements and management information arrangements

TMP7 Budgeting, accounting and audit arrangements

TMP8 Cash and cash flow management

TMP9 Money laundering

TMP10 Training and qualifications

TMP11 Use of external service providers

TMP12 Corporate governance

Each of the twelve Treasury Management Practices is set out on the following pages, and fuller notes are provided in Schedules A to M, where it is felt that more detailed information would be helpful, or to explain how each of the Practices is managed.

Whilst it is envisaged that the Treasury Management Practices will not change unless CIPFA's guidance were to be amended, the notes in the Schedules will be subject to regular review and amended where necessary in line with new regulation, guidance, market developments, or any other factors which may from time to time affect the operations of the treasury management function. Any suggested amendments will be brought to a monthly treasury management meeting, and will be ratified by the Director of Finance & Performance (Section 151 Officer)

Kevin Nacey
Director of Finance & Performance (Section 151 Officer)

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SCHEDULES TO THE TREASURY MANAGEMENT PRACTICES

TMP1 RISK MANAGEMENT

General statement

The responsible officer, currently the Director of Finance & Performance (Section 151 Officer), will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting requirements and management information arrangements*.

In respect of each of the following risks, the arrangements, which seek to ensure compliance with these objectives, are set out in the appendix to this document.

[1] Credit and counterparty risk management

SCC regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 *Approved instruments methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

[2] Liquidity risk management

SCC will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

SCC will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

[3] Interest rate risk management

SCC will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 *Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

[4] Exchange rate risk management

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

[5] Refinancing risk management

SCC will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

[6] Legal and regulatory risk management

SCC will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 [1] C*redit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

SCC recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

[7] Fraud, error and corruption, and contingency management

SCC will ensure that it has identified the circumstances, which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

[8] Market risk management

SCC will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 Performance measurement

SCC is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

TMP3 Decision-making and analysis

SCC will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

TMP4 Approved instruments, methods and techniques

SCC will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 *Risk management.*

Where SCC intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. SCC will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements.

SCC considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when SCC intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfill all such responsibilities in accordance with the organisation's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management.*

TMP6 Reporting requirements and management information arrangements

SCC will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:
SCC (i.e. Full Council) will receive: -

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the SCC treasury management policy statement and TMPs.

The Senior Management Team will receive regular (monthly) monitoring reports on treasury management activities and risks.

The body responsible for scrutiny, such as audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.
Local authorities should report the treasury management indicators as detailed in their sector specific guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

TMP7 Budgeting, accounting and audit arrangements

The responsible officer will prepare, and SCC will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement,* and TMP4 *Approved instruments, methods and techniques.* The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements.*

SCC will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of SCC will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 [2] *Liquidity risk management.*

The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

TMP9 Money laundering

SCC is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this, are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

TMP10 Training and qualifications

SCC recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that Council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The present arrangements are detailed in the schedule to this document.

TMP11 Use of external service providers

SCC recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons, which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies.

Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

TMP12 Corporate governance

SCC is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

SCC has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

1.1 Credit and counterparty risk management

Credit and counter-party risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Council recognises its responsibility to the prudent management of public funds, and follows relevant Government guidance. The Office of the Deputy Prime Minister, (now Communities and Local Government) issued guidance on Local Government Investments under section 15(1) of the LGA 2003. This has been revised and revisions are effective from 1st April 2010. The overriding aim of the guidance is to encourage authorities to invest prudently, without burdening them with detailed prescriptive regulation.

The guidance defines a prudent investment policy as having two objectives: achieving first of all security (protecting the capital sum from loss) and then liquidity (keeping the money readily available for expenditure when needed). The generation of investment income is distinct from these prudential objectives and is accordingly not a matter for the guidance. However, that does not mean that authorities are recommended to ignore such potential revenues. Provided that proper levels of security and liquidity are achieved, it may then (but only then) be reasonable to seek the highest yield consistent with those priorities. This widely-recognised investment policy is sometimes more informally and memorably expressed as follows:

__S__ecurity - __L__iquidity -__Y__ield ...in that order!

Consequently, SCC will seek to optimise returns commensurate with the management of the associated risks.

1.1.1 Criteria to be used for creating and managing an approved counterparty list and limits

The Director of Finance & Performance (Section 151 Officer) will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct criteria comprising time, type, sector and specific counterparty limits. Members will approve criteria at least annually, as part of the AIS/TMSS.

Credit ratings remain a key source of information, but it is important to recognise that they do have limitations. Credit ratings are only used as a starting point when considering credit risk.

Officers will use credit rating criteria in order to assist selection of creditworthy counterparties for placing investments with. Credit ratings will be used as sourced from all of the following credit rating agencies: -

Fitch Ratings
Moody's
Standard & Poor's

The Council will use ratings and information from all three ratings agencies where available (some institutions are only rated by one agency, some by two, some by all three), as part of its counterparty criteria.

SCC will remain vigilant to changes in ratings, with reference to information available on the website of the three rating agencies and other sources. All ratings for any proposed counterparty will be verified on the day, before any investment is made. The only exception to this will be when an additional deposit of less than £5m is made to an existing call, or money market fund account.

If a downgrade results in the counterparty or investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately. Changes to ratings of current and most often used counterparties are also highlighted at the monthly TM meeting. Any changes to ratings that put the counterparty below the rating criteria whilst they hold a deposit will be brought to the attention of the Director of Finance & Performance (Section 151 Officer) immediately, with an appropriate response decided on a case-by-case basis.

If any counterparty is placed on Rating Watch Negative, further deposits will be suspended until the reasons have been established. Further action will depend on the current rating and possible re-rating. This will be closely monitored with an appropriate response decided on a case-by-case basis.

Sovereign credit ratings will be monitored and acted on as for financial institution ratings.

Current counterparty criteria can be found in the AIS within the Treasury Management Strategy Statement (TMSS) that is agreed by Full Council each year.

1.1.2 Approved methodology for changing limits and adding/removing counterparties

All ratings of currently approved counterparties are reported at the monthly TM meeting. Proposals for any new counterparties will be discussed and agreed at this meeting. Email confirmation, or a letter to the counterparty will be obtained from the Director of Finance & Performance (Section 151 Officer), and the decision recorded in the minutes of the meeting. Limits are approved annually as part of the AIS and any revision to these would require Full Council approval.

1.1.3 List of approved counterparties and date of formal approval

In order to ensure that the approved counterparty list is at all times up to date, a separate schedule will be kept (Schedule N). As soon as a change is authorised by the Director of Finance & Performance (Section 151 Officer), this will be updated.

1.1.4 Country, sector, and group listings and limits

These form part of the AIS that is approved by Full Council each year.

1.1.5 Use of credit rating agencies’ services

SCC is a registered user of all three stated rating agency websites. It does not subscribe to the detailed research element, but has free access to all ratings, and notification of ratings changes.

1.1.6 Use of other sources of information for risk assessment

To supplement information from ratings agencies, relevant information from various publications is continuously garnered and assessed to help build a bigger picture, to help identify generic and specific counterparty risk.

As had previously been the case with SCC, and is now a requirement of the revised CLG guidance, SCC will use a range of indicators to assess counterparties, not just credit ratings. Among other indicators to be taken into account will be:-

- Credit Default Swaps and Government Bond Spreads.
- GDP, and Net Debt as a Percentage of GDP for sovereign countries.
- Likelihood and strength of Parental Support.
- Government Guarantees and Support, including ability to support.
- Share Price of listed institutions.
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.

Supplementary information is sourced daily by reference to the quality press, Internet sources, Bloomberg terminals, and emails from broking and investment houses. There is also regular ongoing contact with a panel of money market brokers, money market fund managers, and other investment industry specialists.

1.2 Liquidity risk management

Liquidity risk is the risk that cash will not be available when it is required. This can jeopardise the ability of SCC to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Director of Finance & Performance (Section 151 Officer) will therefore have sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected occurrences. He will also seek to ensure that SCC cash flow forecasting gives as accurate a picture as possible of the movement and timing of income and expenditure and the resulting residual daily cash balances.

1.2.1 Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day. Borrowing, calling on Call A/c or Money Market Fund balances, or lending shall be arranged in order to achieve this aim.

1.2.2 The County Council has the following facilities available: -

- Standby facilities – SCC operates a number of call accounts, each with differing features in relation to minimum balances to be maintained, number of permitted withdrawals during certain periods, and rates paid. SCC will retain balances within these accounts only when it is more advantageous than placing them on short-term deposits.

- Bank overdraft arrangements - An overdraft at 1.75% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Council's accounts, and is agreed annually via a formal document signed by the Director of Finance & Performance (Section 151 Officer).

- Short-term borrowing facilities - The Council can access temporary loans through approved brokers on the London money market.

- Insurance/guarantee facilities - There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

1.2.3 Policy on borrowing in advance of need

The overriding objective for all approved borrowing is that it will be carried out in line with the CIPFA TM Code, i.e. that performance measurement should consider risk as well as return (borrowing rate). Priority will be given to risk management, and then the pursuit of minimising rate. There are many circumstances that may force borrowing at rates higher than the lowest achievable rate, but may be directly attributable to good risk management or differing risk tolerances. These may include:-

- Taking loans of a stated maturity regardless of rate to ensure the desired maturity profile and thereby reduce refinancing risk.
- Taking Lender's Options Borrower's Option (LOBO) loans with greater regard to the structure rather than the cheapest rate where optionality exposes the Authority to refinancing, liquidity, and interest rate risk.
- Taking LOBO loans that dovetail with existing LOBO optionality.
- It may not be policy to borrow in advance of need even though it may be generally accepted that rates will go higher in the near future.
- It may be prudent to wait until capital expenditure has been incurred before loans are taken, even though rates may increase in the interim.

Actual borrowing undertaken and the timing will depend on timing of income and capital expenditure, interest rate forecasts, and market conditions during any given year. This may include borrowing in advance if after suitable risk analysis (including evaluating the cost of carry), market conditions and interest rates are deemed advantageous at that time. The short-term investment of these monies, until they are needed, will follow the same rigorous policies and criteria as the rest of the Council's investment balances.

1.3 Interest rate risk management

1.3.1 Interest Rate Monitoring

Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in the income contained in the annual estimates. The Director of Finance & Performance (Section 151 Officer) will seek to minimise this risk by continuously monitoring interest rates, and particularly the economic indicators that influence their movement. As well as daily contact with a number of brokers, the opinions of expert analysts are sourced through various market publications.

The direction and timing of potential interest movements and their implications for SCC are discussed at the monthly TM meeting. A 'house view' is then taken, and recorded in the minutes.

1.3.2 Interest Rate Strategy

Appropriate strategy, limits and trigger points are set in light of interest rate expectations, and are incorporated into the Treasury Management and Annual Investment Strategy Statements (together with the Prudential Indicators, they form the body of the Treasury Management Strategy Statement or TMSS). Strategy, limits and trigger points will be monitored during the relevant year to identify whether modifications are required in light of actual movements in interest rates.

The annual Prudential Indicators via theTMSS will set out details of the following: -

- Approved interest rate exposure limits
- Upper limit for fixed interest rate exposure and
- Upper limit for variable interest rate exposure

1.3.3 Trigger points for borrowing/investments

Trigger points and other guidelines for taking advantage of changes to interest rate levels are discussed at the TM monthly meeting and decisions are recorded in the minutes.

Officers will review the Treasury Management Strategy Statement during the year to see whether any modifications are required in the light of actual movements in interest rates.

1.3.4 Policies concerning the use of instruments for interest rate management

- Forward dealing - Consideration will be given to dealing from forward periods dependant upon market conditions. When forward dealing is more than three months forward, the approval of the Director of Finance & Performance (Section 151 Officer) is required or in his absence, the Deputy Section 151 Officer (Strategic Manager-Finance Technical).

- Structured Investments - The Council may use Callable deposits, Snowballs, Escalators, Range Trades, or other such structured investments as it deems prudent, as part of its overall investment portfolio strategy. The limits for their use in any given year will be set out in the Annual Investment Strategy (AIS).

- LOBOs (borrowing under lender's option/borrower's option) - Use of LOBOs will be considered as part of the annual borrowing strategy. Specific approval of the Director of Finance & Performance (Section 151 Officer) is required (or in his absence, the Strategic Manager-Finance Technical).

An explanation of a LOBO loan, and the various structured investments mentioned can be found at schedule M.

1.3.5 Policy concerning the use of derivatives for interest rate risk management

Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the authority does not intend to use derivatives.

Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require Full Council approval.

1.4 Exchange rate risk management

Exchange rate risk is the risk that unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes. It will also seek to minimise what risk it does have by using the policies below.

1.4.1 Approved criteria for managing changes in exchange rate levels

As a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.

SCC maintains a Euro account with its current bankers. This allows income to be received without incurring exchange costs for each transaction. A number of one-off, and recurring monthly payments are also made from the account. A relatively small balance is maintained, for which interest is now received.

The Council will consider the use of a hedging strategy to control and add certainty to the sterling value of any transactions, if values are judged by the Director of Finance & Performance (Section 151 Officer) to be significant.

1.4.2 Policy concerning the use of derivatives for exchange rate risk management

Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the authority does not intend to use derivatives.

Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require full Council approval.

1.5 Refinancing risk management

Refinancing risk is the risk that when loans or other forms of capital financing mature, that they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets. These budgets have therefore been set at a level after considering as many factors and rate forecasts as possible and this risk has thus been reduced to a level that is perceived as acceptable.

1.5.1 Debt/other capital financing, maturity profiling, policies and practices

The Council will establish through its Prudential Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- The generation of cash savings at minimum risk
- To reduce the average interest rate
- To amend the maturity profile and /or the balance of volatility of the debt portfolio.

1.5.2 Projected Capital Investment Requirements

The Director of Finance & Performance (Section 151 Officer) will prepare a three-year plan for capital expenditure for the Council. This is approved by members. The capital plan will be used to prepare a three-year revenue budget for all forms of financing charges.

Under the new capital financing system, the definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice.

1.5.3 Policy concerning limits on affordability and revenue consequences of Capital Financing

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on Council tax. It will also take into account affordability in the longer term beyond this three-year period.

The Council will use the definitions provided in the Prudential Code for borrowing (83), capital expenditure (84), debt (86), financing costs (87), investments (88), net borrowing (89), net revenue stream (90), other long term liabilities (91).

1.6 Legal and regulatory risk management

Legal and regulatory risk is the risk that either the Council, or a third party which it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

1.6.1 References to relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. The major relevant documents currently are:

- Local Government Act 2003
- CIPFA Prudential Code for Capital Finance in Local Authorities: Revised Edition 2011
- CIPFA Treasury Management in the Public Services Codes of Practice and Cross-Sectoral Guidance Notes: Revised Edition 2011
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM November 2009, effective from 1/04/2010
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- CIPFA Standard of Professional Practice on Treasury Management 1995
- LAAP Bulletin 55 CIPFA's Guidance on Local Authority Reserves and Balances
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Conduct Authority's Code of Market Conduct (MAR1)
- PWLB annual circular on Lending Policy
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.6.2 Procedures for evidencing the Council's powers/authority to counterparties

The Council's powers to borrow and invest are contained in legislation as follows:

Investing: Local Government Act 2003, section 12
Borrowing: Local Government Act 2003, section 1

SCC will bring this to the attention of interested counterparties as necessary.
Evidence of the SCC scheme of delegation, and the individual officers authorised to deal on behalf of the Council is sent to new counterparties.

1.6.3 Required information from counterparties concerning their powers / authorities

Lending will only be made to counterparties who fulfill the prevailing counterparty criteria.

When lending directly to a new counterparty, a list of permitted contacts is requested, along with Standard Settlement Instructions (SSIs) and bank details on headed paper.

When lending via a broker we rely on the broker to provide bank details and payment instructions.

1.6.4 Statement on the Council's political risks and management of same

The Director of Finance & Performance (Section 151 Officer) shall take appropriate action with the Council, the Chief Executive, and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

1.6.5 Responsibility for ensuring legality of Treasury Management function

The Monitoring Officer is the Strategic Manager - Governance and Risk. The duty of this officer is to ensure that the treasury management activities of the Council are lawful.

The Chief Financial Officer (Section 151 Officer) is the Director of Finance & Performance; the duty of this officer is to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

1.7 Fraud, error and corruption, and contingency risk management

Fraud, error and corruption risk is the risk that the Council may fail to employ adequate systems, procedures and other arrangements that identify and prevent losses through such occurrences.

1.7.1 Fraud, Corruption, and Anti-Money Laundering Policies and Practices

The Council has a fraud and corruption, and an anti-money laundering policy in place. All members of the Investments team are familiar with the policies, which are posted on the SCC Internet site.

The Council is committed to the use of procedures and practices that will reduce the risk of the above, and will therefore: -

- Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal procedures that minimise such risks.
- Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
- Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.
- Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.7.2 Details of systems and procedures to be followed, including internet services

Authority

1) The Scheme of Delegation to Officers sets out the delegation of duties to officers.
2) All loans and investments are negotiated by the Principal Investment Officer, or in his absence, the Funds and Investments Manager, the Senior Investment Officer or Deputy Senior Investment Officer (the dealer).
3) Cash movements and justification for Loan(s) are verified by one of a panel of checkers, with resulting CHAPS, BACS, International payments and Inter-Account Transfers being authorised by a designated senior finance officer, via Nat West proprietary on-line systems, using passwords and CHIP & PIN technology.

Procedures

A fully documented procedures guide is kept for reference. This provides a very brief and simplified outline of the key stages for daily Treasury Management.

1) Overall daily balances are determined from downloaded bank information. ENPA and SWRB balances are separately identified and transfers to or from the main SCC bank account are affected to bring balances back to zero.
2) Payments or receipts of loans or loan interest are identified via the Treasury Management database.
3) Other payments / receipts are identified from the cash flow element of the TM database and other sources.
4) Excess cash will be invested according to security of investment, liquidity needs and prevailing market rates. Shortfalls will be covered by money in call accounts or short-term borrowing.

Investment and borrowing transactions

1) A detailed register of all loans and investments is maintained in the TM database. This is updated immediately after loans have been agreed. Accuracy of this is verified by the daily checking process.
2) Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the dealer for resolution. This acts as a second verification for accuracy of the database.
3) A broker note showing details of the loan arranged confirms all transactions placed through brokers. Any discrepancies are immediately reported to the broker, for resolution.

Regularity and security

1) Lending is only made to institutions that fulfill the relevant counterparty criteria.
2) The TM database prompts the dealer that money borrowed or lent is due to be repaid.
3) All loans raised and repayments made go directly to and from the bank account of approved counterparties.
4) Counterparty limits are set for every institution that the Council invests with.
5) Brokers have a list of SCC counterparty criteria and named officials authorised to agree deals.
6) Counterparties with whom SCC deals directly have a list of officials authorised to agree deals.
7) There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
8) No member of the treasury management team is an authorised signatory for payments made from any SCC account.

9) Payments are verified by one of a panel of checkers. Payments entered onto the Nat West proprietary system can only be authorised by nominated senior officers.
10) The Nat West Bankline system can only be accessed by password, and authorisation can only be achieved by using CHIP & PIN technology.

Checks

1) One of a panel of checkers verifies that all daily cash movements are accurate, complete, and duly authorised.
2) Entries to the loans database are checked for accuracy and completeness. Reports are presented showing loans outstanding and current balances with counterparties, highlighting the loans made that day, and their effect on balances held with counterparties.
3) Where investments are made, current ratings of counterparties are attached to loan documentation, giving the checker and ultimately the authoriser, opportunity to verify the counterparty creditworthiness.
4) Entries onto the Nat West system are checked for accuracy and completeness, giving an opportunity for challenge of details.
5) Bank reports are monitored and retained, showing the progressive status of payments. Any variances are immediately investigated and resolved.
6) A reconciliation of payments and receipts is carried out daily from the bank statement to the TM database, and periodically to the financial ledger.
7) Interest, both paid and received is periodically reconciled to bank statements and the financial ledger.

Calculations

1) The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the TM database.

Use of Internet Services

1) The Internet is used for a variety of functions performed during the course of treasury management. The application and the security of SCC instructions and data are paramount. To this effect, all proposed new systems are discussed and risk-assessed in conjunction with the Internal Audit team at SCC, prior to their use.

1.7.3 Emergency and Contingency Planning arrangements

Disaster Recovery Arrangements

All computer files are backed up on the dedicated Investments team server. All systems input are filed separately until a back up of data is taken each night. Having a dedicated server enables files to be accessed from remote sites.

In the event of massive systems failure, SCC has arrangements to go to various partner sites. Treasury Management canl be coordinated from the offices of Nat West, which offer access to systems, information, and personnel, or from home via VPN.

Pension Fund operations can also be coordinated from the offices of TDBC, or Taunton Library. The use of services via the Internet will facilitate these arrangements.

Should travelling to County Hall or other identified sites not be possible, best efforts would be made using home computers and web-based applications, along with mobile communications.

Easy access to hard copies of essential documents and contact details is maintained, to facilitate in an emergency.

1.7.4 Insurance cover details

The Council has 'Fidelity' insurance cover. This covers the loss of cash by fraud or dishonesty of employees.

The Council also has a 'Professional Indemnity' insurance policy, which covers loss to third parties from the actions and advice of its Officers, which are negligent and without due care. This cover is limited to £20m for any one event with an excess of £10,000 for any one event.

The Council also has a 'Business Interruption' cover as part of its property insurance.

1.8 Market value of investments risk management

Market risk is the risk of fluctuations in the principal value of the Council's investments.

1.8.1 Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (Gilts, CDS, etc.)

Gilts, Commercial Paper, CD's and Money Market Funds (MMFs) are among the products that SCC may use, that pose market risk.

For MMFs a maximum percentage is set in the counterparty criteria, as part of the annual AIS. For other tradable instruments, it is always the intention to hold to maturity. It is recognised that it may be prudent to sell and crystalise a loss, and in such circumstances approval would be obtained from the Director of Finance & Performance (Section 151 Officer)

TMP 2 PERFORMANCE MEASUREMENT SCHEDULE B

2.1.1 Evaluation and review of Treasury Management decisions

The Director of Finance & Performance (Section 151 Officer) has a number of approaches to evaluating treasury management decisions: -

- Monthly reviews carried out by the treasury management team
- Annual meetings with, and quarterly reports by Treasury Management advisors
- Annual and mid-year review as reported to Council
- Comparative reviews via CIPFA Benchmarking Club

2.1.2 Periodic reviews during the financial year

The Director of Finance & Performance (Section 151 Officer) and Strategic Manager – Finance Technical hold a treasury management review meeting with senior members of the investments team on a monthly basis, to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts. This will include: -

- Evaluation of borrowing activity during the period under review
- Total debt including average rate and maturity profile
- Total investments including average rate and maturity profile
- Changes to the above from the previous review and against the TMSS
- Counterparty exposure
- Exposures relative to Prudential Indicators
- Future interest rates and strategy are discussed

2.1.3 Mid-year review

A Mid-year Review is submitted to Full Council, which reviews all activities involving the treasury management operation for the first six months of the year. This report contains the following: -

- Total debt and investments at the beginning of the year and at mid-year
- Borrowing activity for the 6-month period compared to strategy
- Investment activity for the 6-month period compared to strategy
- Explanations for variance between original strategies and activities
- Debt rescheduling undertaken in the period
- Actual borrowing and investment rates available through the period
- Comparison of return on investments to the investment benchmark
- Compliance with Prudential Indicators
- Other

2.1.4 Annual Review after the end of the financial year

An Annual Treasury Outturn Report is submitted to Full Council each year after the close of the financial year, which reviews all activities involving the treasury management operation. This report contains the following: -

- Total debt and investments at the beginning and close of the financial year and average interest rates

- Borrowing activity for the year compared to strategy
- Investment activity for the year compared to strategy
- Explanations for variance between original strategies and activities
- Debt rescheduling done in the year
- Actual borrowing and investment rates available through the year
- Comparison of return on investments to the investment benchmark
- Compliance with Prudential Indicators
- Other

2.1.5 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential Indicators are locally set). Data used canl be sourced from: -

- CIPFA Treasury Management statistics published each year for the last complete financial year
- CIPFA Benchmarking Club –Quarterly reports
- Treasury Advisors

When comparing outcomes, it is most important to find out why any variance from other Local Authorities is occurring, and to understand the relative risks of the portfolios. In drawing any conclusions the Council will consider that the risk characteristics of other treasury management operations may differ from those of the Council's. Factors to consider are: -

- Use of different counterparties, by type and name
- Differing views on, and suitability of duration, at a portfolio and counterparty level
- Levels of cash to be invested
- Different advice of Treasury Advisors
- Availability and suitability of various instruments

2.2 Benchmarks and calculation methodology with regard to risk and return

2.2.1 Debt management

The overriding objective for approved borrowing is that it will be carried out in line with the CIPFA TM Code, i.e. that performance measurement should consider risk as well as return (borrowing rate). Priority will be given to risk management, and then the pursuit of minimising rate. There are many circumstances that may force borrowing at rates higher than the lowest achievable rate, but may be directly attributable to good risk management or differing risk tolerances. These may include:-

- Taking loans of a stated maturity regardless of rate to ensure the desired maturity profile and thereby reduce refinancing risk.
- Taking Lender's Options Borrower's Option (LOBO) loans with greater regard to the structure rather than the cheapest rate where optionality exposes the Authority to refinancing, liquidity, and interest rate risk.
- Taking LOBO loans that dovetail with existing LOBO optionality.
- It may not be policy to borrow in advance of need even though it may be generally accepted that rates will go higher in the near future.

- It may be prudent to wait until capital expenditure has been incurred before loans are taken, even though rates may increase in the interim.

There are simple performance benchmarking measures available, i.e. debt rate achieved in relation to average PWLB rates for the year, for any given maturity and type of loan. However, it is suggested that each loan be looked at individually to develop an appreciation of the factors influencing performance, with a view to improving the future processes of treasury decision-making.

CIPFA produces detailed reports of our performance compared with other authorities. Whilst these headline figures can be a useful guide in assessing performance, they should not be seen in isolation. It is important to also assess performance against the stated objectives and specific needs of SCC during the year, and to take a wider view in relation to timeframes and overall risk management. There are many factors that affect treasury performance that are not apparent from the CIPFA reports.

It will be highlighted that each authority will have different needs during any given year. For example, a large capital requirement in a year when borrowing rates are high can have an enormous adverse affect on the overall portfolio performance for years to come. Conversely, a high rate loan that drops out of a small portfolio can make performance look extremely impressive in a year when no activity was undertaken.

The CIPFA reports look at one year in isolation. LOBOs can be taken and reported with a reduced rate initially, but with a big increase after an initial period that is not apparent in the reporting period.

The above caveats aside, these reports can offer insight into specific areas of debt and can be used to challenge and inform prevailing strategy and tactics.

2.2.2 Investment

The overriding aim of SCC is in line with CLG guidance, i.e. to invest prudently. The guidance defines a prudent investment policy as having two objectives: achieving first of all security (protecting the capital sum from loss) and then liquidity (keeping the money readily available for expenditure when needed). It goes on… “Provided that proper levels of security and liquidity are achieved, it may then (but only then) be reasonable to seek the highest yield consistent with those priorities”.

Ordinarily the Council would aim to achieve a performance benchmark such as 0.5% above 7-day Libid over a rolling 3-year period. However it would be prudent for the Council to suspend return-driven performance targets until such time that financial markets return to more normal operations..

The performance of investment returns is measured against the Local Authority universe, and a selected peer-group of nineteen similar Councils via the CIPFA Benchmarking Club.

Similar to the debt portfolio, these headline figures can be a useful guide in assessing performance, but should not be seen in isolation. It is important to take a wider view in relation to timeframes and overall risk management.

There may be different priorities to satisfy revenue or capital requirements. If revenue interest is the priority in a low interest rate environment, the need for extra yield may influence investment decisions.

Overall policy and risk appetite will differ, as will the techniques and tools used to achieve objectives, and as part of risk management.

2.3 Policy concerning best value in Treasury Management

2.3.1 Banking services

The Council's current banking arrangements are for a five-year contract starting in April 2015. Pricing is to be reviewed every three years, to ensure that tariffs, and volume of transactions used for tariffs continue to be value for money and appropriate respectively.

2.3.2 Money-broking services

In addition to direct dealing with counterparts, use is made of money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them.

An approved list of brokers will be established which takes account of both prices (if borrowing is required) and quality of services.

2.3.3 Consultants'/advisers' services

Arlingclose Ltd, have been treasury advisors to SCC since 2009. They provide ongoing independent analysis and advice on market and investment conditions, and the suitability of counterparties among other services. The full schedule of services they provide can be found at 11.1.3.

SCC recognises, as per CIPFA guidance, that, "the overall responsibility for treasury management must always remain with the Council". SCC has always performed its own analysis of market and investment conditions, and the suitability of counterparties. It continues to do so through embedded practices, thereby maintaining the skills of the in-house team. This ensures that services provided by advisors can be challenged, and that undue reliance is not placed on them.

2.3.4 Policy on External Managers (Other than relating to Pension Fund)

The Council's policy at present is to not use External Managers. This position is reviewed on a regular basis.

The delegation of investment management, if appointed, to external managers will entail the following: -

- Formal contractual documentation;
- Agreement on terms for early termination of the contract;
- Setting of investment instruments, constraints/parameters/conditions
- Setting of investment counterparty limits;
- Setting a performance measurement benchmark and a performance target;
- Frequency of performance reporting;

- Frequency of meetings with investment managers;

The activities of any appointed external manager will be regularly reviewed by the Director of Finance & Performance (Section 151 Officer) and reported appropriately.

3.1 Funding, borrowing, lending, and new instruments / techniques

3.1.1 Records to be kept

The Treasury section has a dedicated database system (Logotech), in which all investment and loan transactions are recorded. The following records will be retained: -

- Daily cash balance forecasts
- Rates available on the day, from two brokers (to support investment decision)
- Copy of dealing sheet highlighting rates quoted from direct counterparties, and that sufficient headroom is available for proposed investment
- Confirmation of counterparty ratings
- Deal ticket for all money market transactions
- List of outstanding investments and counterparty limits
- Brokers' confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing / lending institutions
- Other documentation as required to support the decision, i.e. PWLB rates if LOBO taken, Libor rates for range trades.

3.1.2 Processes to be pursued

- Ongoing review of economic factors, and analysis of their impact re opportunities and threats to the debt and investment portfolios
- Cash flow forecasting and analysis
- Debt and investment maturity analysis
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure
- Performance information (e.g. monitoring of actual against budget for debt charges and interest earned).

3.1.3 Issues to be addressed

3.1.3.1 In respect of every treasury management decision made the Council will: -

- Above all be clear about the nature and extent of the risks to which the Council may become exposed
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
- Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive

3.1.3.2 In respect of borrowing and other funding decisions, the Council will: -

- Evaluate economic and market factors to form a view on future interest rates so as to determine the manner and timing of decisions to borrow
- Consider the sources of borrowing, alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships to minimise costs and risks
- Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets
- Seek to reduce the overall level of financing costs / smooth maturity profiles through debt restructuring

3.1.3.3 In respect of investment decisions, the Council will: -

- Consider the optimum period, in the light of cash flow availability and prevailing market conditions
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital
- Determine appropriate credit policy limits and criteria to minimise the Council's exposure to credit and other investment risks

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved activities of the Treasury Management operation

- Borrowing
- Lending
- Debt repayment and rescheduling
- Consideration, approval and use of new financial instruments and treasury management techniques
- Managing the underlying risk associated with the Council's capital financing and surplus funds activities
- Managing cash flow
- Banking activities
- Leasing

4.2 Approved instruments for investments

As investment instruments are constantly being developed and evolved by financial institutions, staff will keep abreast of developments and report to the monthly TM meeting, those that it feels may be considered for use by SCC. The Director of Finance & Performance (Section 151 Officer) has the delegated authority to approve the use of any such investments, subject to what has been approved by members in the AIS/TMSS, and prudential limits.

Those currently used, or that are proposed to be used in the next year, will be detailed in the AIS, as part of the TMSS approved by Full Council each year.

4.3 Approved techniques

- Forward dealing
- The use of Snowballs, Range Trades, Escalators, Callable deposits, or any other structured investment approved by the Director of Finance & Performance (Section 151 Officer)
- LOBOs - lenders' option, borrowers' option borrowing instrument

4.4 Approved methods and sources of raising capital finance

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance. These are: -

On Balance Sheet	Fixed	Variable
PWLB (Loans issued by HM Treasury)	●	●
Market Loans (including LOBOs)	●	●
Market (temporary)	●	●
Local Authorities	●	●
Local Bonds	●	
Overdraft		●
Internal (capital receipts & revenue balances)	●	●

Other Methods of Financing

Government and EC Capital Grants
Lottery monies
PFI/PPP
Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Finance & Performance (Section 151 Officer) has authority to take the most appropriate form of borrowing from the approved sources.

4.5 Investment limits

The AIS sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing limits

See the TMSS and Prudential Indicators for agreed annual limits.

4.7 Use of Derivatives

The revised CIPFA TM code requires that the Council must explicitly state whether it plans to use derivative instruments to manage risks.

Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the authority does not intend to use derivatives.

Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require Full Council approval.

In developing a risk management framework governing the use of derivatives, SCC Officers would need to: -

- Ensure full understanding of the product(s)
- Demonstrate the derivative transaction has reduced overall exposure to treasury risks
- Consider whether officers have the skills and experience to identify, evaluate and control the risks involved.

TMP 5 ORGANISATION, CLARITY AND SEGREGATION SCHEDULE E

OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 Limits to responsibilities / discretion at Council / Executive levels

- ✓ Full Council will approve the Prudential Indicators and revise them as and when necessary
- ✓ Full Council will receive and review reports on treasury management policies, strategies, and activities.
- ✓ The Director of Finance & Performance (Section 151 Officer) will be responsible for amendments to the Council’s adopted clauses, treasury management policy statement and treasury management practices.
- ✓ The Director of Finance & Performance (Section 151 Officer) will approve the segregation of responsibilities
- ✓ The Director of Finance & Performance (Section 151 Officer) or Strategic Manager – Finance Technical will receive and review internal and external audit reports and put recommendations to the Audit Committee
- ✓ Approving the selection of external service providers and agreeing terms of appointment will be decided by the Director of Finance & Performance (Section 151 Officer)

5.1.1 Principles and practices concerning segregation of duties

Separate officers must undertake the following duties: -

Dealing	Negotiation and approval of deal – Dealer
	Receipt and checking of brokers confirmation note against loans diary – Finance Assistant
	Reconciliation of cash control account – Corporate Accounting Team (CATS)
	Bank reconciliation – CATS (2)
Checking	Verification of accuracy of information and legitimacy of payments - Panel of approved senior officers
Payment of Deal	Entry onto system - Dealer
	Approval and payment – Approved authorisers
Accounting Entry	Production of transfer note – Dealer
	Processing of accounting entry – Cashiers / CATS

5.1.2 Treasury Management organisation chart

Director of Finance & Performance
(Section 151 Officer)
↓
Strategic Manager - Finance Technical (Deputy Section 151 Officer)
↓
Investments Manager
↓
Principal / Senior Investment Officer
↓
Finance Assistant

5.2 Statement of duties / responsibilities of each treasury post

5.2.1 The Director of Finance & Performance (Section 151 Officer)

The Director of Finance & Performance (Section 151 Officer) will: -

- Submit budgets and budget variations in accordance with Financial Regulations and guidance.

- In setting the prudential indicators, the Director of Finance & Performance (Section 151 Officer) will be responsible for ensuring that all matters are taken into account and reported to the Cabinet so as to ensure the Council's financial plans are affordable, prudent and sustainable in the long term.

- Establish a measurement and reporting process that highlights significant variations from expectations.

- Make reports to the Cabinet under S114 of the Local Government Finance Act 1988 if the Director of Finance & Performance (Section 151 Officer) considers the Council is likely to get into a financially unviable situation.

- Recommend treasury management policy, strategy, and practices for approval, reviewing the same on a regular basis, and monitoring compliance.

- Submit treasury management reports as required to the full Council.

- Review the performance of the treasury management function and promote best value reviews.

- Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.

- Ensure the adequacy of internal audit, and liaise with external audit.

- Recommend on appointment of external service providers in accordance with Council standing orders.

2) The Director of Finance & Performance (Section 151 Officer) has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

3) The Director of Finance & Performance (Section 151 Officer) may delegate his power to borrow and invest to members of his staff. The Treasury Management Team must conduct all dealing transactions, or staff authorised by the Director of Finance & Performance (Section 151 Officer) to act as temporary cover for leave/sickness.

4) The Director of Finance & Performance (Section 151 Officer) will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

5) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Finance & Performance (Section 151 Officer) to be satisfied, by reference to the County Solicitor and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

6) It is also the responsibility of the Director of Finance & Performance (Section 151 Officer) to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

The Director of Finance & Performance (Section 151 Officer) may delegate some or all of the above duties that do not fall under the responsibility of the Section 151 Officer, to the Deputy Section 151 Officer, currently the Strategic Manager – Finance Technical.

5.2.2 The Investments Team will be responsible for: -

1) Execution of transactions and conduct of other day-to-day activities in accordance with the Treasury Management Practices.

2) Adherence to agreed policies and limits.

3) Managing the overall treasury management function.

4) Ensuring appropriate segregation of duties.

5) Monitoring performance on a day-to-day basis.

6) Submitting management information reports to the Director of Finance & Performance (Section 151 Officer).

7) Maintaining relationships with third parties and external service providers and reviewing their performance.

5.2.3 The Monitoring Officer – The Strategic Manager – Governance & Risk

The responsibilities of this post will be: -

1) Ensuring compliance by the Director of Finance & Performance (Section 151 Officer) with the treasury management policy statement and treasury management practices, and that they comply with the law.

2) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.

3) Giving advice to the Director of Finance & Performance (Section 151 Officer) when advice is sought.

5.2.4 Internal Audit

The responsibilities of Internal Audit will be: -

1) Reviewing compliance with approved policy and treasury management practices.

2) Reviewing division of duties and operational practice.

3) Assessing value for money from treasury activities.

4) Undertaking probity audit of treasury function.

In all cases, audits will be conducted using a risk-based approach, identifying, assessing, and recommending mitigation actions relating to treasury management risks.

5.3 Absence cover arrangements

In the absence of the Principal Investment Officer, the responsibility for day-to-day operations of the Treasury Management function rests with the Investments Manager, or the Senior Investment Officer and Deputy.

5.4 Dealing limits

To ensure flexibility and maximum continuity, there are no dealing limits for individual posts

5.5 List of approved brokers

A list of approved brokers is maintained within the Treasury Management Team and a record of all transactions recorded against them. See TMP 11.1.2.

5.6 Policy on brokers' services

It is the Council's policy to allocate business between brokers on an equitable basis whenever possible. However, for similar levels of counterparty risk and liquidity, the broker with the most advantageous rate will be used.

5.7 Policy on taping of conversations

It is the Council's policy not to tape conversations with counterparties or brokers.

5.8 Direct dealing practices

The Treasury Management team deal direct with counterparties in addition to the use of money brokers. A copy of the counterparty Standard Settlement Instructions (SSIs) is required before funds are placed.

5.9 Settlement transmission procedures

All settlements are dealt through the Clearing Houses Automated Payments System (CHAPS) via the SCC bankers' proprietary system. After checking for accuracy and authenticity of counterparty bank details by the checker, one of a pool of authorised signatories sends the payment raised by the Dealer.

5.10 Documentation requirements

For each deal undertaken a record is entered into the TM database, giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), and broker. A print of each deal is attached to the pack of papers along with a revised balances outstanding report and a revised counterparty limits report. Prints of the proposed counterparty rating(s) are also attached. These documents are verified before payments are sent.

Any breach of counterparty limit is referred to the Director of Finance & Performance (Section 151 Officer) or other senior officer, who has the discretion to authorise the breach, dependent on circumstances.

5.11 Arrangements concerning the management of counterparty funds

SCC has a contract to provide treasury management services to the Police and Crime Commissioner for Avon and Somerset. It manages these funds on a segregated basis under contractual arrangements.

SCC manages funds on behalf of Exmoor National Park Authority, and the South West Regional Board. This money is managed on an aggregated funds basis under terms agreed in a Service Level Agreement.

SCC manages funds of other public or not-for-profit organisations via the Comfund. Specified terms and conditions are agreed and signed by participating bodies.

SCHEDULE F

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGMENTS

6.1 Annual Treasury Management Strategy Statement

The TMSS sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to Full Council for approval before the commencement of each financial year. It will also be made available to the Audit Committee.

The formulation of the annual TMSS involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, the Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

The TMSS is concerned with the following elements: -

- Current Treasury portfolio position
- Borrowing requirement
- Borrowing strategy
- Debt rescheduling
- Investment strategy
- Prudential Indicators
- Any extraordinary treasury issue

The TMSS will take into account expected moves in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and consider sensitivities in different scenarios.

6.2 Prudential Indicators

The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential Indicators.

The Director of Finance & Performance (Section 151 Officer) is responsible for incorporating these limits into the annual TMSS, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the Director of Finance & Performance (Section 151 Officer) shall submit the changes for approval to the Council.

6.3 Mid-year review of activity

A mid-year report will be presented to Full Council at the earliest practicable meeting after the end of the first half of the financial year. This report will include the following: -

- ✓ Movement in the debt and investment portfolios during the first six months
- ✓ Significant transactions executed
- ✓ Measurements of performance
- ✓ Monitoring of compliance with approved policy, prudential limits, practices and statutory / regulatory requirements, and reporting of any deviations
- ✓ Risk management

6.4 Annual report on Treasury Management activity

An annual report will be presented to Full Council at the earliest practicable meeting after the end of the financial year. This report will include the following: -

- ✓ A comprehensive picture for the financial year of all treasury policies, strategies, activities and results
- ✓ Movement in the debt and investment portfolios during the year
- ✓ Significant transactions executed
- ✓ Measurements of performance
- ✓ Monitoring of compliance with approved policy, prudential limits, practices and statutory / regulatory requirements, and reporting of any deviations
- ✓ Risk management

6.5 Management information reports

Management information reports will be prepared at regular intervals by the Treasury Management Team and will be presented to the Director of Finance & Performance (Section 151 Officer) at monthly meetings. The reports are used to inform discussion on current, future, and potential risks, past performance and future tactics and operations. They focus on the risks to the achievement of TM objectives, and the tools, techniques, and tactics to mitigate risks.

Management reports will contain the following information: -

1) Movements in interest and money market rates and the yield curve
2) Movements in SCC cash, cash balances, and types of deposit made
3) Performance of investments
4) Comfund performance and details of investments made
5) Current debt portfolios, including analysis of market loans
6) Movements in PWLB and market rates and opportunities / threats arising
7) Current and changes (actual and potential) to ratings of current and potential counterparties
8) Analysis of risk metrics for investment portfolios
9) Compliance with Prudential limits and other stated policies, strategies, codes of practice, and practices
10) Any other treasury management business

SCHEDULE G

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory / Regulatory requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to the Council's treasury management activities.

7.2 Accounting Practices Standards

Due regard is given to the CIPFA Code of Practice on Local Authority Accounting Practices.

7.3 Sample budgets / accounts / Prudential Indicators

The Director of Finance & Performance (Section 151 Officer) will prepare a three-year medium term financial plan with Prudential Indicators for treasury management, which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Director of Finance & Performance (Section 151 Officer) will exercise effective controls over this budget and monitoring of performance against Prudential Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.4 List of information requirements of external auditors

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from the Treasury Management system
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Mid-year and Annual Treasury Outturn Reports
- Treasury Management Strategy Statement and Prudential Indicators
- Information of charges to the Income & Expenditure account in respect of MRP analysed into its constituent parts
- Details of any amounts held on behalf of external bodies and movements in those funds during the year.

TMP 8 CASH AND CASH FLOW MANAGEMENT SCHEDULE H

8.1 Arrangements for preparing cash flow statements

Cash flow projections are prepared regularly. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

Cash flow is recorded on the TM database with as great an accuracy as is possible, to assist in analysis and better future predictions.

All efforts are made to contact various departments prior to the financial year in order to ascertain timings and amounts of grants and other income to be received, or payments to be made.

Cash flow forecasts are updated daily as information flows from payroll, creditors etc pass through the TM team for payment.

8.2 Bank statements procedures

The Corporate Accounting Team receives daily bank statements and a daily download of data from the bank. All amounts on the statement are checked to source data from Treasury Management documents as well as Payroll and Creditor information. The Corporate Accounting Team (CATS) allocates expenditure to codes daily, which helps to identify differences. Cashiers perform the same process for income. CATS also undertake formal bank reconciliation on a monthly basis.

8.3 Payment scheduling and agreed terms of trade with creditors

SCC policy is to pay creditors at the latest possible date within the terms of the creditor. The creditor system is able to apply different terms for each creditor. The Exchequer Team performs this function. The Exchequer team is also responsible for the arrangements for monitoring debtor and creditor levels.

There may be occasions where advantageous terms can be gained by paying in advance of contractual terms. The decision to enter into revised terms will remain with the senior officers responsible for the budget.

8.4 Procedures for banking of funds

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the bankers to deposit in the Council's banking accounts. .

9.1 Procedures for establishing identity / authenticity of lenders

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the Financial Conduct Authority (FCA) website at www.fca.org.uk

When repaying loans, the procedures in 9.2 will be followed to check the bank details of the recipient.

9.2 Methodology for identifying deposit takers

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that fulfill the counterparty criteria approved by Full Council, as part of the Annual Investment Strategy. Where these are deposits, they will only be placed with a Financial Institution that is authorised by the Prudential Regulation Authority to accept deposits, is a Building Society incorporated in the UK, or is a passported EEA institution.. A 'List of Banks' is published by the Prudentioal Regulation Authority (PRA) and can be accessed through the Bank of England website http://www.bankofengland.co.uk/pra/Pages/authorisations/banksbuildingsocietieslist.aspx . The exceptions to this are other Local Authorities and the DMO.

Where a counterparty is contracted via a broker, the broker confirms bank details. Where SCC has previously used the counterparty, details are checked against those currently held. Any changes are confirmed by the broker and by the counterparty on headed paper. When a broker introduces a new counterparty, SSIs on headed paper are requested.

When dealing with counterparties direct, a copy of SSIs is requested, as well as a list of contacts that are authorised to transact and / or provide information.

All payment transactions are carried out via CHAPS, for making deposits or repaying loans.

9.3 Proceeds of Crime Act 2002 (POCA)

Please find below an explanation of the current responsibilities of local authorities: -

The Proceeds of Crime Act 2002 imposes an obligation on any person or other body that undertakes a regulated activity as defined by the Act to report any incident that leads them to suspect that an individual or other body is making transactions with the proceeds of any criminal activity. This is an extension of the obligations previously imposed principally on financial services organisations and employees under money laundering legislation. The money laundering legislation, as reinforced by the FSA guidance, made it clear that an organisation had to nominate a money laundering reporting officer, MLRO, through whom suspicious transactions had to be reported and it was incumbent on the MLRO to decide if these transactions had to be reported to the National Criminal Investigation Service (NCIS), being the police body charged with dealing with these matters.

The question therefore arises as to whether organisations now caught under the provisions of the Proceeds of Crime Act (POCA) have to also nominate a MLRO. There is nothing that states that an MLRO has to be nominated and indeed, a number of organisations that are caught by POCA would not have a direct regulator to notify. However, it is equally clear that such organisations must have a process in place whereby employees can alert management of activities that may fall under POCA and that process must make it clear to whom an internal report has to be made. Therefore, whether called an MLRO or not, under their internal processes organisations need to appoint a senior officer (F.D., Treasurer, Head of Legal) to whom suspicions must be reported and who is responsible for deciding whether to pass the report to NCIS.
NCIS
PO BOX 8000
LONDON SE11 5EN

www.ncis.co.uk

The Director of Finance & Performance (Section 151 Officer) is conversant with the requirements of the Proceeds of Crime Act 2002 and will train the following staff in being diligent to be alert for suspicious transactions: -

- Treasury management
- Cashiers section
- Other as appropriate

The Council has appointed the Strategic Manager – Finance Controls & Standards to be the responsible officer to whom any suspicions that transactions involving the Council may include a party who is involved in criminal activity. Suspicious transactions will be investigated as far as the Council is in a position to do so or it is appropriate for the Council to do so, and if doubts remain, these transactions will then be reported to the National Criminal Investigation Service.

9.4 Other relevant Legislation

Money Laundering Regulations 2007 - SCC has written Anti Money Laundering, and Anti Fraud and Corruption Policies, which are available on the intranet. The Investments Team is aware of these policies.

Terrorism Act 2000 – Local Authorities are subject to full provisions

Bribery Act 2010 – Local Authorities should be mindful of its requirements

10.1 Details of approved training courses

SCC does not currently subscribe to membership of the CIPFA Treasury Management Network, but attends seminars on an ad hoc basis. to keep abreast of relevant industry and market developments, and to share best practice with practitioners from other Local Authorities and Public Services.

There is no list of approved training courses maintained, but sources of training and contents of courses and seminars are received frequently from a host of external suppliers. In line with the Council Line Management & Annual Review (LMAR), courses deemed suitable will be suggested and approved accordingly. These may be provided by CIPFA, ratings agencies, or money brokers etc.

10.2 Starting Qualifications

There is a stated minimum level of qualification needed, as part of each job description for the various posts within the Investments team.

The Council recognises the importance that all treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a (LMAR) system, which identifies the training requirements of individual members of staff engaged in treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Director of Finance & Performance (Section 151 Officer) to ensure that all staff under his authority receives any necessary training.

10.3 Statement of Professional Practice (SOPP)

As a member of CIPFA the Director of Finance & Performance (Section 151 Officer) is required to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.4 Details of qualifications & experience of treasury staff - As at May 2016

Investments Manager
- Has experience working within the financial and investment services industry in both the public and private sectors since 1996, and has been heading up the SCC Investments team since March 2003.
- Is a Chartered Financial Analyst and an Associate of the Society of Investment Professionals.
- Holds a BSc (Hons) degree in Accounting and Financial Analysis.

Principal Investment Officer
- Has worked in the SCC investments team since 1998, with the exception of 2 years in the SCC internal audit team.

- Holds a BA (Hons) degree in Business Administration
- Is AAT qualified
- Holds the Investments Administration Qualification from the Securities Institute.

Senior Investment Officer

- Has worked in the SCC investments team for 11 years, and a further 7 years in various accounting functions of SCC
- Is AAT qualified
- Holds the Investment Management Certificate.

10.5 Records of training received by treasury staff

Formal records of training received by treasury staff are kept by the individuals involved. All course material is kept for as long as it is deemed relevant.

10.6 Records of training received by those charged with governance

All new Councillors receive an overview of the treasury management function as part of their induction.

Training opportunities for members are highlighted each year in the TMSS. Invitations to attend CIPFA events relevant to Treasury Management are offered.

Records of any training received are to be kept by those charged with governance.

TMP 11 USE OF EXTERNAL SERVICE PROVIDERS SCHEDULE K

11.1 Details of contracts with service providers, including bankers, brokers, consultants, and advisers

11.1.1 Banking services

- Name of supplier of service is currently Nat West Bank
- The branch address is: 49 North Street, Taunton, TA1 1NB
- Contract commenced 1 April 2015 and runs for five years. Cost of service is variable depending on schedule of tariffs and volumes
- Payments due quarterly

A full tender conducted under EU procurement rules will be undertaken at the end of the current contract.

11.1.2 Money-broking services

In addition to direct dealing, the Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers where rates offered are the same, but the best rate achieved will be the primary factor.

The Principal Investment Officer, on an ongoing basis, evaluates the service levels of brokers and in the event that rates are equal, the broker that has been offering the best service will be given the transaction. Contact with an approved list of 5 brokers (below) is maintained. Appropriate recommendations to change the approved brokers list will be made to the Director of Finance & Performance (Section 151 Officer) at monthly TM meetings.

Current broker contacts: -

- Tullett Prebon
- Tradition UK Ltd
- Sterling International Brokers (Part of BGC Brokers)
- Intercapital (Europe) Ltd
- RP Martin

11.1.3 Consultants' / advisors' services

Treasury Advisor Services

Arlingclose were selected as Treasury Advisora to SCC In February 2009, and have retained the position after a full competitive tender in 2012. Under the schedule of services to be provided, they will: -

1. Provide assistance in compliance with the CIPFA Code of Practice on Treasury Management in respect of policy and strategy statements, Treasury Management Practice maintenance and the reports made to Committee, Cabinet, Scrutiny and Council.

2. Assist in the calculation and setting of the Council's Prudential Indicators.

3. Provide advice in monitoring the Council's internal treasury procedures.

4. Provide economic and interest rate forecasts.

5. Advise the Council on Investment Strategy and its execution.

6. Advise the Council on credit worthiness policy and reconciliation of Council's list of investment counterparties.

7. Hold an annual strategy and review meeting with the Council to set and review treasury strategy and monitor progress in response to changing economic, political and legislative events and circumstances

8. Provide advice and guidance within an agreed strategy on long-term borrowing as well as debt restructuring opportunities including the evaluation of the financial impact of activity on the General Fund in accordance with the Council's adopted treasury strategy, Prudential Indicators and relevant accounting standards.

9. Provide periodic reviews of progress and reassessment of the Council's financial objectives in light of prevailing interest rate forecasts, economic developments and any legislative changes that impact on management of the portfolio.

10. Assist in the monitoring of the Council's debt and investment portfolio performance.

11. Provide training opportunities to officers.

11.1.4 Leasing Consultancy Services

The Council currently uses Chrystal Consulting for leasing consultancy services. They are not paid a set fee, but earn their fees as a percentage of the savings that they make as a result of negotiating a better deal than that first offered by the lessor.

11.1.5 External Fund Managers

None used at present for Treasury Management purposes.

11.1.6 Credit rating agency

The Council does not subscribe to a credit rating service, but has free access to much ratings information through registration with all three major ratings agencies, Fitch, Moody's, and Standard & Poor's.

12.1.1 List of documents to be made available for public inspection

The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

The following documents are available for public inspection: -

- Treasury Management Policy Statement
- Treasury Management Strategy Statement
- Annual Investment Strategy
- Annual Treasury Outturn Report
- Mid-year Outturn Report

- Annual Statement of Accounts
- Annual budget
- 3-Year Capital Plan

- Minutes of Full Council meetings

12.1.2 List of external funds managed on behalf of others and the basis for attribution of interest and costs

SCC has a contract to provide treasury management services to the Police and Crime Commissioner for Avon and Somerset. It manages these funds on a segregated basis under contractual arrangements.

SCC manages funds on behalf of Exmoor National Park Authority, and the South West Regional Board. These monies are managed on an aggregated funds basis in the name of SCC, under terms agreed in a Service Level Agreement with those bodies.

SCC manages funds of other public or not-for-profit organisations via the Comfund. Specified terms and conditions are agreed and signed by participating bodies.

EXPLANATION OF KEY INVESTMENT TERMS SCHEDULE M

LIBOR – London Interbank Offered Rate

LIBOR stands for London InterBank Offered Rate. LIBOR is an indicative average interest rate at which a selection of banks (the panel banks) are prepared to lend one another unsecured funds on the London money market
LIBOR is calculated for five currencies, across seven maturities. The official LIBOR interest rates are announced once a day at around 11:45 a.m. London time by ICE Benchmark Administration (IBA). They are trimmed averages of inter-bank deposit rates offered by designated contributor banks, for maturities ranging from overnight to one year..

There are between eight and sixteen contributor banks on each currency panel and the reported interest is the mean of the middle values (the interquartile mean). The rates are a benchmark rather than a tradable rate; the actual rate at which banks will lend to one another continues to vary throughout the day.

LOBO

A LOBO is a loan taken out against the issue of a Bond by the borrower, in this case Somerset County Council.

It gives the Lender (L) the Option (O) to vary the rate of the loan after a set initial period. If this option is exercised, the Borrower (B) has the Option (O) to agree to the new rate, or repay the loan without penalty.

Stepped LOBOs are simply a variation, which introduce an additional period into the agreement, and in doing so allow greater flexibility into the structure of the loan.

The providers of these funds are major banks who came into the Local Authority market around 1997. At this time the Public Works Loan Board restricted its lending to periods of 25 years, whereas previously it had loaned in periods of up to 60 years. The commercial market woke up to the fact that local authorities had large demands for long term funding, and also that Councils are very highly rated in terms of their creditworthiness.

Somerset started to use this new product in 1997, and now has a total of approximately £170m of such borrowings out of a total portfolio of £338.75m. The lenders are Barclays, FMS Wertmanagement, Dexia, KA Finanz, Landesbank Hessen-Thuringen, and Hypothekenbank.

In arranging new loans account is taken of the existing loans portfolio and the financing needs of the County Council in accordance with our usual risk-averse policies. We take particular note of when the lenders options fall due and plan our maturity profile on the assumption that we will repay the loan in full at the first option date so that we will not find ourselves in a compromised position of having to re-finance large sums in any given year. Our general policy on reacting to a lender exercising an option to raise the rate, is to repay and re-finance if necessary. This may be in the form of another market loan, PWLB loan, or temporary borrowing.

An added aspect with stepped loans is the ‘back end’ of the deal. An initial period at a lower rate is a bonus, and very useful to have to help the Revenue Budget. However, the prime consideration is ‘would we be happy to stay with the back end rate if it ran on to maturity? Typically we structure our loans such that the 'back end' is the same our lower than the longest available PWLB loan rate at the time that the loan is taken out and do this in preference to getting the cheapest rate before the step.

1) Callable Deposit

This is a very simple deposit that pays a rate higher than you would currently receive for the same period, but as the name suggests the borrower has the right to terminate the trade at pre-arranged dates in the future.

For example, a 3-year non-call 3-months deposit currently pays a rate of 5.5%.

In this example the borrower will pay you 5.5% for the first 3 months, and in 3 months time will decide whether to pay you the same rate for the next 3 months, or terminate the trade, and so on until maturity.

The borrower will pay 5.50% from today until 3 months time Guaranteed!
In 3 months time the borrower may pay you 5.5% for the next 3-month period. If this happens, in a further 3 months time the borrower may pay you 5.50% for the following 3 months, this process will continue until the maturity date of the deposit.

If the borrower does not wish to pay you 5.5% for the next period, the borrower then has the right to terminate the trade. This means that the borrower will either give you your money back with the accrued interest to that date, or both parties agree another callable trade, again at an enhanced rate in comparison to prevailing rates.

All aspects of the trade are negotiable, for example the term of the trade, the non-call period, the call periods etc, but each change will either have a positive or negative effect on the rate payable.

The bottom line on this deposit is that you get an enhanced rate compared to current market rates, the borrower can hold the lender to the full term, but can also cancel on the pre-agreed dates if they wish to. If they cancel the trade they may look to roll this into a new deposit, again at an enhanced rate compared to the market, but it is possible that the lender gets their money back early having achieved a better than market return in the period of the deposit.

The key risk to a callable deposit is that if rates fall, there is reinvestment risk, the risk that the borrower repays the deposit, and the lender is left to reinvest at the reduced prevailing rate. This is mitigated slightly, in that it is possible to enter a new callable deal at rates above prevailing rates, but by taking a callable loan, the lender has foregone the opportunity to lend longer for fixed periods.

A necessary consideration is the length of the loan. Similar to fixed-term deposits, if rates increase significantly during the period of the loan, the rate can be a drag on the rest of the portfolio.

2) Callable Range Accrual (Range Trade)

A Callable Range Accrual is so called because it is callable or cancellable by the bank after the initial period, as above. However, where it differs, is that interest accrues only as long as Libor (London Interbank Offer Rate, or another independently derived and published benchmark rate) stays within a pre-agreed range. The lender can choose the range, the non-call period, the Libor they wish to use, the call periods and the potential return they wish to receive.

A 3 years non-call 3 months will currently pay a rate of 11.00% as long as 3 month Libor stays within a range of 0% and 5.50%.
For any day that the Libor sets outside the chosen range, the lender will receive 0% for each day. If Libor then subsequently resets back within the range the lender will accrue again at the enhanced rate (in this case 11.00%)

It is possible to set the minimum guaranteed, so rather than receive 0% if Libor is outside the range, a minimum of 3% or 4% is payable. In this case, the rate paid if within Libor is reduced, in this case, to roughly 8.5%.

The bank has the right to cancel this trade after the first 3 months, and every 3 months thereafter.

With a range trade, the lender is backing his judgement on interest rate movements and in exchange for that can achieve a significantly enhanced return. This is done as part of portfolio management. The risk of rates going above Libor on a small part of the portfolio (and therefore none, or little payment on a range accrual) will be offset by the fact that the rest of the portfolio will be returning more than expected.

The key risk to a callable range accrual is obviously that the contractual Libor rate goes outside the specified range. It is possible to mitigate this risk by analysing the historical behaviour of any specified Libor relative to base rate. By taking a view on expected base rate (which is done on all deposits), a lender can minimise exposure, and choose a range to match his risk appetite.

As with all callable loans, there is reinvestment risk as stated above.

3) Snowball

A Snowball deposit takes a 'bearish' view on rates, i.e. that rates are going to fall faster (or rise slower) than the market expects. If this view proves correct, the interest coupon will increase or '*snowball*'. The snowball can be a useful tool for protecting a portfolio against falling cash yields.

The coupon for the first period is set at a fixed level on the trade date. Subsequent coupons then increase (or decrease) depending on how rates have actually moved over time, in comparison to a 'strike' level, which is also determined on the trade date.

The lender can choose the initial coupon, strike levels, and as for the Callable Range Accrual; the non-call period, the rate you wish to use and the call periods (snowballs may be issued as either callable or non-callable). Note that the coupon amount is determined at each payment date, rather than accruing on a daily basis.

To illustrate how this works, consider the following (hypothetical) example: Libor is currently at 6% and the market expects rates to remain there *but* you believe rates will fall to 5.50%.

You invest in the following snowball deposit paying you an initial Coupon of 7% for 3 months. Subsequent coupons are calculated as follows every quarter:

Previous Coupon + 6.25% - Libor (where 6.25% is your chosen strike level)

So let's consider what happens for the next coupon if Libor does fall to 5.50%. It would be: 7% + 6.25% - 5.50% = 7.75%

On the other hand, if Libor instead rises to 6.50% the coupon would be:
7% + 6.25% - 6.50% = 6.75%

So the coupon rises if Libor falls below your strike level or falls if Libor rises above the strike. To complete the picture and to move on to the third coupon, the calculation, taking the first of the above alternatives, would be:
7.75% + 6.25% - Libor

If Libor fixes below 6.25%, the coupon continues to rise, or snowball.

The key risk to a snowball is that the specified Libor rate goes against the interest view of the lender. If this scenario continues through many call periods, the rate may snowball in reverse, or melt away. There would be an opportunity to reschedule the loan, but this would probably be at a punitive rate if rates were expected to go with the borrowers. As with range trade accruals, the risk of rates going above Libor on a small part of the portfolio (and therefore reduced payment on a snowball), will be offset by the fact that the rest of the portfolio will be returning more than expected.

As with all callable loans, there is reinvestment risk as stated above.

1.13 List of currently approved counterparties and date of formal approval
(Updated 25-05-2016)

Bank or Building Society	**Date Approved**	**Bank or Building Society**	**Date Approved**
Bank of Scotland Plc	01/01/2007	Bank of Nova Scotia	20-04-2016
Barclays Bank Plc	01/01/2007	National Australia Bank	20-04-2016
HSBC Bank Plc	01/01/2007		
Lloyds Bank Plc	01/01/2007		
National Westminster Bank	01/01/2007		
Nationwide Building Society	01/01/2007		
Royal Bank of Scotland Plc	01/01/2007		
Santander UK	01/01/2007		
Australia & New Zealand Bank	17-07-2012		
Standard Chartered (Suspended)	13-09-2012	**Sterling CNAV Money Market Funds**	
Svenska Handelsbanken AB	13-09-2012	Goldman Sachs	26-06-2009
Nordea Bank AB	13-09-2012	Invesco Aim	29-06-2009
Close Brothers Limited	02-05-2013	RBS Global Treasury	07-07-2009
Deutsche Bank AG (Suspended)	22-08-2013	Prime Rate	31-07-2009
Rabobank	22-08-2013	JP Morgan	09-10-2009
Development Bank of Singapore	29-07-2104	Insight	09-11-2009
United Overseas Bank	29-07-2104	Ignis (Standard Life)	18-11-2009
Goldman Sachs Investment Bank	29-07-2104	Blackrock	01-07-2011
Oversea-Chinese Banking Corp	20-04-2015	Deutsche	01-07-2011
Pohjola Bank	15-06-2015	LGIM	23-02-2012
Commonwealth Bank of Australia	06-08-2015		
Toronto Dominion	04-11-2015	**Other**	
Landesbank Hessen-Thuringen Girozentrale (Helaba)	04-11-2015	DMO	05/02/2009
Bank of Montreal	29-01-2016	Other Local Authorities	01/01/2007

Certified by the Director of Finance & Performance (Section 151 Officer)

……………………………………………… Date …………………………

And the Deputy Section 151 Officer

……………………………………………… Date ………………………...

Somerset County Council

County Council
- 20 February 2019

Report of the HR Policy Committee – for decision

Chairman: Cllr Mandy Chilcott – Cabinet Member for Resources
Division and Local Member: All
Lead Officer: Chris Squire - HR Director
Author: Mike Bryant – Team Leader Democratic Services
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1. Summary

1.1 This report covers the meeting of the Committee on 21 January 2019 which considered two items of business:

- Pay Policy Statement 2019/10
- Pension Discretions Policy

1.2 Officers prepared a draft 2019/20 Pay Policy Statement (PPS), attached as Appendix A, which the HR Policy Committee considered and recommended to Full Council for its approval. The only minor change to the Pay Policy Statement for 2019/20, since Council last approved the previous PPS on 21 February 2018, were to amendments to the national pay spine.

1.3 The HR Policy Committee forms a key part of the Council's constitutional arrangements which underpin the aims and delivery of the Somerset County Plan. The Committee exercises delegated authority from the Council in respect of the approval of the Council's HR policies. However legislation requires the Pay Policy Statement (PPS) itself to be approved by Full Council. The PPS needs be approved in time for implementation from the beginning of the financial year.

1.4 This report also covers in Section 3 (for information only) the other item considered by the HR Policy Committee at its meeting on 21 January 2019.

2. Recommendations

The HR Policy Committee agreed to recommend the Council:

To approve the Pay Policy Statement (PPS) for the Council for 2019-20 (attached as Appendix A to this report).

The Committee considered this report which set out that it was a statutory requirement for the Council's Pay Policy Statement to be reviewed annually.

The Committee discussed the key points in the report:

- The proposed amendments to the Pay Policy Statement for 2019/10
- The pay increase for lower pay grades, the living wage, and the need to maintain a differential at the lower end of the pay scale
- The consultation with trade unions regarding changes to the pay spine that are necessitated by the national pay award

3. Items Discussed (for information)

3.1 Pension Discretions Policy

The Committee considered this report which requested approval for how the Council will use the discretions employers have been given under the Local Government Pension Scheme (LGPS).

The Committee discussed the key points in the report:

- The requirement all employers who participate in the LGPS to formulate, keep under review and publish a discretions policy.
- That the Councils discretions policy was agreed in September 2014 and last updated in November 2017.
- The proposed changes and implications, noting that only minor amendments were proposed.

Following consideration of the officer report the Committee agreed the recommendations:

- Minor amendments to the wording of SCC Pensions Discretion Policy are made to accurately reflect the wording of the LGPS Regulations as advised by Peninsula Pensions, relating to – Waiving of Actuarial Reduction where an active member chooses to voluntarily draw benefits on or after age 55 and before age 60 or normal retirement age. (Regulation B30 - 5)
- The policy decision for our pensions discretion under Regulation R31 – Power of employing authority to grant additional pension, is changed to allow only in exceptional circumstances, to accommodate any future unforeseen requests that may be affordable.

3.1 Agenda and papers for the HR Policy Committee meeting on 21 January 2019.

SOMERSET COUNTY COUNCIL PAY POLICY STATEMENT - 2019/20

This document sets out Somerset County Council's Pay Policy Statement (PPS) for 2019/20 which is revised and published at least annually following approval at Full Council.

1. Background

Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a PPS for each financial year.

The Act:

1. Requires the PPS to include the Council's policy on the following:

- The remuneration of its chief officers
- The remuneration of its lowest paid employees.
- The relationship between the remuneration of its Chief Officers and other officers.
- Other specific aspects of chief officer remuneration such as levels and elements of such remuneration, remuneration on recruitment, increases and additions to remuneration, termination payments and transparency.

2. Requires that the PPS:

- Must be approved formally by Full Council.
- Must be approved by the end of March every year for the following financial year.
- Must be published on the local Council's website as soon as it is approved by the Council.
- Must be complied with for all decisions on pay and reward for Chief Officers.

3. Makes provision for Full Council to make in year amendments to the PPS at any time and this function cannot be delegated.

2. Definitions

The Act (Section 43) defines remuneration widely as:

- Pay.
- Charges.
- Fees.
- Allowances.
- Benefits in kind.
- Increases/enhancement of pension entitlement.
- Termination payments.

The Act (Section 43) defines Chief Officers as:

- The head of the paid service designated under section 4(1) of the Local

Government and Housing Act 1989;

- The monitoring officer designated under section 5(1) of that Act;
- A statutory chief officer mentioned in section 2(6) of that Act;
- A non-statutory chief officer mentioned in section 2(7) of that Act;
- A deputy chief officer mentioned in section 2(8) of that Act.

For the purposes of this statement all of the Council's senior officers on Grades 1 to 3 fit the above definition. These are collectively referred to as the Senior Leadership Team (SLT) throughout this Statement. In addition, the post of Monitoring Officer (Grade 5) and a number of posts at Grades 4 and 5 fall within the legal definition of 'deputy chief officer'.

3. Pay Data

The Council complies with Data Protection Act obligations and will only publish information about an individual officer's pay where it is required to do so by law.

In accordance with the Accounts and Audit (England) Regulations 2011 and the Local Government Transparency Code 2015, the Council publishes pay information about individual posts for the Chief Executive and SLT on its website and in the Annual Statement of Accounts. The current list of posts and salaries is accessible via the following link.

http://www.somerset.gov.uk/organisation/senior-salaries-and-pay-policy

In relation to other senior officers of the Council, including the Monitoring Officer, pay information is published on the Council's website relating to:

- Salaries of £50,000 or more by reference to total numbers within bands (grouped in bands of £5,000);
- Details of remuneration and job titles of certain senior employees whose salary is at least £50,000 and a list of responsibilities (for example, the services and functions they are responsible for, budget held and number of staff) and details of bonuses and 'benefits in kind', for all employees whose salary exceeds £50,000.

4. Principles

The key principles underpinning this pay policy statement are:
Affordability – ensuring remuneration policies represent value-for-money for the taxpayer
Fairness – ensuring remuneration policies are fair to all staff, ranging from the most senior post to the most junior post
Meet legislative requirements – ensuring remuneration policies comply with all legal obligations, such as the Equal Pay Act
Market facing – ensuring due regard is taken of the market, both nationally and locally in the South West, and that this policy is in-line with councils of a similar size and / or in a similar labour market.
Tax Avoidance – ensuring that all remuneration arrangements comply fully with HMRC regulations.

5. Determination of Grade

The Council's Grading structure accords with the National Single Status and Green Book agreements. The Grading structure reflects the need to continue to modernise, facilitate new ways of working and ensure equal pay for work of equal value in a large and diverse organisation.

The grading structure treats all groups of staff the same. It uses two schemes to evaluate jobs, covering virtually all employees, except teachers and Soulbury staff, which are subject to national grading schemes.

The Hay Scheme is used for the more senior posts, including the Chief Executive, SLT officers, and Strategic and Service Managers.

The New Somerset Scheme, based on the Greater London Provincial Council scheme (formerly GLEA), is used for all other posts. Some posts cross between the borders of both schemes.

The lowest paid posts in the Council which include posts of Cleaner, Domestic Assistant, Distribution Assistant and General Kitchen Assistant, are paid on Grade 17 (national spinal point 6: £16394 as at 1st April 2018).

The relationship between pay at the lowest and highest levels is therefore controlled by job evaluation.

6. Pay and Grading Structure

The Somerset Pay and Grading structure incorporates National Pay Points up to spinal column point 44 and locally determined pay points above. The current pay and grading structure can be accessed via the following link.

http://extranet.somerset.gov.uk/EasysiteWeb/getresource.axd?AssetID=95547&type=full&servicetype=Attachment

The Council operates a 17 grade pay structure. Each grade from 17 up to 9 contains a number of pay increments. On Grades 8 and upwards, there is a single pay point per grade.

The Council does not operate a performance-related pay scheme for any staff, but does have a performance related appraisal scheme, including behaviours and competency assessment. The Council does not pay a bonus to any Council employee and no additional payments are made for election duties.

NJC for Local Government Services (Green Book) pay, terms and conditions apply to posts on Grades 17 to 4 inclusive. Annual pay awards are determined by national agreement.

With the exception of the Monitoring Officer, posts on grades 17 to 4 are officer appointments.

Post holders on Grades 17 – 9 are, subject to satisfactory performance, eligible for annual incremental increases up the pay scale until they reach the top of their grade.

Post holders on Grades 4 – 8 (Strategic and Service Managers) have some localised terms and conditions. Each Grade (4 – 8) has a fixed, spot salary and there is no incremental progression.

7. Chief Executive and SLT Officers Pay

The Chief Executive and other SLT Officers are paid on Grades 1 – 3. All SLT posts on Grades 1 to 3 and the Monitoring Officer are appointed by the Appointments Committee of the Council with the exception of the Chief Executive whose appointment has to be agreed by the Council.

Each of the Grades 1 – 3 has a spot salary and no incremental progression.

Annual Salaries for Chief Executive and SLT posts range between £88,443 and £166,485, as follows:

Grade 1 Post:
Chief Executive

The salary for Grade 1 Post is within the range £162,382 to £173,212 .

Grade 2 Posts:
Lead Commissioner Children & Learning (DCS)
Director of Resources
Lead Commissioner Adults and Health (DASS)
Public Health Director
Lead Commissioner Economic and Community Infrastructure

The salaries for Grade 2 Posts are within the range £108,254 to £137,970 .

Grade 3 Posts:
Director of Corporate Affairs
Economic and Community Infrastructure Operations Director
Economic and Community Infrastructure Commissioning Director
Adults and Health Operations Director
Deputy Director Children and Families
Director of Human Resources & Organisational Development

The salaries for Grade 3 posts are within the range £92,018 to £108,253 .

The default position in the event of a vacancy in any of the above posts is that the salary paid to the person appointed to fill the vacancy will be at the lowest point in the range (which represents the 'spot' to be applied within the grade) unless otherwise agreed by the Chief Executive (or Full Council in the case of the post of Chief Executive) in accordance with the requirements of the PPS.

8. Governance Arrangements (as detailed in the Constitution)

All actions, responsibilities and delegations outlined below must be exercised in accordance with the requirements of this Statement.

Appointments Panel

An Appointments Panel of the Council reviews the terms and conditions of any SLT post that becomes vacant (and, in addition, the post of Monitoring Officer) and where appropriate makes recommendations to the Chief Executive for any changes; decides the appointments process or other course of action; and appoints the Appointments Committee to undertake the appointments process.

The Panel comprises of 3 elected members appointed in accordance with the Constitution and can convene virtually or meet as required. If a Panel decides that no changes to terms and conditions are necessary when it reviews a vacant post (and that the salary will be advertised at the bottom of the range [the 'spot' for the grade] for posts on grades 1 to 3) then the Panel has authority to progress the recruitment without the need to seek further approvals. If a Panel wishes to make changes to the terms and conditions of a vacant post (other than the post of Chief Executive) then these are subject to the approval of the Chief Executive having obtained the agreement of the Leader of the Council. This includes where a Panel wishes to advertise a salary for a post (other than the post of Chief Executive) above the 'spot' at the bottom of the range. This must be the subject of a Panel recommendation to the Chief Executive for decision. If the Panel's recommendations for changes to terms and conditions relate to the post of Chief Executive then Full Council must agree these changes.

Note: Note: The Full Council approval of this Statement meets the provisions of the statutory guidance in relation to senior officer appointments which requires all posts where the total remuneration package is in excess of

£100,000 pa to be approved by Full Council.

Appointments Committee

The Appointments Committee of the Council is responsible for all SLT appointments (and the appointment of the Monitoring Officer) with the exception of the appointment of a Chief Executive which is subject to the approval of Full Council on the recommendation of the Committee. The Committee comprises up to 5 elected members for each individual appointment process and the membership is politically proportioned according to the political membership of the Council. The detailed provisions for the Committee's membership are detailed in the Constitution. If the Committee during the course of an appointment process wishes to vary the terms and conditions or the salary already agreed for a specific post, then such a proposal is subject to the approval of the Chief Executive having obtained the agreement of the Leader of the Council. The exception to this is where the Committee's recommendations relate to the appointment of the Chief Executive where any changes must be agreed by Full Council.

HR Policy Committee

The Committee comprises 6 elected members and the membership is politically proportioned according to the political membership of the Council. This Committee has responsibility for:

- deciding and implementing annual pay awards for the Chief Executive and SLT and, where it is agreed that an award is made, the revised scales will be included for information in the next annual review of the PPS on at least an annual basis the pay and grading structure of the Council (including Chief Officer grades and salaries) and making recommendations for any changes considered necessary to Full Council by way of a revised PPS.

In bringing forward recommendations on these issues, the Committee will take into account:

- the outcome of job evaluation,
- any data/advice/evidence or views collected from appropriate sources, including: the Council's HR function; National and/or Regional Employers' Organisations; independent external pay data
- the needs of the business to recruit and retain senior officers
- the requirements of the PPS and
- fluctuations in the local and national job market.

Special Members' Panel / Committee

The Constitution includes provision for the appointment of a Special Members' Panel to consider (and determine where appropriate) the following issues in relation to SLT Officers and the Monitoring Officer:

(a) Where the dismissal of an SLT Officer (other than the Chief Executive or the Section 151 Officer) is proposed on disciplinary grounds, Council will determine the dismissal on the recommendation of the Panel;

(b) Where a proposal is made to dismiss an officer holding a statutory post of Chief Executive, Chief Finance Officer or Monitoring Officer, the Panel shall decide whether there is any justification to the proposed dismissal and therefore whether it needs to be investigated. If the decision is that an investigation is necessary, the Panel will appoint an investigator. If the investigation confirms a potential dismissal, the Panel will refer the matter to the Independent Persons' Panel for consideration and report to Council. If the investigation recommends disciplinary action, then the Special Members' Panel shall consider and decide whether disciplinary action is justified and if so agree any action to be taken.

(c) The Panel has authority to meet as a Committee of the Council to determine any question of disciplinary action in relation to an SLT Officer or the Monitoring Officer.

(d) Except as otherwise provided for in (a) to (b) above, the Panel has authority from the Council to meet as a Committee of the Council to deal with any question of dismissal of an SLT Officer on the grounds of redundancy (including voluntary), permanent ill-health or infirmity of mind or body. The exception to this is where a proposed financial settlement for an officer leaving the Council exceeds £100,000. In these circumstances Full Council must agree the settlement.

The Special Members' Panel shall comprise of 6 Members appointed by the Leader of the Council (or his/her nominated representative) and comprising:-

(a) The Leader of the Council (or his/her nominated representative)

(b) The Leader of the largest opposition group (or his/her nominated representative)

(c) 4 other Members of the Council selected by the Leader of the Council in consultation with the other Group Leaders and in accordance with the rules of political proportionality.

Note: The membership of the Panel will not include any Member previously involved in an individual Officer's case.

Independent Persons' Panel

Any proposal to dismiss a statutory post-holder holding the position of Chief Executive, the Chief Finance Officer or the Monitoring Officer must be determined by the Council on the recommendation of the Independent Persons' (IPs) Panel comprising a minimum of 3 IPs in accordance with the Local Authority (Standing Orders) (England) (Amendment) Regulations 2015. The IPs are selected from a joint Somerset Councils' Panel of IPs. The Panel is appointed by the Chief Executive (or the Head of HR where the Chief Executive is the subject of the proposed dismissal). The Panel shall be appointed a minimum of 20 days before the Council is due to meet to consider the dismissal.

Note
This section summarises the detailed arrangements set out in Section 7 of Part 1 of the Constitution.

Chief Executive: Delegated Powers

The Chief Executive has been designated by the Council as the Head of the Paid Service and is therefore responsible for the Council's Senior Leadership Team and supporting officer structures of the Council. Any changes proposed by the Chief Executive to the staffing structure shall be subject to consultation with the Cabinet before the changes are agreed by way of an Officer Decision taken by the Chief Executive. Full Council will be informed of changes agreed at the next available opportunity.

The Chief Executive has authority:

- To appoint and dismiss all employees except where this function is specifically delegated to Members.
- To approve changes to the terms and conditions of all SLT posts and the post of Monitoring Officer on the recommendation of the Appointments Panel or the Appointments Committee or on his / her own initiative and having obtained the agreement of the Leader of the Council. The exception to this authority is the post of Chief Executive. All decisions taken by the Chief Executive on such matters will be the subject of a formal Officer Decision which will be published on the Council's website as soon as it is confirmed.
- After having sought the agreement of the Leader, and after appropriate consultations, to agree:
  (a) acting up arrangements into SLT positions (other than that of Chief Executive) to cover periods of temporary absence either planned or unplanned
  (b) emergency cover arrangements for the statutory chief officer roles (other than that of Chief Executive) where these positions become vacant between Full Council meetings. Any such agreement will be subject to review and confirmation at the next available Full Council meeting
  (c) the recruitment of interims at SLT level in accordance with the requirements of section 11 of this Statement.

NB Only Full Council may approve acting up or temporary cover arrangements for the role of Chief Executive.

Before making decisions in relation to the staffing structure or individual posts, the Chief Executive is required to consider:-

- the views of the relevant Cabinet Member, the Chairman of the HR Policy Committee and the Opposition Spokesperson, and, as appropriate:-
- the outcome of job evaluation,

- any data/advice/evidence or views collected from appropriate sources, including: the Council's HR function; National and/or Regional Employers' Organisations; independent external pay data
- the needs of the business to recruit and retain senior officers;
- the performance of individual SLT Officers
- the requirements of the PPS and
- fluctuations in the local and national job market.

The Chief Executive has authorised other officers to appoint and dismiss staff Grades 4 and below (with the exception of the Monitoring Officer), in line with normal Council appointments processes.

SLT Officers are subject to the same terms and conditions as other employees in respect of termination of employment. The only exception is that SLT Officers and the Monitoring Officer are subject to modified disciplinary procedures as outlined in this Statement and in the Council's Constitution.

9. Chief Executive Remuneration relative to other Council employees

The recommendation of the Hutton Report into "Fair Pay in the Public Sector", as recognised by the Government in the Local Government Transparency Code 2015, was that the Council should publish the pay ratio of the salary of the Chief Executive compared to the median average salary in the organisation.

As at 1st January 2019, the ratio of the pay of the Council's median earner (£23,866) to that of its Chief Executive (£159,198) was 1: 6.7.

10. Pay Policy upon Appointment to posts below SLT level

Internally Appointed Candidates
On promotion an officer must be appointed to the spot pay point or the minimum point on the scale, whichever is applicable. If there are special circumstances where it is considered that an increase in excess of the minimum is merited, then it will be necessary to consult the Director of HR and OD (or their nominated representative) and this must be done before any formal offer is made to the candidate.

Externally Appointed Candidates
The starting salary of an externally appointed candidate would normally be the spot pay point or the minimum point on the scale, whichever is applicable. However, the Council could pay a point within the incremental scale if the candidate is already paid on a higher salary or where their experience is beneficial to the Council. Should there be any doubt about repercussions elsewhere, the Director of HR and OD (or their nominated representative) should be consulted.

Transferred Officers
Where employees move between operational areas on the same grade with an incremental scale, no increment is payable at the time of transfer. The service is regarded as continuous for the purpose of annual incremental advancement. Therefore, where an officer's salary on 1 April following appointment, promotion or re-grading would be less than one spinal column point of their old salary the officer shall be entitled to their first increment on 1 April.

Promotion or Re-grading
On promotion within the Council to a post on a grade with an incremental scale, and which carries a higher maximum salary than their previous grade, or on the re-grading of their existing post based on increased duties and responsibilities, the officer shall be paid a salary in accordance with the new grade which is at least one spinal column point in excess of the salary they would have received on the old grade on the day of appointment, promotion or re-grading.

11. Appointment of Agency Interims at SLT level

Where the Council is unable to permanently recruit officers at the most senior level, there could be a requirement for that substantive post to be covered by an interim appointment. Interims will be supplied to the Council through a supplier to deliver the required cover.

The Council has various supplier options to supply interims in adherence with Procurement and Financial Regulations.

An interim’s term of employment and contract is direct with the supplier and not the Council. The interim shall be solely responsible for complying with legal requirements including the payment and accounting of taxes. In addition, the supplier should make the relevant declaration and checks in order to satisfy themselves that the interim abides by the relevant UK tax law.

Having obtained the agreement of the Leader of Council, the Chief Executive will approve the recruitment of interims at SLT level on a case by case basis and based on a business case presented by the Appointments Panel which takes into account:

- value-for-money for the taxpayer
- the evaluated grade of the post to be covered
- the public profile of the post
- risks to the Council
- the labour market, both nationally and locally in the South West, for interims providing cover for similar posts in councils of a similar size

Interims will be supplied to the Council in accordance with its Contract Standing Orders, relevant Procurement, Legal and Financial Regulations.

The Appointments Committee will interview candidates for interim appointments at SLT level to assess their suitability for the role and will confirm appointments.

SLT level interim appointments will be subject to formal review by the Chief Executive at the end of six months and at six monthly intervals thereafter to assess whether there is a requirement to retain their services. The original Appointments Committee will be consulted where the Chief Executive proposes to extend the engagement of an interim. The final decision on the extension of an interim rests with the Chief Executive.

Appointment of Agency Interims below SLT level

All interim appointments below SLT level will be sourced by the relevant SLT Officer or the Chief Executive where an SLT Officer is unable to act.

If this interim is to be employed at a rate of over £500 per day:

- The appointment will be subject to a formal review process at the end of the first six months and six monthly thereafter; and
- Any decision to extend the engagement of such an interim will require the approval of the Chief Executive.

All other interim appointments will be subject to a formal review process at the end of the first six months and six monthly thereafter and the decision to extend the engagement of such appointments rests with the relevant SLT Officer.

12. Recruitment and Retention Allowances

External recruitment and internal retention problems are tackled by temporarily increasing the total pay awarded to a post, when it can be shown that the pay on the evaluated grade is significantly lower than competitors' rates of pay.

The payment of an allowance is temporary and will not be renewed if a review finds evidence that demonstrates the payment of the allowance is no longer justified.

An allowance forms part of an employee's pay (all the salary, wages, fees and other payments paid to them for their own use in respect of their employment) and as such is pensionable. An allowance is expressed as a cash lump sum, pro-rata to the contracted hours, and is not subject to annual cost of living/inflation pay awards.

Approval of recruitment and retention allowances in respect of:

- SLT posts and the Monitoring Officer post (with the exception of the post of Chief Executive) shall be determined by the Chief Executive following consultation with the Leader of Council and on the recommendation of the appropriate Appointments Panel in relation to new appointments
- The post of Chief Executive will be agreed by Full Council
- All other posts shall be determined by the Director of HR and OD, following a business case presented by the manager and having consulted with a group of senior managers.

13. Travel and Subsistence

The Council's intention is that employees should not be financially disadvantaged in going about its business and that they are fairly compensated for expenditure incurred. However, managers and employees are expected to organise journeys in the most efficient and effective manner possible and, in submitting claims, to adopt a reasonable approach.

SLT Officers are subject to the same policies as all other staff. Expenses paid to SLT Officers are published in the Annual Statement of Accounts.

14. Reimbursement of Fees

The Council will meet the cost of:-

- Practising Certificate required by Solicitors employed by the Council.

- Annual cost of membership of ARCUK required by practising Architects employed by the Council.

The Council will not pay fees and subscriptions payable by the Chief Executive and other Officers, to professional qualification bodies and local government-based societies and associations.

Fees and subscriptions payable by the Chief Executive and SLT Officers to associations that are inter-Council networking organisations (as distinct from subscriptions to professional bodies) should be reimbursed subject to individual cases being approved by the Chief Executive and Director of HR and OD in consultation with the relevant Cabinet Member.

Where Committees consider that the Council may derive benefit by such officers attending meetings/working parties of local government-based societies/associations travelling and subsistence expenses incurred may be reimbursed subject to prior approval.

15. Additional Payments

Allowances are paid in line with NJC terms and conditions (Green Book), or by local agreements where relevant.

Any allowances paid to SLT Officers are disclosed in the Annual Statement of Accounts.

The Council has no policy for making benefits in kind.

16. Salary Protection for Redeployed Employees at Risk of Redundancy

This applies to all staff (excluding Officers on Grade 8 and above - please see below).

Protection will not apply to redeployed employees with less than two years local government service.

Salary protection arrangements will be for a period of three years during which annual cost of living pay increases and incremental progression will be awarded.

At the end of this period the substantive grade of the new post will be applicable.

It should be noted that salary protection is in place to ease the financial implications on those being redeployed and does not extend beyond salary.

As from 1st April 2014, Officers on Grades 8 and above receive one year’s frozen pay protection.

17. Pension

All employees are eligible to join the Local Government Pension Scheme ("LGPS"). The Redundancy & Efficiency Compensation Policies and Flexible Retirement Policy apply to all staff. The Council has determined and published policies around the discretions available under the LGPS. The Council makes no enhancements or increases to individual pension benefits.

The Council applies its discretion under the regulations of the LGPS to allow employees aged 55 and over who are members of the LGPS to request payment of early retirement benefits whilst remaining in the Council's employment on reduced hours/lower grade. This does not apply to employees who are receiving a redundancy payment and early pension benefits or who are taking early retirement in the interests of the efficiency of the service.

Re-engagement of employees who are in receipt of a Local Government Pension should be through Reed Recruitment.

The Council may re-employ employees who have been made redundant whether through voluntary, compulsory or early retirement.

Managers who are employing an employee in this category should ensure that the usual selection processes are applied.

Employees should be advised that thecombined pension and salary of their new postshould not exceed the salary of their previous post. Otherwise their pension will be abated.

A number of employees have transferred to the Council under a specific staff transfer arrangement which allowed them to continue membership of the NHS pension scheme. The Council makes contributions on their behalf and complies with Pension Legislation in respect of the NHS scheme.

18. Settlement Agreements

In exceptional circumstances to avoid or settle a claim or potential dispute, the Council may agree payment of a settlement sum on termination.

All cases must be supported by a business case and take account of all legal, financial, contractual and other responsibilities.

Aside from the provisions in section 8, all settlement payments on termination of the contract of a post require the approval of the relevant SLT Officer.

Somerset County Council

County Council
– 20 February 2019

Report of the Monitoring Officer – Appointments to Committees and outside bodies, Section 151 Officer appointment and Data Protection Officer appointment

Cabinet Member: N/A
Division and Local Member: N/A
Lead Officer and author: Scott Wooldridge - Monitoring Officer and Strategic Manager-Governance and Risk
Contact Details: 01823 357628

1. Summary

1.1 This report sets out decisions on proposed changes to appointments to committees and outside bodies, the appointment of a Section 151 Officer and the appointment of a Data Protection Officer

2. Recommendations

2.1 **Appointments Schedule – Appendix 1 refers**

To approve the changes to Committee and Outside Bodies appointments – see section 3.1 and Appendix 1 to this report.

2.2 **Appointment of a Section 151 Officer (Chief Finance Officer)**

To appoint Sheila Collins, Interim Director of Finance, as the Council's Section 151 Officer with effect from 1 March 2019, pending the recruitment of a permanent appointment to the Section 151 Officer role.

2.3 **Appointment of Data Protection Officer**

To appoint the post of Service Manager-Customer Experience & Information Governance, held by Rebecca Martin, as the Council's Data Protection Officer.

3. Background

3.1. Changes to seats held by the Council, appointments to Committees and Outside Bodies:

3.1.1 Following the 2017 elections, the Council in May 2017 appointed committees and made all related appointments in accordance with the requirements of the Local Government and Housing Act 1989.

3.1.2 The Act sets out the principles to be used in agreeing the size of and allocation of places to committees (and sub-committees) of the Council and also requires this process to be repeated annually at the Council's Annual General Meeting (AGM). The principles must be followed so far as is reasonably practicable.

3.1.3 The following principles from the 1989 Act, together with a commentary where appropriate, must be applied to the allocation of seats on committees.

1. All the seats should not be allocated to the same political group.

2. A majority group is required to have a majority on all committees unless the Council agrees otherwise. *The proposal in the table in 3.2.4 below satisfies this principle. Local arrangements apply to the Constitution and Standards Committee membership where all political groups are represented and the Scrutiny Committee for Children & Families where the membership includes 5 co-opted members with a vote on education matters only.*

3. Subject to principles (1) and (2), the total number of seats on all the committees of the Council allocated to each political group should reflect the number of seats held by that group on the Council. *The table below reflects this calculation.*

4. Subject to principles (1), (2) and (3), the number of seats on each committee of the Council allocated to each political group should reflect the number of seats held by that group on the Council.

3.1.4 Following the elections in May 2017 the Council agreed member appointments to its committees and outside bodies in accordance with the principles set out above. In addition to the entitlements to each political group, individual political groups have previously chosen to allocate a place to another political group as a local arrangement e.g. Liberal Democrat group chose to allocate one of their places on Scrutiny Committee for Children and Families to the Green group.

3.1.5 During 2018 there were some changes to the size of some of the political groups which resulted in a recalculation of committee places and appointments to outside bodies. This was considered and agreed at the Council meeting November 2018 where the entitlement for places was as follows:

Seats held on the Council	**33**	**13**	**4**	**3**	**2**	**55**
Committee	**Con**	**Lib Dem**	**Ind**	**Lab**	**Green**	**Total**
Regulation	5	2	1 or	1		8
P&P (Place)	5	2	1 or	1		8
P&P (Adults & H)	5	2	1 or	1		8
P&P (Child's S)	5	2	1 or	1		8
HR Policy	4	1	1 or	1		6
Audit	5	2	1 or	1		8
Officer App	4	1	1 or	1		6
Pensions	3	1				4
Fire Authority	5	2	1 or	1		8
Exmoor NPA	3	1				4
Con & Standards	1	1	1	1	1	5
Individual cttee totals	**45**	**17**	**5**	**4**	**2**	**73**
Overall calculation - total places	43.84	17.25	5.31	3.98	2.65	**73**

Notes

- The overall calculation takes priority over individual committee allocations

- As stated above, the Conservative Group must have a majority on each committee unless a 'local arrangement' is agreed. They chose to exercise this right in all cases other than the Constitution & Standards Committee
- On the larger committees (8 members) 1 seat was left on each to be filled either by the Independent or Labour Groups by agreement
- The Green group was not entitled to any places on individual committees but had a place on the Constitution and Standards Committee as of right under a proposed 'local arrangement'.

3.1.6 As set out in 3.1.4, some of the political groups decided in November to allocate one of their entitled places instead to another political group to bring the allocation of seats closer in line with the overall allocation in the table above :

- Independent group allocated their place on Regulation Committee to the Green group
- Independent group allocated their place on HR Policy Committee to the Labour group
- Liberal Democrat group allocated one of their places on the Scrutiny Committee for Children and Families to the Green group

3.1.7 Since the Council's meeting in November there has a been further changes to the size of the political groups:

Political Group	**Nov 2018**	**Current**	**Difference**
Conservative	33	34	+1
Liberal Democrat	13	14	+1
Labour	3	3	0
Independent	4	2	-2
Green	2	2	0
Totals	55	55	

These changes to the membership of some of the political groups require the Council to make changes to the allocation of seats held by the Council in accordance with the principles set out in 3.1.3 above.

3.1.8 A revised calculation of committee places and outside bodies has been undertaken and this is set out below:

Seats held on the Council	**34**	**14**	**3**	**2**	**2**	**55**
Committee	**Con**	**Lib Dem**	**Lab**	**Ind**	**Green**	**Total**
Regulation	5	2	1			8
P&P (Place)	5	2	1			8
P&P (Adults & H)	5	2	1			8
P&P (Child's S)	5	2	1			8
HR Policy	4	2				6
Audit	5	2	1			8
Officer App	4	2				6
Pensions	3	1				4
Fire Authority	5	2	1			8
Exmoor NPA	3	1				4
Con & Standards	1	1	1	1	1	5
Individual cttee totals	**45**	**19**	**7**	**1**	**1**	**73**
Overall calculation - total places	45.13	18.58	3.98	2.65	2.65	**73**

3.1.9 It can be seen from the above allocation of places table that the main changes and actions required are:

a) The need for the Liberal Democrat group to advise of their nominations for their additional place on HR Policy and Officer Appeals committees or whether they wish to allocate these instead to another political group (see point (c) below)

b) The Labour group become the party with the third highest membership and therefore have 'first choice' in terms of their preference from the available places for 'minority political groups' to achieve their total allocation of 4 places.

c) Both the Liberal Democrat and Labour groups are over-provided for in terms of places on individual committees and need to consider giving up places of their choice under a 'local arrangement' to the Independent group and Green Party group to achieve a closer match with the overall calculation (see 3.1.6 above). This would mean the Liberal Democrat group selecting one place and the Labour group selecting 3 places to provide for the Independent group to have a total of 3 places and the Green group to also have 3 places.

3.1.10 All political group leaders have been advised of the revised calculations and any proposed changes to committee places and outside bodies will be set out in an revised Appointments Schedule (Appendix A) which is expected to be tabled on the day of the Council meeting for approval. This appendix will set out:

- Confirmation of the Council's committees, their size, the allocation of places and appointments to those places
- Any potential changes to Chairs and Vice-Chairs, where appointed by the Council

3.1.11 No changes are proposed within this report to the terms of reference of Committees of the Council as agreed by Council and set out within the Constitution.

3.2 Appointment of a Section 151 Officer

3.2.1 In July 2018, the Council appointed the Interim Director of Finance (Peter Lewis) to the statutory role of Section 151 Officer (S151 Officer).

3.2.2 There have been two attempts to recruit to the permanent Director of Corporate Resources role, neither of which have been successful. As the council is about to undergo a redesign and restructure it makes sense to delay a permanent appointment until there is more certainty.

3.2.3 Peter Lewis will leave Somerset County Council at the end of February 2019 and the proposals in this report mean that he will remain the Council's Section 151 Officer until and including 28 February 2019. During his service with the Council, Peter appointed a senior finance expert (Sheila Collins) to help lead financial planning processes. Sheila has significant s151 experience in an upper-tier authority and is a qualified accountant.

3.2.4 An Appointments Committee was convened, in accordance with Somerset County Council's Constitution. This was augmented by technical advice from a second panel comprising six directors from the senior leadership team.

3.2.5 Following the interviews, the Appointments Committee received the recommendations from the SLT panel and the Committee agreed unanimously to recommend to the Chief Executive that Sheila Collins should be offered the role.

3.2.6 On 6 February, the Chief Executive agreed to appoint Sheila Collins as the Interim Director of Finance. The role and functions of the Chief Finance Officer (S151 Officer) are directly informed by a comprehensive framework of statutory duties and responsibilities. In summary, the S151 Officer:

- is a role prescribed by law. All local authorities must assign S151 duties to one officer who must be a qualified member of a recognised accountancy body;
- must ensure compliance with all statutory requirements for accounting and internal audit (including supporting records and all systems of internal checks and control);
- manage the financial affairs of the authority in all its dealings and transactions and in so doing secure the proper stewardship of Council (and Members) responsibilities;
- must report under S114 powers to the Cabinet, the District Auditor and all Members of an authority if there is, or is likely to be any item of unlawful expenditure or an unbalanced budget;
- owes a personal duty of care to local tax payers in managing Council resources on their behalf. In discharging this responsibility the S151 Officer must balance the needs and interests of both current and future taxpayers

3.2.7 There has been some case law around the definition of the term ‘officer’ and whilst this cannot be taken as definitive it would suggest that an interim could be regarded as having ‘officer’ status and can therefore be empowered to take decisions and be held to account. It was on this basis that the Council has previously engaged and empowered interim directors to undertake SLT and statutory roles.

3.2.8 Currently there has been no test case against a council for using a fully empowered agency / independent contractor in a statutory role. It is clear therefore that the practice of some council’s to fully empower an interim chief officer (SLT Director) has developed on the basis of taking a risk based approach and where there is a business imperative as in this case in order to fill a statutory role.

3.2.9 Whilst the Chief Executive has appointed the Interim Director of Finance, the appointment of a statutory Chief Finance Officer (Section 151 officer) is a decision for Full Council. The Chief Executive therefore recommends that the County Council appoint Sheila Collins, the Interim Director of Finance, as the Section 151 Officer with effect from 1 March 2019 pending the recruitment of a permanent Corporate Director for Resources.

3.3 Appointment of the Council’s Data Protection Manager

3.3.1 There is a requirement for the Council to appoint a Data Protection Officer in accordance with the EU-General Data Protection Regulations 2016 Section 4 Articles 37 – 39, specifically Article 37 (a) but other Articles (b) and (c) also support the appointment:

37.1 The Controller and the processor shall designate a data protection officer in any case where:
The processing is carried out by a public authority, except for courts acting in their judicial capacity…..

3.3.2 This new requirement follows a new regulation coming into force on the 25th May 2018 as part of the European Union harmonising data protection legislation across Europe.

3.3.3 In November 2018, the Council appointed the Data Protection Manager post currently held by Lucy Wilkins as the post to hold the statutory Data Protection Officer role within the organisation. This postholder is scheduled to commence maternity leave and therefore the Council is recommended to appoint a Data Protection Officer. It is proposed that the Council appoints the post of Service Manager-Customer Experience and Information Governance, held by Rebecca Martin, as the Council's Data Protection Officer.

4. Implications

4.1 **Legal & Risk:** This report complies with all legal requirements. The only risk to the Council would result from the Council failing to fulfil its legal obligations as set out in the report through any decisions taken or not taken at this meeting**.**

4.2 The Council's Constitution sets out the legal framework within which the Council takes decisions and fulfils it functions and responsibilities. It needs to be kept up to date and legally compliant. All of the proposed amendments to the Constitution are in accord with the legislative requirements which give considerable scope for the Council to agree its own constitutional arrangements.

4.2 **Financial, equalities, sustainability and community safety implications**: There are no direct equalities implications arising from any of the proposals in this report. There are also no direct financial, sustainability or community safety implications.

5. Background papers

5.1 Council's Constitution dated July 2018

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Requisitioned Items

Cabinet Member: All
Division and Local Member: All
Lead Officer: Scott Wooldridge – Monitoring Officer
Author: Scott Wooldridge, Strategic Manager - Governance & Risk
Contact Details: (01823) 357628

1. Climate Change Emergency

1.1 The following requisitioned item will be proposed by Cllr Tessa Munt and seconded by Cllr David Hall:

Full Council notes:

1. Human activity has already caused irreversible climate change, the impact of which is felt around the world. Global temperatures have increased by over 1 degree Celsius from pre-industrial levels. Atmospheric CO_2 levels are over 406 parts per million (ppm), far exceeding the 350 ppm deemed a 'safe' level for humanity[6]. The world is on track to overshoot the Paris Agreement's 1.5°C limit before 2030;[2, 3]

2. The Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C published in November 2018 describes the harm that a 2°C rise is likely to cause, and tells us that limiting Global Warming to 1.5°C may still be possible with ambitious action from national and sub-national authorities, civil society, the private sector, indigenous peoples and local communities[3];

3. In order to reduce the chance of runaway Global Warming and limit the effects of Climate Breakdown, it is imperative that each of us reduces our CO_2eq (carbon equivalent) emissions from their current 6.5 tonnes per person per year to less than 2 tonnes without delay;[1, 6]

4. Individuals can accept responsibility for living in a more sustainable way but cannot be expected to make these changes on their own. Carbon emissions result from both production and consumption, so Governments - national, regional and local - must change legislation, standards and their approach to meet the need to reduce our CO_2eq emissions and make low carbon living easier to achieve and the new 'norm';

5. Local Authorities and Councils across the world are responding by declaring a 'Climate Emergency' and committing to address this emergency – in the South West, Bristol has already taken this step;[4]

6. Somerset, with its long coastline and large low lying areas across the Levels and Moors, is particularly vulnerable to effects of Climate Change.

Full Council believes that:

1. All governments have a duty to limit the negative impacts of Climate Breakdown, and local government recognises it cannot and should not wait for national government to act.

2. It is important for the residents of Somerset that its Councils commit to reducing CO_2eq emissions and work towards carbon neutrality as quickly as possible;

3. Bold climate action can deliver economic benefits by way of new jobs, economic savings, market opportunities and improved well-being.

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)[5;]; 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.

References:

1. Fossil CO_2 & GHG emissions of all world countries, 2017:
http://edgar.jrc.ec.europa.eu/overview.php?v=CO2andGHG1970-2016&dst=GHGpc

2. World Resources Institute:
https://www.wri.org/blog/2018/10/8-things-you-need-know-about-ipcc-15-c-report

3. The IPCC's Special Report on Global Warming of 1.5ºC:
https://www.ipcc.ch/report/sr15/

4. Including US cities Berkeley:
https://www.theclimatemobilization.org/blog/2018/6/13/berkeley-unanimously-declares-climate-emergency
and Hoboken:
https://www.theclimatemobilization.org/blog/2018/4/25/hoboken-resolves-to-mobilize
and the C40 cities:
https://www.c40.org/other/deadline-2020

5. Scope 1, 2 and 3 of the Greenhouse Gas Protocol explained:
https://www.carbontrust.com/resources/faqs/services/scope-3-indirect-carbon-emissions

6. Assessing "Dangerous Climate Change": Required reduction of Carbon Emissions to protect young people, future generations and nature:
https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0081648

2. Precautionary salting network

2.1 The following requisitioned item will be proposed by Cllr Mike Rigby and seconded by Cllr John Hunt:

Somerset County Council resolves to request that the Cabinet:

1. Acknowledge that the damage caused to the Somerset economy during recent snow events has been exacerbated by last year's reduction in the extent of the precautionary salting network;

2. Acknowledge that the reduction in the extent of the precautionary salting network has been counter-productive, costing the wider public purse more than it saved Somerset County Council;

3. Acknowledge that unnecessary stress has been placed on the emergency services, having to attend RTCs that are unlikely to have occurred had the precautionary salting network not been reduced last year;

4. Reinstate the part of the precautionary salting network that was lost in last year's reduction programme.

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Report of the Leader and Cabinet – Items for Information

Cabinet Member: Cllr David Fothergill – Leader of the Council
Division and Local Member: All
Lead Officer: Scott Wooldridge - Strategic Manager - Governance and Risk and Monitoring officer
Author: Mike Bryant – Team Leader Democratic Services
Contact Details: 01823 357628

1. Summary

1.1. This report covers key decisions taken by the Leader, Cabinet Members and officers between 20 November 2018 and 9 February 2019, together with the items of business discussed at the Cabinet meetings on 19 December 2018, 23 January 2019 and 11 February 2019. The Leader and Cabinet Members may also wish to raise other issues at the County Council meeting.

2. Details of decisions

2.1. Agenda and papers for the Cabinet meetings on 19 December 2018, 23 January 2019 and 11 February 2019 are published within the Cabinet webpages on the Council's website. Individual Leader, Cabinet Member and Officer key decision records and related reports are also published within the Cabinet webpages on the Council's website.

LEADER OF COUNCIL (Customers and Communities) *– Cllr David Fothergill*		
Item	**Date of Meeting**	**Summary of Decision**
No individual decisions		

RESOURCES – Cllr Mandy Chilcott		
Item	**Date of Meeting**	**Summary of Decision**
County Hall A Block final business case approval	19 December 2018 by Cabinet	SUMMARY OF DECISION: This decision authorised the final part of an ambitious scheme to save the Authority upwards of £700,000 per year by closing down buildings across Taunton and moving staff into a single, modern and fit for purpose working environment in A block County Hall. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

ECONOMIC DEVELOPMENT PLANNING AND COMMUNITY INFRASTRUCTURE – Cllr David Hall		
Item	**Date of Meeting**	**Summary of Decision**
Community Leisure Services Post 2019	10 December 2018 by Cabinet Member for Economic Development, Planning and Community Infrastructure	SUMMARY OF DECISION: In August 2009, the County Council entered into an agreement with Somerset Leisure Limited (now known as '1610 Limited') to provide community leisure services at dual-use centres on a number of secondary school sites across the county. The contract was due to expire at the end of the 2018/19 financial year and this decision set out the recommended course of action for decommissioning community leisure provision. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
A303 Improvement Scheme	23 January 2019 by Cabinet Member for Economic Development, Planning and Community Infrastructure and Interim Director of Finance	SUMMARY OF DECISION: Highways England have made a Development Consent Order Application to develop a dual carriageway on the existing single carriageway section of the A303 between Sparkford and Ilchester in Somerset. This report sought approval of the draft Statement of Common Ground and Local Impact Report and for their submission to the Planning Inspectorate. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

ADULT SOCIAL CARE *– Cllr David Huxtable*		
Item	**Date of Meeting**	**Summary of Decision**
Award of Contract of the Provision of Support Services for People with Complex, Multiple Needs	19 December 2018	SUMMARY OF DECISION: This decision approved the award of a contract for the provision of support services for people with complex multiple needs from 1 April 2019 for a period of 5 years. This service will enable people to maintain and improve their independence and wellbeing and prevent them from needing access to more acute and crisis based, costly social care and health solutions and will reduce repeat homelessness presentations. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
AIS Renewal and Replacement Contract Award	7 January 2019 by Cabinet Member for Adult Social Care	SUMMARY OF DECISION: Adults social care (ASC) teams have changed the way they work and require an updated software system to enable these new working practices. These will enable more effective ways of working, better opportunities to improve service delivery and better outcomes for our residents. The service has looked closely at a number of options and opportunities detailed within the report and has proposed that an extension is granted to the current case management application for a year prior to the implementation of a new software application. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

PUBLIC HEALTH AND WELLBEING *– Cllr Christine Lawrence*		
Item	**Date of Meeting**	**Summary of Decision**
No individual decisions		

CHILDREN AND FAMILIES *– Cllr Frances Nicholson*		
Item	**Date of Meeting**	**Summary of Decision**
Approval of Somerset Youth Justice Plan 2018/19	28 November 2018 by Cabinet Member for Children and Families	SUMMARY OF DECISION: It is a statutory requirement under s.40 Crime and Disorder Act 1998 that each year Somerset Youth Justice Partnership Board agree a Youth Justice Plan in a format set by the national Youth Justice Board. This decision approved the Youth Justice Plan 2018/19 and continued County Council resourcing at 2017/18 level, enabling continuation of services across the whole county at the pre-existing level. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
Provision of accommodation and support for Unaccompanied Asylum-Seeking Children – Framework Contract Award	19 December 2018 by Director of Children's Services	SUMMARY OF DECISION: This decision authorised the award of a framework and subsequent call-off contracts under the framework (Individual Placement Agreements) in order to provide accommodation and support for UASC aged 16 and 17 for 2 years from 7th January 2019, up to an estimated value of 1.8M over 4 years (2 years initial term, 2 options years both up to 12 months in duration) ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
South West Peninsula Framework Contract for Residential Children's Homes	19 December 2018 by Cabinet	SUMMARY OF DECISION: This report detailed the recommendation to award a framework contract for Independent residential children's homes. Independent children's homes offer individual residential placements to the council for children looked after. Fostering placements are made through a different framework and are not included in this contract. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

EDUCATION AND COUNCIL TRANSFORMATION *– Cllr Faye Purbrick*		
Item	**Date of Meeting**	**Summary of Decision**
Proposed Expansion of Bishop Fox's Secondary School to 1200 places	19 December 2018 by Cabinet	SUMMARY OF DECISION: This paper sought approval for the Authority to appoint Futures for Somerset to deliver the expansion of Bishop Fox's to 1200 places for September 2020. This paper also gave approval to cover the purchase of furniture and IT as required for the additional classrooms. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
Microsoft Software Supplier	23 January 2019 by Cabinet Member for Education and Council Transformation	SUMMARY OF DECISION: This report recommended the award of a new contract to provide Microsoft reseller services via direct award under the Kent Software products and associated services framework, Lot 1. For the period of 3 years from 1st Feb 19 – 31st Jan 22. Microsoft products are a key building block for the ongoing ICT strategy, it is not possible to deal directly with them, so the Council needs to use the services of a partner (reseller). ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
National Funding Formula for Schools and High Needs 2019/20	23 January 2019 by Cabinet	SUMMARY OF DECISION: This report provided confirmation of overall Dedicated Schools Grant funding for Somerset following final publication by the DfE, including the delegated schools budget and the High Needs provision for 2019/20 and summarised the approach being recommended to Cabinet in relation to the National Funding Formula (NFF) for Schools and High Needs for 2019/20 following consultation with Somerset Schools Forum (SSF). ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

***EDUCATION AND COUNCIL TRANSFORMATION** – Cllr Faye Purbrick*		
Item	**Date of Meeting**	**Summary of Decision**
Admission Arrangements for Voluntary Controlled and Community Schools for 2020/21	23 January 2019 by Cabinet	SUMMARY OF DECISION: This report sought authority for Cabinet to determine the Local Authority admission arrangements for all Voluntary Controlled and Community schools for 2020/21 as required by the School Admissions Code and associated legislation. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

HIGHWAYS AND TRANSPORT – *Cllr John Woodman*		
Item	**Date of Meeting**	**Summary of Decision**
Adoption of the Somerset Bus Strategy	30 November 2018 by Cabinet Member for Highways and Transport	SUMMARY OF DECISION: The report sets out the decision to adopt the Bus Strategy 2018-2026 document as Council policy in support of the Somerset Future Transport Plan 2011-2026 which was adopted as the Council's statutory Local Transport Plan on 16th February 2011. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
Decision to conclude the award of a contract for the provision of highway improvements at M Junction 25	19 December by Cabinet	SUMMARY OF DECISION: The M5 Junction 25 scheme has been in development for about 5 years. This scheme provides additional capacity to accommodate growth and provides access for the adopted Nexus25 site. The procurement process had been completed and this Key Decision was sought to award the contract. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
Parking Policy Review and Implementation Plan	14 January 2019 by Cabinet Member for Highways and Transport	SUMMARY OF DECISION: Traffic, congestion and parking have become an increasing issue in Somerset over recent years. Parking restriction requests have been dealt with on a piecemeal basis for many years and there is no consistency within individual towns, Districts or across the County as a whole. This report sought authority to commence a County wide on street parking review, the process for the review and the reprioritisation of officer resources to support the implementation of the review. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

HIGHWAYS AND TRANSPORT *– Cllr John Woodman*		
Item	**Date of Meeting**	**Summary of Decision**
Allocation of the Budget 2018 Maintenance Grant	6 February 2019 by Lead Director for Economic and Community Infrastructure and Director or Commissioning and Interim Finance Director	SUMMARY OF DECISION: Following an announcement in the Budget 2018, The Council was awarded an additional capital grant of £9,980,000 for local highway maintenance. This decision is to allocate the additional grant to specific areas/ programmes of highways activity. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
Decision to make a funding agreement with Taunton Deane Borough Council for a contribution to the M5 Junction 25 Improvement Scheme	8 February 2019 by Director for Economic and Community Infrastructure Commissioning	SUMMARY OF DECISION: Taunton Deane Borough Council has committed a £1.5m contribution towards the construction of the M5 Junction 25 scheme. In order to formalise this contribution a funding agreement between SCC and Taunton Deane Borough Council needs to be completed – this decision was taken to accept the monies. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

***CROSS CUTTING** – All*		
Item	**Date of Meeting**	**Summary of Decision**
Extension of the Somerset Local Education Partnership (LEP) for five years	29 November 2018 by Lead Director for Economic and Community Infrastructure and Director or Commissioning and the Director of Corporate Affairs	SUMMARY OF DECISION: The Somerset Local Education Partnership (The LEP) was set up to support the Building Schools for the Future (BSF) programme and a Strategic Partnering Agreement (SPA) was signed between SCC and Somerset LEP Limited to support the obligations of The LEP to deliver services to Education and the Community as outlined in the BSF Programme. The current SPA is for a ten-year period with an initial expiry date of 22nd September 2020. This agreement includes an option to extend the term for an additional five years, after the expiry date, to September 2025. This decision extended the SPA (and the associated agreements) with all existing terms and conditions to remaining unchanged. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
Revenue Budget Monitoring – Month 7	19 December 2018 by Cabinet	SUMMARY OF DECISION: This report presents the projected revenue outturn for 2018/19 based upon actual spending to the end of October 2018 (month 7). The projected outturn was £2.368m over the available budget of £317.882m compared to a projected overspend of £3.158m in the previous month. The contingency of £3.382m remained uncommitted at this stage. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

***CROSS CUTTING** – All*		
Item	**Date of Meeting**	**Summary of Decision**
Revenue Budget 2019/20 and MTFP Strategy Report	19 December 2018 by Cabinet	SUMMARY OF DECISION: Over the Autumn months Somerset County Council has been developing budget proposals for the financial years 2019/20 to 2021/22, known as the Medium-Term Financial Plan (MTFP). While the Council is only obliged to set a balanced budget for the forthcoming financial year, it is key to the successful delivery of its objectives that plans are developed for a further two years. The report requested the Cabinet reviewed the latest position set out in this report and commented upon the preparation of the MTFP in advance of the presentation of specific proposals for change, requested that the Senior Leadership Team bring forward specific proposals for change, to address the £15m funding gap in 2019/20 and agreed to withdraw the proposal to consult on the potential reduction of financial support to the public transport and college bus network. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
Proposed Capital Investment Programme 2019/20	23 January 2019 by Cabinet	SUMMARY OF DECISION: This decision sought the approval of the capital programme for the period 2019/20 to 2022/23 of £224.121m. Additionally the decision delegated authority to the Section 151 Officer to accept any additional grants or funding that is made available to the County Council together with authority to consequently expand the approved capital programme, providing there are no negative revenue budget implications as a result of that action. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

Revenue Budget Monitoring Update	23 January 2019 by Cabinet	SUMMARY OF DECISION: This report outlined a projected revenue outturn underspend for 2018/19; of £0.921m. This projection is based upon actual spending to the end of November 2018 (month 8) and compares to the available budget of £317.882m. In the Government's November Budget, the Chancellor of the Exchequer announced an additional £420m of funding for Local Highways Maintenance for the current financial year. The allocation to Somerset County Council is £9.98m and plans are being finalised to spend this sum. As this is a change to the Capital Programme then formal approval of the change was required. Alterations to the approved Capital Programme are for Full Council to agree but there is provision in the Constitution for decisions to be taken urgently where it is not practical to convene or wait for a Full Council meeting. The Chair of Scrutiny Committee for Policies and Place agreed the use of urgency for the alteration to the approved Capital Programme to incorporate this additional funding. The Cabinet agreed the expansion of the Capital Investment Programme to incorporate the additional funds from the Department for Transport for Local Highways Maintenance. Somerset County Council has an existing Private Finance Initiative under Building Schools for the Future. This commenced in 2011 and was established over 25 years. Formal contracts and management are in place. The outstanding liability on the existing agreement will be £43.3m at March 2019. Recently a number of authorities have achieved financial savings through refinancing such arrangements to take advantage of the current low interest rates. The existing contract provides for such activity and SCC wishes to take the benefit of such an opportunity if one arises. It is expected that options for a new deal could be available to the Council in the coming weeks but due to the nature of these financing arrangements, which alter according to daily changes in the finance markets, the Council would need to act quickly. As a result, the Cabinet delegated authority to the Chief Finance (S151) Officer in consultation with the Cabinet Member for Resources to sign a new PFI contract subject to a conclusion that it will be in the long-term benefit to the council. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

***CROSS CUTTING** – All*

Item	**Date of Meeting**	**Summary of Decision**
Appointment of the successful bidder for the South West ‘Step Up to Social Work’ Higher Education Institute	4 February 2019 by Director of Human Resources and Organisational Development	SUMMARY OF DECISION: The decision sought approval to extent the current contract to accommodate a further cohort. Agreeing to the extension of the current contract will avoid the costs of another competition exercise and will remove the potential for additional set up costs if a different supplier is selected. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
I Aero (Yeovil) Centre – Acceptance of European Regional Development Funding (ERDF)	5 February 2019 by the Interim Director of Finance and the Strategic Commissioning Manager – Economy and Planning	SUMMARY OF DECISION: This decision sought approval for the Council to enter into a Funding Agreement with the Ministry of Housing, Communities and Local Government (MHCLG) to accept £3,049,240 of ERDF funding for the development of iAero (Yeovil) Centre. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
Somerset County Council Land Drainage Enforcement Policy	7 February 2019 by Cabinet Member for Economic Development, Planning and Community Infrastructure and Cabinet Member for Highways and Transport	SUMMARY OF DECISION: A policy has been prepared by the Flood and Water Management Team to provide guidance on the County Council’s approach to land drainage enforcement under the Land Drainage Act. This decision sought approval to implements the Policy. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

CROSS CUTTING – All		
Item	**Date of Meeting**	**Summary of Decision**
Corporate Performance Report – End if December (Q3 2018/19)	11 February 2019 by Cabinet	SUMMARY OF DECISION: This report provided members with the high-level information they need to lead and manage the performance of the outcomes set out in the Council's Vision and reflects the Council's ongoing progress towards the outcomes laid out in the Council's Business Plan. This report provided the latest information available in the period up until 31st December 2018. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
2018/19 Revenue Budget Monitoring – Quarter 3	11 February by Cabinet	SUMMARY OF DECISION: This report recommended that Cabinet: Note the projected revenue budget outturn position for 2018/19 (being an underspend of £1.067m), the current Aged Debt Analysis, the position regarding reserves and the projected delivery of the Medium Term Financial Plan savings; Approve one-off use of £1.382m from the corporate contingency as set out above in the summary section and in paragraphs 3.20 and 3.44; Approve one-off use of £1.382m from the corporate contingency as set out above in the summary section and in paragraphs 3.20 and 3.44; and Note the plans to improve the Councils financial resilience by increasing the General Fund balance from £7.796m to £11.637m. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

***CROSS CUTTING** – All*		
Item	**Date of Meeting**	**Summary of Decision**
Report of the Scrutiny for Policies, Adults and Health Committee on Medium Term Financial Plan 2019/20	11 February by Cabinet	SUMMARY OF DECISION: This report summarised some of the key areas of debate and the recommendations arising from the Scrutiny for Policies, Adults & Health Committee meeting on 30 January 2019 having considered the Medium-Term Financial Plan for Adult Services, and put forward two recommendations which the Cabinet endorsed: 1. that the Cabinet, in partnership with other stakeholders including Group Leaders and Somerset MP's, takes a leading role in proactively lobbying central government about the urgent need for sustainable long-term funding for adult social care in Somerset. 2. That the Cabinet is aware of the future risk to adult social care funding, particularly the future capacity to deliver further savings and the impact this will have on preventative services. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
Medium Term Financial Plan 2019-22 and Annual Budget 2019/20	11 February by Cabinet	SUMMARY OF DECISION: This report set out proposals to deliver a balanced budget for 2019/20 and set out proposals for 2020/21 and 2021/22 which will help develop the Council's financial resilience. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

CROSS CUTTING – All		
Item	**Date of Meeting**	**Summary of Decision**
Capital Strategy 2019-22 (Investment Strategy)	11 February by Cabinet	SUMMARY OF DECISION: This report requested that the Cabinet recommends the Capital Strategy 2019/20-2021/22, and the prudential indicators contained within, to the Council for consideration and approval at their meeting on 20 February 2019, and that the Cabinet and Council agree to delegate authority to the Section 151 Officer, in consultation with the Leader, Deputy Leader, Opposition Spokesperson for Resources, Monitoring Officer and County Solicitor, to design the governance arrangements and remit of the non-treasury investments for recommendation to, and approval by, the Cabinet and the Council before the end of July 2019. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
Treasury Management Strategy 2019/20	11 February by Cabinet	SUMMARY OF DECISION: This report requested that the Cabinet endorse and recommend for approval by full Council the Treasury Borrowing Strategy, the Treasury Investment Strategy and adopt the Prudential Treasury indicators. In addition the Cabinet noted the Prudential Treasury Indicators contained within the report. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.
CAF 14b Proposal for the alteration and / or reduction of early help services provided to the children and their families - getset	11 February by Cabinet	SUMMARY OF DECISION: Following the proposals agreed at the Cabinet meeting on the 12 September 2018, this decision proposed that for 2019/20 the getset service will focus on prevention in the community, and that activity will move towards investment in direct service provision to strengthen prevention opportunities within targeted communities while working alongside key partners such as schools. ALTERNATIVE OPTIONS CONSIDERED: As set out in the officer report. REASONS FOR DECISION: As set out in the officer report.

Somerset County Council

County Council
- 20 February 2019

Report of the Scrutiny Committee for Policies and Place

Cabinet Member: N/A
Division and Local Member: All
Lead Officer: Jamie Jackson – Deputy Strategic Manager Scrutiny, Democratic Services
Author: Lindsey Tawse – Democratic Services Team Leader
Contact Details: 01823 359040

1. Summary

1.1. The Scrutiny Committee for Policies and Place is required by the Constitution to make an annual report to the Council and also to provide each other meeting of the Council with a summary progress report and outcomes of scrutiny. This summary report covers the work of the meetings held on 11 December 2018 and 23 January 2019.

1.2. The Committee agreed their work programme would comprise items considered directly at meetings plus other items considered or "commissioned" using flexible arrangements outside of the formal committee structure.

1.3. Members of the Council are reminded that:

- all Members have been invited to attend meetings of the Scrutiny Committee and to contribute freely on any agenda item;
- any Member could propose a topic for inclusion on the Committee's Work Programme;
- any Member could be asked by the Committee to contribute information and evidence, and to participate in specific scrutiny reviews.

1.4. The Committee has 8 elected Members and we have meetings scheduled approximately for every month. Our next meeting will be held in the Council Chamber, Shire Hall at 10.00am on 06 March 2019.

2. Background

2.1. Scrutiny Work Programme
At each meeting the Committee considers and updates its work programme, having regard to the Cabinet's forward plan of proposed key decisions. The Committee also agreed to hold themed meetings and Members are looking forward to this approach, in particular the attendance of representatives and/or stakeholders from partner agencies.

2.2. 11 December 2018
The first item on the agenda was the Month 6 revenue Budget Monitoring Report. The Committee considered this report which outlined that the Month 6 projected revenue outturn for 2018/19 was £3.158m over the available budget of £317.883m. Good progress has been made in delivering the required savings and the Senior Leadership Team (SLT) is currently assessing the additional management action and mitigations required to further reduce the current projected overspend. The next detailed, quarterly report will be presented in

February 2019, based on expenditure to the end of December 2018.

In a verbal update, Members were informed that the downward trend of spend is continuing at that the latest outturn position is now forecast at around £2.3m. The contingency in place would, therefore, be enough to meet the overspend currently although measures to address this overspend are still in place.

The Committee discussed: the use of capital receipts; Dillington House; the use of government grant money for highways, particularly potholes; small improvement schemes and the progress of savings proposals which required consultation with the Schools Forum.

The Committee noted the report and asked for an update on the use of the Highways grant and the Small Improvement Scheme. It was agreed to provide this once the analysis had been completed.

Next the Committee considered a report which outlined the proposed Capital Investment Programme for the period 2019/20 to 2022/23 of £225.121m.

It was clarified that this report would be presented to Cabinet in the New Year and that any comments from the Committee would feed in to the decision-making process.

In previous years the Capital Programme has been agreed one year at a time. This creates difficulty in some areas, such as the Colley Lane development in Bridgwater and the A Block refurbishment project, when agreement is reached for the first part of development but not the second. Officers are better able to plan in a considered way if they are able to plan ahead. Therefore, the proposal is to seek approval for an on-going programme which can still be subject to change. Any decision on the capital programme will also have an impact on the revenue budget.

The Committee discussed: the school building programme; minimum revenue position; estimated funding in future years; the use of S106 and CIL funds; borrowing and commercial investments; paying down capital loans and parish council support for small improvement schemes.

Following a vote, the Committee approved the following recommendation:

The Scrutiny for Polices and Place Committee acknowledges the importance of SCC's ability and necessary resources to negotiate the best possible contributions to infrastructure projects from the development of housing in Somerset.

The Committee noted the report.

Following this, the Committee considered a report on the Library Service Re-Design. The report provided an update on progress with establishing Community Library Partnerships, in the early stages of implementing the decision by the County Council's Cabinet to re-design the libraries service.

A summary of the expressions of interest that are being taken forward was provided. The Committee was informed that no expressions of interest were received for Highbridge and Sunningdale libraries. These libraries will therefore close on 29 December 2018, and library services will be delivered to the surrounding communities through the new Library Outreach Service delivery model, as determined through the Cabinet decision. The committee were also updated on the progress of other areas of work underway as part of the Cabinet decision.

The Committee discussed: mobile library provision; support for Watchet Town Council and provision of legal advice.

The Committee noted the report.

During the next item, the Committee considered a report which provided an update on the council's ongoing progress towards the outcomes laid out in the council's Business Plan. The report provided the latest information available in the period up until 30th September 2018. The new design and format of the report was highlighted to the Committee.

The Committee noted the report and were pleased with the new format.

Next the Committee considered a presentation which provided an update on the A Block Refurbishment project.

The presentation outlined the business case for change and the Cabinet recommendations, the options considered, expected savings and future opportunities, benefits and risks and key next steps for the project.

The Committee discussed: valuations of the county hall site; risks associated with not carrying the enabling works; occupancy studies; parking; financial benefits of freeing up other buildings in Taunton; public perception of the project and the importance of keeping Members updated.

Members raised concerns that so few risks had been presented and it was clarified other risks were identified on the full risk register. Following a vote, the Committee made the following recommendation:

The Scrutiny for Polices and Place Committee recommends that a complete, detailed assessment of all risks associated with the A Block Refurbishment Project, along with a valuation of A, B & C Block should be provided to the Cabinet ahead of their meeting on 19 December 2019.

The Committee noted the report.

Finally the Committee received a Lead Local Flood Authority update. The report updated the Committee on the continued progress by the Flood and Water Management team in 2018/19 and set out the key activities for 2019/20.

The Committee discussed: the role of the SuDS inspector; the connection between highways, housing and flooding and the need for as much green space on developments as possible.

The Committee noted the report.

23 January 2019

The Committee began by considering the Month 8 Revenue Budget Monitoring report which outlined the projected revenue outturn for 2018/19. For the first time in this financial year, an underspend of £0.921m is projected. This projection is based upon actual spending to the end of November 2018 (month 8) and compares to the available budget of £317.882m.

The main change between the month 7 and month 8 projections is that a revised approach to the calculation of the Minimum Revenue Provision (MRP) has been applied, taking advantage of new and more flexible regulations.

In a verbal update, the Committee were informed that a refund of around £1m is due to be received from central government. This refund relates to business rates and it is proposed to put this towards general funds once received. It was clarified that the business rates refund was a one-off sum to be received in 2018/19.

The Committee discussed: the change in calculation of the MRP and whether this would result in further debt payments needing to be made; planned use of the underspent funds and the need for the Committee to consider the Business Plan alongside the financial plan.

The Committee noted the report.

3. Consultations undertaken

3.1. The Committee invites all County Councillors to attend and contribute to every one of its meetings.

4. Implications

4.1. The Committee considers carefully, and often asks for further information about the implications as outlined in, the reports considered at its meetings.

4.2. For further details of the reports considered by the Committee please contact the author of this report.

5. Background papers

5.1. Further information about the Committee including dates of meetings in the new quadrennium, and agendas & reports from previous meetings are available via the Council's website.**www.somerset.gov.uk/agendasandpapers**

Note: For sight of individual background papers please contact the report author.

County Council
– 20 February 2019

Report of the Scrutiny for Policies, Adults and Health Committee

Chair: Cllr Hazel Prior-Sankey
Division and Local Member: All
Lead Officer: Lindsey Tawse - Democratic Services Team Leader
Author: Jennie Murphy - Senior Democratic Services Officer
Contact Details: 01823 359027 Jzmurphy@somerset.gov.uk

1. Summary

1.1 The Scrutiny for Policies, Adults and Health Committee is required by the Constitution to make an annual report to the Council each year and also to provide each other meeting of the Council with a summary progress report and outcomes of scrutiny. This report covers the meetings of 5 December 2018 and 30 January 2019.

1.2 The Committee agreed their work programme would comprise of items considered directly at meetings plus other items considered or 'commissioned', using flexible arrangements outside of the formal committee structure.

1.3 Members of the Council are reminded that:

- all Members have been invited to attend meetings of the three Scrutiny Committees and to contribute freely on any agenda item;
- any Member could propose a topic for inclusion on the Scrutiny Work Programmes;
- any Member can be asked by the Committee to contribute information and evidence and to participate in specific scrutiny reviews.

1.4 The Committee has 8 elected Members.

2. Background

2.1 Scrutiny Work Programme

At each meeting, the Committee considers and updates its work programme, having regard to the Cabinet's forward plan of proposed key decisions. Members appreciate the attendance of representatives and stakeholders from partner agencies.

2.2 5 December 2018

<u>Somerset Health and Care Strategy Update</u>

The first main item was a report from the Somerset Health Care Committee setting out the overarching strategy and in particular the proposals for public engagement. It was noted that future events will be held in Bridgwater and South Somerset. Views from the public are encouraged through a variety of means in addition to the events including social media and feedback from support organisations. The areas for consultation are:-

- Acute Services – including Stroke services, paediatric and obstetric services,
- Community Setting - looking at the whole range of settings beyond hospital beds. Use of Urgent Treatment Centres and phasing out of Minor Injury Units.
- Mental Health Services – looking to deliver best practice and review the current arrangement of two centralised Mental Health Units in a county with a large geographical spread

Members discussed the proposals and noted the proposals. We were pleased to see that Children's Services elements were aligned, they noted the plan to move towards Urgent Treatment Centres and the review of stroke services. We supported the proposal to raise public awareness of the 111 service and that the service will book appointments at the nearest suitable unit – not necessarily A&E.

Healthy Weston Programme Update

The next item we considered was a report and presentation on the next steps. As 20% of the patients treated in Weston Hospital were from Somerset it was appropriate to consult this Committee. The Programme for change was driven by the higher than average age of the population served and the relative deprivation of some of the Wards covered.

The Healthy Weston Programme is designed to address some of these issues by trying to move patients away from acute services by better joined up working. Following the public consultation there have been some suggestions that can be acted on immediately but there are others that will need further consultation. The options were laid out in the report and are subject to further discussions with NHS England, and the local governing body.

Members discussed the proposals and were reassured that the plans had an element of 'future proofing' for the next 30 years. Shared concerns about recruitment and retention of medical staff, including questions about local enhanced pay (not possible because of NHS National pay schemes). Members were keen to support a call for here to be a University base in Somerset allowing home-grown students to undertake their clinical experience in local hospitals.

Community Hospital Update

We welcomed an update on Community Hospitals in Somerset. Members were pleased to hear the plans to re-open Wellington Community Hospital early in January 2019. We were concerned to hear that the closure had been due to staffing and the ability to recruit nurses and as in Weston the lack of a Nursing Degree being available in Somerset. Incentives to make Nursing more attractive were discussed. These included; free car-parking while on duty, travel discounts and the re-introduction of some sort of Nursing Bursary.

2.3 30 January 2019

Nursing Home Support Service
The first main item was a report introducing the Nursing Home Support Service, an opportunity for the Committee to understand the vision for its future to better support the delivery of strategic ambitions across key agencies.
This Service is a joint NHS Somerset CCG and Somerset County Council initiative. To support local nursing homes with improving quality, raising standards and reducing avoidable hospital admissions.

We congratulated the NHSS on the positive contribution it was making in Somerset. The Committee agreed that it was evident that there was no room for poor quality care and being in the top 10 nationally for high quality was to be welcomed.

Fair Cost of Care Update
We were given an update on the exercise to ensure the fee levels for 2018/19 that were commissioned by Somerset County Council reflect the actual cost of care in the local market. The exercise was conducted by an organisation who are qualified to carry out the exercise and are independent of the local authority. The report they produced informed the decision to offer an increased rate for both Care at Home and for enablement. We were also informed that there was an oversupply of care home beds in Somerset and this was despite some care homes closing in 2018.
Members were pleased to hear that Quality levels have continued to improve and 90% of providers were rated good or above and there were none rated inadequate.

While these costs have been agreed for this financial year there was a concern about next year as budgets had yet to be approved and the promised Green Paper from Government has been delayed by 8 months already and without a decision about the ongoing funding for Adult Social Care it was difficult to plan. We discussed the report and asked to assurance that the increase in hourly rate was passed on to employees and that proper travel time was paid to individuals when they were working in the more rural parts of the county. We were pleased to hear the high quality and effectiveness of the service was maintained despite the significant cut on the budget over the last three years however, they were concerned that this level of service could not be sustained if further reduction in budgets was expected

Medium Term Financial Plan

The final report was the key messages from the Somerset County Council financial plan 2019-22.to be presented to full council in February 2019.

We noted that a further spending review is due in 2019 and direct representation and through the LGA was going to be made to ask for a long-term funding solution. Mid-year and mid-cycle grants; although welcome, did not assist in long term planning. We agreed to send a recommendation to Cabinet.

Proposed by Cllr M Healey, seconded by Cllr B Revans

The Scrutiny for Policies, Adults & Health Committee recommends that the Cabinet, in partnership with other stakeholders including Group Leaders and Somerset MP's, takes a leading role in proactively lobbying central government about the urgent need for sustainable long-term funding for adult social care in Somerset.
After discussing all the items individually, we came to the agreement that the high level of achievement and ratings of all the services in Somerset was to be commended however, the need for a commitment to a long-term funding arrangement that reflected the demand and cost of these services was vital. To this end they agreed another Recommendation to Cabinet as follows: -

Proposed by Cllr B Revans, seconded by Cllr M Healey

The Scrutiny for Policies, Adults & Health Committee wishes the Cabinet to be aware of the future risk to adult social care funding, particularly the future capacity to deliver further savings and the impact this will have on preventative services.

3. Consultations Undertaken

The Committee invites all County councillors to attend and contribute to its meetings.

4. Implications

The Committee considers carefully and often asks for further information about the implications as outlined in the reports considered at its meetings.

For further details of the reports considered by the Committee, please contact the author of this report.

5. Background Papers

Further information about the Committee including dates of meetings and agendas and reports from previous meetings, are available via the Council's website:

www.somerset.gov.uk/agendasandpapers

Note: For sight of individual background papers please contact the report author.

Somerset County Council

County Council
- 20 February 2019

Report of the Scrutiny for Policies, Children and Families Committee

Chairman: Cllr Leigh Redman
Division and Local Member: All
Lead Officer and Author: Jamie Jackson – Governance Manager - Scrutiny
Contact Details: 01823 359040 jajackson@somerset.gov.uk

1. Summary

1.1. The Scrutiny for Policies Children and Families Committee is required by the Constitution to make an annual report to the Council and to provide each other meeting of the Council with a summary progress report and outcomes of scrutiny. This report covers the work of the Committee's meetings on since 7 December 2018 and 25 January 2019.

1.2. The main focus of our work programme will be to ensure the continuous improvement and delivery of the 7 priorities contained within the Children and Young Peoples Plan (CYPP). In this endeavour the Chairman has again suggested that each Member of the Committee volunteer to act as a 'champion' for each of the 7 programmes.

1.3. Our predecessor Committee (from 2015 to 2017) was able to help bring about continuing progress in many areas of the Council's improvement agenda for children and young people and our central focus will also be to constantly ask - **What impact does that have on children in Somerset?**

1.4. The Committee has 8 elected Members. We also have 7 co-opted members. We have 2 Church representative vacancies along with 1 Parent Governor vacancies and we are looking at ways to ensure those positions are occupied. We have retained our Schools Compact representative and a representative from the Schools Forum; our co-opted members have voting rights on education matters only. We look forward to once again hearing first hand testimony from front line staff who will we invite to attend and participate at our meetings.

1.5. Members of the Council are reminded that:

- all Members are invited to attend meetings of all the Council's Scrutiny Committees and to contribute freely on any agenda item;
- any Member could propose a topic for inclusion on the Scrutiny Work Programmes;
- any Member can be asked by the Committee to contribute information and evidence, and to participate in specific scrutiny reviews.

2. Background

2.1. **Scrutiny Work Programme** – As noted above the focus of our work programme will be the 7 priorities of the CYPP with practical work to support and challenge service improvement. The Committee fully supported this at our first meeting of the quadrennium and we look forward to working with the

Director of Children's Services (DCS) and other Officers to ensure topics dealt with during Scrutiny meetings support the improvement process.

Each of our future meetings will have specific agenda items to consider the work programme and this will allow members and officers to suggest items we should scrutinise in more depth. We are also very keen to enhance our ability to monitor our suggested outcomes and recommended actions to ensure these have been progressed, and to assist us in this we will continue to review our outcome tracker at every meeting to ensure this is meaningful.

The Committee is also keen to help facilitate and progress the on-going Scrutiny Review being undertaken in the Council, so we can continue to build on our role in policy shaping, holding the Cabinet to account and reviewing issues of importance to local communities.

2.2. 7 December 2018

Public Question Time – We had several members of the public attending who asked questions about each agenda item and we ensured that those questions received a written response as some of the questioners were unable to attend the meeting.

Self-harm in Somerset – A report from the Director of Public Health that provided analysis of available data to help understand the apparent high rates of self-harm in Somerset. In summary the conclusion seemed to be that evidence pointed to the most effective interventions being the overall promotion and support of mental health and emotional wellbeing for all young people, especially girls, rather than providing specialist services. The Chair reflected that the mental health and well-being of others was a matter for all, not just the NHS. We accepted the report and requested a further update be considered at the June meeting.

Somerset Local Transformation Plan (LTP) – We then considered a report that explained that Somerset CCG was required by NHS England to "refresh" the 2015-2020 Somerset Local Transformation Plan (LTP) for Children & Young People's Mental Health & Learning Disabilities (CYP MH/LD). There was a discussion of the report and it was noted that the LTP Programme Board included a range of partner representatives, including a member of this Committee and a representative of the Parent Carer Forum and work on refreshing the plan had involved many different partners to reflect and compliment other plans. Members also voiced concern at the combining of mental health with learning difficulties and it was confirmed this was the adopted approach of the CCG. The Committee thought that this was not an appropriate link and an unfortunate policy and suggested that thought be given to amending it. We accepted the report.

Local Area Improvement Network (LAIN) – provided an update on Officer led activity since our previous update, last June. We were reminded that the progress against the SEND Strategy Outcomes were monitored through the Local Area Improvement Network (LAIN), which was accountable to the SEND improvement Board, Children's Trust Board (as part of the CYPP) and to the Health and Well-Being Board. We accepted the update.

Young Carers – We considered a report about how Officers were identifying opportunities for greater involvement of the community and voluntary sector in Young Carers support. We heard that following the withdrawal of the proposal submitted to the meeting of the Cabinet last September an engagement exercise was being undertaken. We sought clarification and it was explained this was different from a consultation as an engagement exercise was focused on obtaining general feedback and opinions whereas a consultation would be focused around specific proposals and there were no proposals currently for the Young Carers Service. It was explained that Officers were now exploring how the Young Carers services could be delivered differently in the future to ensure good outcomes for Young Carers as well as achieving good value for money, so the Council could ensure the provision was fit for the future. We accepted the report.

Capital programme for 2019/20 – We noted that the programme primarily related to the assets which are held or used by the Council to operate or support the services provided to Somerset residents and covers such assets as Schools and Highways. Capital expenditure involves the acquisition, creation or enhancement of fixed assets with a long-term value to the Council. It did not therefore support the day-to-day running costs of Council services which were met from the Revenue Budget. We focused on the 'Schools basic need programme' and it was noted that in 2018/19, the Council approved a programme to provide additional schools basic need places over four years. This was in part funded by up to £120m of borrowing. A further investment programme was proposed for 2019/20 and the subsequent three years, but this has now been reviewed in the light of the financial pressures upon the Council. Looking ahead Members heard that the Council would continue to seek further funding to support the addition of school places and avoid the requirement for borrowing.

2.3. 25 January 2019

Children's Service MTFP budget setting – A report outlined the process and how recommendations arising from the PeopleToo review and financial plan had been incorporated and progressed. Attention turned to Appendix A of the report that set out the Financial Plan for Children's Services (2019 – 2022) and it was noted that further proposals had been developed offering savings to the budget. Additional recommendations had been made in relation to the High Needs element of the Dedicated Schools Grant, those required further work before recommendations could be fully considered. We agreed to note the report and that it was important to continue transformation work with improvements on systems with partner organisations to make it easier and more efficient with sharing information and using data.

Medium-Term Financial Plan (MTFP) (2019-22) – It was confirmed that all the known funding and service demand pressures had been reflected in the budget alongside proposals for reducing spend and hence producing a balanced budget for 2019/20. This work had produced indicative budgets for each service and the report focuses on those services for Children's Services. Working with PeopleToo had allowed for a rebasing of the Children's Services budget and this ensured that from 2019/20 (and indeed from the later part of 2018/19) managers had budgets for which they could be held to account allowing for more effective budget monitoring. We agreed that the recommendations arising from the consultation exercise with the voluntary sector regarding meeting the needs of young carers should be considered by us in the summer and that we should receive regular financial monitoring reports regarding Children's Services, starting in the new financial year. The report was accepted.

Somerset Safeguarding Board – We considered the Annual report and there was a discussion with questions asked and answers provided on concerns about children being held in custody overnight, safeguarding in home education, information sharing and data gaps, greater emphasis on universal community services flagging safeguarding concerns at an early stage, modern slavery and child exploitation.

Refreshing the Children and Young People's Plan (CYPP) – We noted a timeline for progress of adopting the CYPP and it was proposed to present the final/agreed CYPP at our 22 March meeting. We recognised the work the Vice Chair, with officers, had contributed to this endeavour. The new CYPP would then be formally launched during April 2019.

Proposals for the alteration and/or reduction of early help services provided to children and their families - 'get-set' – A report provided details of the public consultation and emerging proposals with final recommendations being presented to the Cabinet for consideration on the 11 February 2019. It was explained that following the staff reductions already undertaken in 'get-set', the level 2 service currently consisted of just 11 FTE family support workers and apprentices covering the whole of Somerset, and this reportedly cost £450k. The Council's view that investing an annual £200k in community based local support had the potential to create a larger, more effective and sustainable resource with the ability to attract further funding from other sources. We noted that there would be further work carried out to explore and mitigate gaps identified by cessation of get-set level 2 with community connect and community catalysts. We also requested that responses from other partner organisations which raised concerns would also be added into the report on the consultation and that this would be added onto our forward work programme for a future update.

3. Consultations undertaken

3.1. The Committee invites all Councillors to attend and contribute to its meetings. The Committee Chair and Vice Chair invite prospective report authors to attend their pre-meetings and Lead Officers are engaged in this process and reports are being submitted on time.

4. Implications

4.1. The Committee carefully considers reports, and often asks for further information about the implications as outlined in the reports considered at its meetings. For further details of the reports considered by the Committee please contact the author of this report.

5. Background papers

5.1. Further information about the Committee including dates of meetings in the new quadrennium, and agendas & reports from previous meetings are available via the Council's website.
www.somerset.gov.uk/agendasandpapers

Note: For sight of individual background papers please contact the report author.

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Somerset County Council

County Council
– 20 February 2019

Lead Member Children and Families: Annual Report
Cabinet Member: Cllr Frances Nicholson, Cabinet (Lead) Member for Children and Families
Division and Local Member: All
Lead Officer: Julian Wooster, Director of Children's Services
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Summary

1 **The Strategic & Professional Framework For Children's Services**

1.1 The current statutory guidance, summarising some 300+ statutory duties, has as the central principle the co-ordination of education and children's social care services under a single elected lead member to support the strategic and professional framework within which the safety and the educational, social and emotional needs of children and young people are considered together.

1.2 The strengthened professional structure for Children's Services comprising Children's Social Care, Education, Commissioning and Performance, and Quality Assurance and Safeguarding was established in January 2016. Following the departure of the Deputy Director Education in 2017, a review of the education service senior structure was carried out in discussion with representative Headteachers. As a result, the education service now comprises 3 areas – schools standards and the provision of places, inclusion service including special educational needs and disabilities and Support Services for Education (SSE) providing traded services to support schools. The new Assistant Director for Inclusion started in April 2018 and a Cabinet Member for Education was appointed in May 2018 to support the lead member. Her annual report will cover mainstream education, school improvement, school building, and SSE, they are not therefore covered in this report. These changes reflect the Council's commitment to schools and education in Somerset and the need to improve education outcomes for all children.

1.3 Each senior manager provides professional leadership for their service area and also represents children's services, deputising for the Director of Children's Services (DCS) (and all the statutory functions of the role) as required. The Cabinet Member provides support and challenge to the DCS and relevant members of his senior team as appropriate, through the various governance arrangements in place in the service.

1.4 The Ofsted report into the Council's safeguarding and corporate parenting functions was published in January 2018, with a judgement of Requires Improvement (RI) resulting in the ending of government intervention. As an RI authority the Council is subject to an enhanced inspection regime to support the Council to get to 'good'.

It is of concern that only Cornwall, the Isles of Scilly and Bath and North East Somerset are judged Good in the South West. In comparison to other regions the South West performs poorly with no 'Outstanding' local authorities. As a result, government funded sector led improvement for the South West local authorities is being provided out of region by Essex County Council an 'Outstanding' local authority. Essex continues to support Somerset's improvement journey including chairing the Children's Social Care Quarterly Performance Review Meetings (QPRM).

Reflecting the strengthened capacity in the service and some areas self-assessed as 'good', the Council has been providing some externally funded support to other southwest LAs.

1.5 As a result of the Financial challenges facing the Council, and with advice from advisors funded by the LGA, Children's Services has moved to a statutory minimum service, this in summary means:

- Provide services which meet the Council's statutory obligations in relation to children's social care, SEND, education and youth offending services.
- Fund Early Help which directly avoids the need for statutory services (social care, SEND and youth offending)
- Provide services where there are external funding sources
- Ensuring all services improve to at least 'good' by 2020/21

The ongoing work involved in addressing the financial challenges has had an impact on the improvements necessary in Corporate Parenting and Special Educational Needs & Disabilities which have not been at the pace originally planned.

1.6 The strategic multi-agency framework for children's services in Somerset, is met by the **Somerset's Children and Young People's Plan 2016–2019** http://www.somerset.gov.uk/policies-and-plans/plans/children-and-young-peoples-plan/ **.** A revised plan for 2019-2022 is being produced following a multi-agency process, overseen by Somerset Children's Trust and involved feedback from young people including Children Looked After and Care Leavers.

1.7 Each improvement programme has a supporting annual action plan. Accountability and challenge in relation to these plans is ably provided by partner agencies through the Children's Trust and the Education Partnership Board and by elected members through the Corporate Parenting Board and the Scrutiny for Policies, Children and Families Committee.

2 Children's Social Care

2.1 The focus for Children's Social Care since the Ofsted inspection in 2017 has been, and continues to be, the journey from Requires Improvement to Good and to ensure that our services, systems and processes are set up to support the delivery of this and the achievement of good outcomes for children.

Since September 2018 there has been a full complement of four Heads of Service in post within Children's Social Care. This creates the opportunity to develop more collaborative ways of working across the service areas and will support the implementation of new ways of working from April 2019. Priorities include working with the operational management group to:

- Reduce the impact of transition points on children;
- Remove barriers to developing improved social work practice with the focus being on strength and relationship-based social work;
- Increase the number of children who successfully reconnect and return home to their parent or carers;
- Good quality, effective planning for children;
- Work within our own service and partner agencies to ensure children receive the right service at the right time and that responses are effective and proportionate to the identified strengths, needs and risks. Included in this is the redesign of the front door (First Response).
- Explore a more community-based response to safeguarding.

2.2 **Edge of Care Services**

The prevention service within Children's Social Care, Team 8, has been redesigned from existing resources to provide an increased breadth of service provision in terms of both reach and availability. Team 8 now work across high level 3 and level 4 services, meaning that adolescent children (transition to secondary school age onwards) face fewer changes in worker where the professional relationship is core to making positive changes within families. As of January 2019, Team 8 provide a casework service and crisis (duty) service seven days a week, 7am–10pm. The early start ensures children with school attendance issues can be supported, especially our Children Looked After within Somerset where data shows poor school attendance to be a core issue.

To further support our children and families who are experiencing significant stress or dysfunction which could lead to family breakdown, prevention services are now delivering a 10pm–7am crisis support service 4 nights each week (over the Friday–Monday night weekend) working with the Police and other agencies.

Edge of Care services were well regarded by Ofsted in the 2017 inspection.

2.3 **Youth Offending Service**

The overall case load of YOS has continued to steadily climb over the last year, currently fluctuating at 85–90 children actively involved with YOS at any one time. The reoffending rate is very slightly above the national average, but of more significance we are seeing an increase in serious youth violence which, from local intelligence, is believed to be associated largely with the drugs trace and County Lines type activity. From a zero rate in 2017/2018, three young people have been remanded in custody in the current year, with 2 remaining at HMP Parc currently. This has a significant financial impact upon the YOS, as we receive no remand budget as this is based upon previous years' performance.

Key areas for YOS activity going forwards are:

- Reviewing how the service is structured staffing wise, to cope with increasing numbers and complexity where indications are the YJB grant will be significantly reduced

- Ensuring all staff can deliver healthy relationships and substance misuse work at Tier 2, as the current externally funded contracts held within Team 8 terminate
- Reviewing (very) early prevention work to ensure proportionality of response, allowing greater proportions of staff resources to concentrate on the highest risk young people, who are often also our most vulnerable
- Ensuring partner contributions, including premises and staffing, are reviewed to reflect current and projected need and demand
- Supporting staff and partners through the HMI probation inspection process, which is likely to happen later this year

2.4 **Children Looked After**

The Somerset rate of Children Looked After remains low compared to other authorities in the South West. However, in the last year there has been an increase in the number of children coming into our care, (546 in January 2019 compared to 523 in December 2017). Key priorities for the service include:

- Placement sufficiency and stability – work is underway with providers of care and social workers to address these issues.

- Achieving permanence – this year has seen a drive on ensuring permanence planning meetings are held for all our children to ensure we remain focussed on achieving permanence at the earliest opportunity, avoiding unnecessary drift and delay.

- Reconnection (formerly known as reunification) – ensuring that we continually drive towards ensuring those children and young people that can safely return home do so

- Quality of direct work with children

- Ensuring the voice of the child is central to service development and delivery

The Care Leavers Service has published the Local Offer and positive feedback has been received. Currently there are 236 Care Leavers being worked with and there is a continued focus on improving the consistency of pathway plans and decreasing the number of Care Leavers who are not in education, employment or training (NEET).

2.5 **Adoption**

Somerset County Council Adoption Performance 1st April 2017 – 31st March 2018

Following the reinspection of Children's Services in 2017 adoption was judged Good. Ofsted noted the provision of strong adoption services ensuring successful permanence for a wide range of children. The inspection found good practice from effective planning for adoption right through the process to good post adoption support services. Fostering for Adoption (FFA) was noted as an area of considerable strength.

Recruitment of adopters improved in 17/18 with 26 adopter households approved and 31 children were adopted with another 31 children placed for adoption. This is a reduced number of adoptions however in terms of percentage of adoption as a permanence outcome for children leaving care there has been an increase from 13% to 14%. The number of children leaving care due to a Special Guardianship Order being made has remained stable.

Performance in relation to two of the three scorecard indicators (Adoption Scorecard Year ending March 2017– the scorecard is always published a year behind) has been improved in relation to making timely decisions and placements for children in our care. Performance against the A2 indicator, 'Average time between a local authority receiving court authority to place a child and the local authority deciding on a match to an adoptive family (days)' continues to be strong and we are in the top 25% of local authorities.

Since the launch of the Adoption Support Fund the Permanence Team has made 255 successful applications to the adoption support fund. The total approved funding was £795,580.

Regional Adoption Agency - Adopt South West (Adopt SW)
Progress towards a regional adoption agency was slower than anticipated; Somerset County Council fully transferred Somerset's adoption services to Adopt South West on the 1st October 2018. Our RAA is a hosted Local Authority model and brings together the adoption services of Somerset, Torbay Council, Plymouth City Council and Devon County Council. Devon County Council are the host LA. Kath Drescher was appointed as Head of Service for AdoptSW, this appointment was greeted positively across the region.

Transferring our adoption services was a period of intense activity managed alongside maintaining the service for adopters and children. Some staff were unsettled by their employment transferring to Devon County Council and several experienced adoption workers left the service. Post 1st October there have been some significant technical difficulties, challenges with the reality of aligning practice and social work capacity particularly in our part of the region. AdoptSW are recruiting to vacancies.

2.6 Safeguarding and Assessment

Over the last 12 months the focus has been on supporting the move from a compliance focus to a focus on quality of practice. The service has been working to ensure that responses are proportionate and effective and that children and their families understand the reasons for our involvement and what they can expect from the service in terms of intervention.

This has included a service 'obsession' on thresholds supported by the implementation of the safe uncertainty model enabling more confident risk management and the panel systems across the county. This work has resulted in:

- A significant reduction in Child in Need numbers across the county reducing from 1750 in May 2018 to 1240 in January 2019;
- An improvement in the conversion rates within the child protection process and a reduction in the number of strategy meetings ensuring children do not receive statutory intervention unnecessarily.

- Stable numbers of children subject to Child Protection Plans
- Improvement in the timeliness of assessments completed from 54% in April 2018 to 84% in January 2019.
- A reduction in the number of children subject to Public Law Outline meetings and care proceedings.

Linked to the above the service has embedded a dip review cycle to close the learning loop in relation to focus areas.

Work with partners has been ongoing to support consistent understanding and application of thresholds. Resources at First Response are now being deployed more flexibly to prevent contacts coming into the system which previously have resulted in No Further Action at an early stage. The success of this work will inform the redesign of the front door services.

The service is currently focussed on improving the quality of planning to ensure that interventions focus on the impact on the child and are effective in achieving good outcomes for children.

2.7 **Partnerships, Quality, Audit and Quality**

The last year has seen significant change and development within the quality assurance service. Ofsted 2017 highlighted some strengths, but overall cited a lack of challenge to SW practice from IROs and CP chairs. With a new permanent management team in place, the service has responded well, developing improved escalation processes, a strengths-based approach to identifying issues requiring resolution and clearer processes for recording challenge and the impact this has on outcomes for children. Links with front line social workers and managers have been strengthened, and review meetings are increasingly child focused, whilst structures for gathering feedback from professionals and service users are now in place.

The Quality Assurance framework has been updated to include a wider range of audit and diagnostic tools, which are aimed at giving managers a clear understanding of what is working well and what areas require focus to increase the pace of improvement.

Management of the SSCB Business Unit, and Route One advocacy have now come under the remit of the QA service, which will enable a clearer focus on key Ofsted objectives (including advocacy for children in CP conferences and improved partnership working).

The key challenges for the next year will be to maintain the pace of change, and to increase the influence and impact that the ISRO service has on the quality of practice, particularly for CLA. The development and implementation of new local and regional safeguarding arrangements will also be a key priority, with work already underway to plan for implementation in September 2019. There is an enthusiasm and commitment evident within the team which it is anticipated will support further positive change throughout 2019 and beyond.

2.8 <u>Children with Disabilities</u>

The Children with Disability service has been redesigned from existing resources to provide a more proportionate response to disabled children and their families.

The Social Work Team provides a service to children and young people whose needs are assessed as being at high tier three and tier four. The Family Intervention Workers in our Early Support Team provide a service to children whose needs are assessed at tier 3 and the Resource Team provide the services required at the lower tiers.

This redesign was completed in collaboration with the Somerset Parent Carer Forum and ensures that children and families receive the support that is required to meet their needs in the most effective and appropriate way.

The Social Work Team now work with 160 children having average caseloads of 15 which means they are better able to provide the support required to their families in a more effective way.

The Early Support Service work with 165 children and the Resource Team directly with 82 children. However, we also provide activities with community partners through grant funding which families can access from our short break calendar which is sent 2800 children.

Our three children's homes which provide overnight short break services to those children who require that level of service are rated as follows:

The Lodge – Good
The Elms - Requires Improvement to be Good
Beech trees – Requires Improvement to be Good

3 Inclusion

3.1 The development of the Somerset Inclusion Service under the Assistant Director <u>– Inclusion</u> is progressing well following the removal of the internal commissioning arrangements for statutory education services. These arrangements now come under the Director of Childrens Services and will form part of the Children's Services Transformation programme.

The newly developed Inclusion service comprises four strategic managers to bring together a wide range of statutory functions. This includes the SEND casework function, providing education for Pupils who are permanently excluded, identifying those who are missing from education, have persistent absence or low attendance and monitoring those who are electively home educated and the educational attainment of Children Looked After through the Virtual School. The Principal Educational Psychologist has joined the Inclusion leadership team to further add capacity and strengthen alignment across all statutory education services.

3.2 **SEND casework**

The appointment of the Interim SEND manager and a permanent appointment to the SEND Strategic Manager has increased capacity in leadership of SEND casework in the Local Authority. Progress on preparing for the Local area SEND inspection has progressed through the development of the SEND Local area improvement network.

There has been a 78% increase in the number of requests for statutory assessment during the past four years since the implementation of the Children and Families Act in 2014. In 2017/18 the increase was 34%; this is significantly above National increases which are reported at 16.9%. The increase in requests also adds pressures to the Educational Psychology Team to provide statutory advice and to support this it was necessary to amend individual allocations made to schools.

Performance is measured by the 20 Week completion rate. This was finalised at 34% for 2017/18 and is significantly below National average of 64.9%.

A planned programme of transferring high needs funding into Education, health and Care plans has commenced and will continue to impact upon performance in 2018/19. This programme will be finalised by April 2020. To mitigate increased demands and impact upon performance targets, a restructure has commenced with the creation of new posts, including four more posts at a senior level and 10 additional temporary officers to undertake assessments and reviews of EHCP's.

Improvement is already seen as a result of increased capacity and final monthly performance data has risen for the 2nd month running with December performance finalised at 64%, just below National average.

3.3 **Permanent exclusions**

Providing full time education for children who are permanently excluded is a statutory responsibility from day 6 of their exclusion. In 2017/18 there were 120 permanent exclusions. This is a 68% increase since 2015/16 and high levels of permanent exclusions have continued at the start of the Academic year 2018/19. An initial projection taken in the first quarter predicted numbers of permanent exclusions would exceed levels as at 2017/18, however this has now slowed.

A combined project between the LA and CCG is due to commence in March to reduce permanent exclusions and support schools to identify and manage challenging behaviour. This project is intended to be short term and will focus on developing partnership working. Work force training will be included internally through the Children's Services Transformation programme and through training packages to schools, overseen by SSE and Partnerships with Teaching Schools. Whilst the initial project is short term ongoing activity will cover the duration of the Children and Young People's plan.

3.4 **<u>Safeguarding in Education</u>**

The development of a new integrated Safeguarding in Education Team from a redesign of existing services will add capacity and will focus upon supporting schools to undertake statutory functions relating to safeguarding, including attendance, and monitor compliance and quality assurance within the regulatory framework of Keeping Children Safe in Education (KCSIE - 2017) and Working Together to Safeguard Children (2014).

The Safeguarding in Education Team will have portfolio specialisms such as Child Exploitation and County Lines, Children Missing Education (CME) and Children Missing from Home (CMH), Neglect, Female Genital Mutilation (FGM) domestic and sexual abuse, Prevent as well as monitoring school attendance. The plan is for the new service to be in place by the beginning of February 2019.

3.5 **<u>Education for Children Looked After</u>**

The Virtual School continues to monitor the educational attainment, attendance and outcomes for Children Looked After.

Throughout 2017/18 PEPs were received in the low to mid 90%, with 87% of Children Looked After attending good or better schools. Attainment at Key stage 2 in Reading, Writing and Maths at or above expected level was 24% in 2018, an increase from 19% in 2017 and at Key stage 4, 3 out of 38 young people achieved a standard pass, an increase of 2% from 6% in 2017.

Attendance is a key priority as National research clearly shows the link between school attendance and attainment. 10% of Children Looked After have attendance below 90% and as such could be deemed to be persistently absence. Attendance also continues to be impacted by placement moves.

The Virtual School has refreshed its priorities this year to reflect a greater emphasis on attendance by attending good or better schools, and attainment through good quality PEPs.

3.6 **Supporting Inclusion in Schools**

Supporting schools to be Inclusive has been the primary focus for the Learning Support Service who have been realigned under the SEND advisor. In September the Somerset Inclusion Audit was launched. This supports schools to self-evaluate and plan for Inclusion. It further contributes to the strategic developments across the Local Area. 161 schools completed the audit in the Autumn term, a return rate of over 68%, and data is currently being collated. Information from the audit will support joint commissioning of services to ultimately improve outcomes for pupils with SEND and will continue to support capacity building within our schools through training for teachers, SENCOs and other school staff.

4 **Education – Early Years**

4.1 **School Readiness**

The multi-agency School Readiness Working Group's focus is on supporting best practice in settings to ensure high rates of a 'good level of development' across the County and improving outcomes for children 0–5, through up-to-date advice and guidance, and working closely with the Early Years Communities model to promote CPD. 71.8% of children achieved a good level of development in 17/18, up 0.8% from 16/17, above the national average which stands at 71.5%.

Moderation for settings working with children 0–4 is being embedded to ensure that Reception entry data is fair, consistent and accurate so that Reception teachers can accurately assess children's starting points. This will ensure that appropriate provision can be put into place to enable better outcomes for children at the end of the Early Years Foundation Stage.

4.2 **Early Years Childcare**

Work continues to monitor and address sufficiency of early years child care places in collaboration with partners in education and the private and voluntary sector.

The proportion of 3&4 year olds taking up an early years place in 2018 was 96%, up from 95% in 2017, and above the national rate (England) of 94%.

5 **West Somerset Opportunity Area**

The Opportunity Area Programme is a key part of the Education Secretary's priority of tackling social mobility and improving opportunities for young people across the country. West Somerset is one of 12 areas nationally, which have both poor social mobility and schools that face challenges. These areas will receive a share of £72 million to boost opportunities for young people in these communities up to March 2020. West Somerset was 324th out of 324 council areas in the social mobility index in both 2016 and 2017. The key issues are early years attainment and West Somerset has the highest proportion of people living below the national living wage.

The programme is led by the DFE and co-produced with local stakeholders. The programme started in October 2017 with the first tranche of funding allocated. The agreed plan focused on 4 priorities: Early years, Excellence in the classroom, Transition to Adult hood and Business and Employment.

Following further engagement four additional cross cutting themes have also been included: Mental Health, Extra Curricular Activities, Access to Services, and Special Education Needs.

West Somerset has 16 Early years settings and 18 schools, all of whom are involved in the programme.

During this year the Opportunity Area has:

- delivered in line with the plan for 2017/18.
- consulted on a 2018/19 delivery plan.
- Worked with a significant number of partners, and with new service

providers including The Youth Sports Trust, Home Start, Fare Share and Inclusion Expert to deliver interventions.

Early successes include:

- Fare Share providing food for 2,200 meals for children during the summer holiday proving a model that can be rolled out for the whole County to address Holiday Hunger. A community led and delivered Summer activity programme of over 350 activities for young people during the holidays.
- Doubling the number of students taking part in the National Citizenship service, and facilitating pupil premium students to take part
- Improved levels of development for Early years pupils.
- To find out more about the opportunity our website is: https://westsomersetopportunityarea.co.uk/

6 Commissioning & Performance

6.1 <u>Early Help</u>

The Strategic Commissioner for Early Help and Stronger Communities has been in post since February 2018 and the focus has been to strengthen the role of the Early Help Strategic Commissioning Board, evidence the impact of early help and ensure early help is delivered more collaboratively across the partnership.

The development of the Family Support Service, Phase 1 integration has been supported alongside public health colleagues; progress has been made particularly on accommodation which includes both staff accommodation and the de-designation of 16 children's centres across Somerset.

In line with the financial imperative, the proposed changes to the support and services for children and their families and the proposed removal of getset level 2 has led to a public consultation to understand the impact of this change. This process also resulted in the Scrutiny for Policies, Children and Families Committee calling in the cabinet decision originally taken in September 2018. The public consultation has been a welcomed opportunity to speak to partners and communities across Somerset and to develop a set of proposals which will improve the early help approach and offer for families in Somerset.

Service level agreements for both the Team Around the School (TAS) and the Parent and Family Support Advisers (PFSA) has been completed. This will lead to an ongoing termly (x3 a year) contract review cycle to measure effectiveness and impact of both these service delivery models.

Work to develop an early help scorecard is progressing well through the Early Help Strategic Commissioning Board. Partners are more aware of the early help systems and processes in place. The board is becoming more effective in driving the early help offer forward with stronger collaborative relationships in place.

The Local Offer which is delivered through the Somerset Choices website was relaunched at the end of the Summer which has resulted in a better online offer for children and families which will continue to develop.

Work is starting on the redesign of the early help system and will be part of the new Children's Services Transformation Programme. The outcome of the public consultation will inform the future direction of travel.

6.2 **Sufficiency/placements**

Improving the number and quality of placements in Somerset available for our Children Looked After has been a key focus this year. As a result of improved relationships and more detailed market intelligence, we have increased the number of children placed in residential settings within the county from 35% to 43%. Work with providers in Somerset has resulted in improved quality; from 3 independent providers rated inadequate in 2017 to none currently rated inadequate. Increased engagement with independent providers has helped us to gain positive partnerships in the market and increase the number of placements available to us. The Council's Sufficiency Statement was rewritten at the beginning of 2018 and is being refreshed for 2019, showing improvements and challenges in practice, along with the actions we will take to improve further in 2019.

We have retendered our residential and fostering frameworks with our partners in Devon, Plymouth and Torbay this year, gaining good quality and stable prices from our most valued providers. We have also created a framework for semi-independent provision focussed on meeting the needs of unaccompanied asylum-seeking children, enabling us to find safe, good quality accommodation at short notice.

Developing work with the voluntary sector began in 2018 to pilot community-led services which support families and prevent children from coming into care. This is an exciting area for expansion in 2019, aiming to empower communities to be resilient and keep families together. This work will be evaluated in 2019 to determine how it will go forward.

6.3 **SEND – Commissioning of Specialist School Places**

As part of the Local First Strategy we are exploring ways to reduce the reliance on the Independent and Non-Maintained Sector (INMS).

The early years and schools' capital programme (outlined in the Cabinet Member for Education's and Business Transformation annual report) will provide additional capacity in our maintained settings and this offers an opportunity for Somerset to support children and young people with SEND to attend their local education provision, reduce the reliance on independent and non-maintained provision, and deliver efficient use of resources. Currently 172 pre-16 children (135-day placements, 37 residential) at a cost of £7,895,096 and 70 post-16 young people (35 day, 35 residential) at a cost of £5,775,812 are placed in INMS. If we can reduce these costs, we will be able to increase funding in the maintained sector to meet the needs of children and young people with SEND.

This project will require a range of expertise working together from across the education sector, local authority officers, social care, commissioning and the Somerset Parent Carer Forum to successfully meet the needs of children and young people with SEND and their families to identify those able to return to local provision and to support the transition process. A steering group is being developed and will report through the High Needs Sub Group of Schools Forum.

The quality assurance of independent non-maintained schools has been improved through the development of a provider scorecard enabling us to see at a glance the provider performance, value for money and contract management.

6.4 **Joint Commissioning and Integration**

The Strategic Commissioner for Joint Commissioning and Integration has been in post since February 2018 and the focus has been across a number of areas as outlined below:

- Responsibility for the Troubled Families recovery plan, ensuring that difficulties with data can be addressed, and that this intelligence is used to inform future commissioning activity and that our maturity model is monitored effectively and informs strategic planning.
- Strengthening the relationship with the Clinical Commissioning Group (CCG) Children’s Mental Health Commissioners which has included contributing to Somerset’s Transformation Plan for Children and Young People’s Mental Health and Wellbeing 2015–2020; developing greater coherence between Public Health, CCG and Children’s Commissioning activity; networking with over 50 level 2 mental health providers in Somerset and facilitating their contributions to Somerset Choices; reviewing case studies and understanding the relationship with NHS England commissioners whose provision is necessary for some of our young people.
- Working with District and Borough Councils, Adults’ Commissioners, providers, Leaving Care and Children Looked After Teams to explore our offer and improve accommodation and support for 16–25-year-olds. This has included establishing a new 16+ panel to consider the needs and outcomes for our young people and the range of options available at 16+; improvements within the Pathways to Independence commissioned service (P2i); development of a forum for 16+ semi-independent providers to share key learning; contribution to the Adults’ Complex Lives Board to ensure their future commission is sympathetic to the needs of Care Leavers who may be eligible for the service as they move into adulthood; putting a framework in place to secure placements for any new Unaccompanied Asylum Seeking Children.
- Working with existing Youth and Community Groups as well as Community Infrastructure Organisations, offering development advice and supporting their plans to develop a partnership across Somerset, which will continue to offer support to smaller organisations, develop quality and consistency in youth work provision as Somerset County Council withdraws its offer to Youth and Community Groups in line with MTFP proposals.
- Working with Public Health Commissioners to recommission the Somerset Drug and Alcohol service, ensuring not only that services,

advice and guidance for young people are available to them, but also that services, advice and guidance to adults who are parents include the direct impact of effective parental drug and alcohol treatment on a child's life.

6.5 **Partnership Business Unit**

This year has been spent in preparation for the new Children & Young People's Plan (CYPP) 2019 – 2022. This has involved streamlining reporting mechanisms to ensure all activity is correctly captured and reducing duplication. This work has been carried out collaboratively with partners to align with new strategies and transformation plans – including the launch of Improving Lives and the Somerset Sustainability and Transformation (STP) plan for Health and Children and Adolescent Mental Health Services (CAMHS).

Participation Workers engaged with over 200 children, young people and their families about the issues that matter to them, to include in the new CYPP. Three face-to-face consultation events brought young people and decision makers from the Children's Trust to work collaboratively on the priorities of the plan. The 7000 + responses from the Schools Survey will also influence and direct the new CYPP.

The SEND Participation Team of a worker and 2 Young People's Champions now facilitate a well performing young people's forum, which is at capacity and has engaged well and informed the SEND improvement journey. They facilitated the UnSung Heroes Awards in October with the Somerset Parent Carer Forum, which celebrated the achievements of young people with SEND and all the excellent aspects of SEND work in Somerset. The event was attended by over 130 children, young people, their families and SEND workers.

The In-Care Council has worked well with colleagues in Children's Social Care and the Corporate Parenting Board – notable achievements include the refresh of Somerset's Pledge to Children Looked After. They also supported the excellent work undertaken to produce the Local Offer for Care Leavers. In July they facilitated 2 Annual Achievements Awards which were attended by over 200 Children Looked After, Care Leavers and their carers and friends.

The UK Youth Parliament elections were held in December and, on selection day, 3 new Members of Youth Parliament and their deputies were voted in to campaign on mental health, environmental and child exploitation issues. The young people will use the information they gather in their 2-year tenure to inform and influence service design and delivery in Somerset.

6.6 **Getset**

Over the past 12 months significant work has been undertaken in getset to improve the quality of frontline practice and ensure clear and improved outcomes for those young people and families that getset has worked with. The data dashboard and data set now clearly evidences the increase in demand, output and improved outcomes for children following a focus on consistency of practice and compliance captured in the Early Help Module (EHM).

Service highlights comprise the following achievements:

- 74% of all cases now achieving positive outcomes and decreased need at closure: this is significant progress in evidencing the outcome of the work and interventions we deliver.
- A reduced rereferral rate, sitting consistently around 11% and most of these are as a result of step-downs following a period of statutory assessment and intervention.
- A reduction in cases stepping up to CSC
- An increase in cases stepping down from CSC
- An increasing demand on the level 3 service with open cases remaining between 880–920 children.

Much of the year involved joint working with Public Health Nursing with the proposed move to integrate the teams during 2019. The financial imperative and the LGA's recommendations as highlighted earlier in this report, have now led to a significant reduction in staffing reflecting increased caseload targets and changing levels in demand. The public consultation on the proposal to stop the level 2 service has shown how valued the service has become with both families and partners.

During 2019, the level 3 service will integrate with the edge of care / preventative team as recommended by Peopletoo to offer a more co-ordinated approach. Proposals outlined to improve early help will inform the plans for the level 2 service in the context of wider system improvements.

7. Support Services

7.1 HR&OD

The HR&OD focus for the last year has been on developing the Workforce Strategy. This has included exploring options for growing our own Social Workers such as expanding our Step-Up programme, signing up to Frontline and working with the University of Gloucester and Yeovil College to offer a Somerset Social Work degree programme. The latter includes a commitment to offering placements, job interviews to those passing the course and incentive payments. Recruitment activity has been consolidated based on evidence collated over the last three years. This includes a more active presence at select Recruitment Fairs, Try Before You Apply opportunities in partnership with Visit Somerset and an enhanced digital presence.

Retention activity has focused on face to face meetings with new staff at intervals throughout their first year. This feedback informs how we tailor our approach to recruitment and our offer to new staff. It also shapes how we provide support across the Service. Face to face meetings with leavers has resulted in colleagues being retained either elsewhere in Children's Services or in Adults Services. We have converted 13 locums into permanent staff in the last 12 months.

Partnership working has been developed through the Think Family Strategy development and Multi Agency Roadshows. The first roadshows looked at whether the multi-agency offer 'Is this Good Enough for My Child' and the second focused on the 'Lead Practitioner Role' with the intention of lead agencies working together to enable true partnership working in the Somerset system.

7.2 **Finance**

The main focus of the Finance Service over the past year has been on supporting a better organisational understanding of the cost base of Children's Services with the aim of rebasing the budget to provide an achievable budget, driving better visibility and clear accountability to operational management levels. This work has included supporting the Financial Imperative work to help services identify and fully cost robust, deliverable savings to ensure the council has a more stable financial footing for this year and future years, working with Peopletoo in the transformational changes required to deliver successful services in the future focussed on outcomes and within budget. The focus has also been to support a new structure for inclusion management and realignment of support services for education (SSE) following the change in Director responsibilities. Strong partnership working has continued to be a priority area with close work alongside the significant partners such as the Somerset Schools Forum and the Clinical Commissioning Group.