

Report of the Leader and Cabinet – Items for Decision

Cabinet Member: Cllr D Fothergill – Leader of the Council

Division and Local Member: All

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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 16 December 2020, 20 January and 8 February 2021.

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 17 February.

- 1.2 Paper A (the Medium Term Financial Plan - 2021/22 Budget and Council Tax Setting)** was considered by the Council’s three scrutiny committees during January and early February ahead of the Cabinet meeting on 8 February.

Paper A sets out spending plans for the next three years and highlights areas of priority to support residents across Somerset as follows:

- £10.174m increased spending in adults social care services
- £8.976m increased spending in children’s services
- Increased spending in infrastructure projects
- Reduced spending in back office services
- A new £10.8m Emergency Fund for activities to combat Covid-19 and its impacts
- Council tax rise of 1.99% with a further 3% adults social care precept

The budget also contains detail of the significant investment in schools, roads and other infrastructure across the county as follows:

- £129.861m allocated to major schemes in 2021/22 (SCC schemes)
- £73.913m of new projects approved
- Increased spending by £6.5m to address the Climate Change Emergency from both revenue and capital resources

Further detail is provided throughout Paper A and its appendices. The papers also provide evidence of strong financial performance with Council reserves of £91.164m (£19.690m General Reserves and £71.474 Earmarked Reserves)

Preparation of the budget has constantly required review of the impacts of Covid-19 moving forward. During the pandemic there have been additional costs and pressures that have been presented in the budget monitoring reports throughout the year. In establishing the new 'normal' a base level of funding has needed to be set.

Looking into the future, medium term financial planning has been challenging given the lack of information regarding longer term Government funding. Both the Fair Funding and Business Rates Retention reviews have been delayed until 2022/23. The Business Rates reset has also been delayed. The provisional Local Government Finance Settlement was announced on the 17 December 2020 and figures have been updated to include the outcome of this. The final Finance Settlement is expected at the end of January/ early February 2021.

The detailed 2021/22 budget proposals and MTFP for future years were reviewed by Adult and Public Health Scrutiny Committee, Children and Families Scrutiny, and the Policies & Place Scrutiny in January/February 2021 ahead of consideration at the Cabinet meeting on 8 February.

All three Scrutiny 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 to the Cabinet meeting on 8 February.

The Cabinet considered Paper A at its meeting on 8 February. Cabinet 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 regarding the robustness of the estimates and the adequacy of the reserves and balances prior to approving the recommendations in Paper A.

1.3 Paper B (Treasury Management Strategy Statement 2021-22) was considered by the Audit Committee on 28 January. No specific recommendations were made by the Audit Committee to the Cabinet meeting on 8 February. The Cabinet agreed at their meeting on 8 February for the proposals in Paper B to be recommended to Full Council for approval.

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 2020 the average rate paid on all debt was 4.66%.

Investment balances for 2020-21 to the 31st December 2020 have ranged between £162m to £278m, averaging £232m. These balances include just under £68m of cash held on behalf of other entities, and £60m as at 31st December 2020 being held on behalf of others where the Council is the accountable/administering body. An average rate of 0.73% has been achieved, yielding income in excess of £1.27m. Within this figure £25m is invested in Pooled Funds, £15m with the Churches, Charities, Local Authorities (CCLA) Property Fund, and £10m with a Royal London Bond Fund.

2.0 Recommendations

2.1 Medium Term Financial Plan - 2021/21 Budget and Council Tax

Setting - see Paper A and its appendices (as well as taking account of the Section 151 Officer's assessment of the robustness of budget and adequacy of reserves) that Cabinet considered and endorsed at its meeting on 8 February 2021.

The Council is recommended to approve:

- The General Fund net revenue budget for 2021/22 of **£356,072,100** and the individual service budgets for 2021/22 as outlined in **Appendix 1** including,
- a) The transformation, savings and income generation plans outlined in **Appendix 2(i)**, in conjunction with the Equalities Impact Assessments where required in **Appendix 2 (ii)**.
 - b) The additional funding requirements set out in **Appendix 3**
 - c) An increase in Council Tax of **1.99%** in 2021/22 (an increase of **£25.66** per Band D property).
 - d) An increase of **3.00%** to Council Tax for the Adult Social Care Precept is approved in recognition of the current demands and financial pressures on this service. This is equivalent to an increase of **£38.67** on a Band D property.
 - e) 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 **£2,560,700**,
 - f) Agree the precept requirement of **£269,934,700** and set the County Council precept for Band D council tax charge at **£1,353.53** for 2021/22.
 - g) The use of reserves for once-off spend and the overall estimated position of Earmarked Reserves outlined in **Appendix 4**.
 - h) Note the adequacy of General Reserves at **£19.690m** within a risk assessed range requirement of **£18.70m - £20.67m**
 - i) The Capital & Investment Strategy attached at **Appendix 6**
 - j) The Capital Programme for 2021/22 of **£152.138m** including new capital bids of **£73.913m** outlined in **Appendix 7**, planned sources of funding, and notes the overall programme of

£231.711m for 2022/23 to 2023/24 as outlined in **Appendix 8**.

- k) The MRP Policy attached at **Appendix 9**.
- l) The Capital Prudential Indicators outlined in **tables 12-18**.
- m) Delegate any amendments within the final Government Financial Settlement and the final Business Rates amendments to the Director of Finance in consultation with the Leader of the Council

2.2 Treasury Management Strategy Statement 2021/22 – see Paper B and its appendices that Cabinet considered and endorsed at its meeting on 8 February 2021.

The Council is recommended to :

- Adopt the Treasury Borrowing Strategy (as shown in Section 2 of the report).
- 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).
- 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 calculate 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.