

## 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 15 December 2021, 19 January and 14 February 2022.

**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 23 February 2022.**

- 1.2 Paper A (the Medium Term Financial Plan - 2022/23 Revenue & Capital Budgets and Council Tax Setting)** was considered by the Council's three scrutiny committees during January and early February ahead of the Cabinet meeting on 14 February 2022.

*Members are reminded of the need 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, as required under Section 25 (1) of the Local Government Act 2003. The statement can be found at Section 15 of Paper A.*

Paper A sets out spending plans for next year which will be the final budget for Somerset County Council. It highlights areas of priority to support residents across Somerset as follows:

- £18.092m increased spending in Adults Services
- £12.317m increased spending in Children's Services
- £2.530m increased spending in Economic and Community Infrastructure Services
- Council tax rise of 1.99% with a further 1% adults social care precept

The budget also contains detail of the significant capital investment of £48.4m in schools, roads, climate change and other projects across the county

as follows:

- £24.2m allocated to road schemes in 2022/23
- A further £8.3m for schools
- £1.0m for Small Improvement Member Schemes
- £2.6m for Children's Placements
- £1.9m to support Climate Change (decarbonisation schemes and electric fleet vehicles)

Further detail is provided throughout Paper A and its appendices. The papers also provide evidence of strong financial performance with Council reserves of £84.9m by the end of 2022/23 (£23.0m General Reserves and £61.9m Earmarked Reserves).

Preparation for the 2022/23 budget were reported to Cabinet and highlighted the continued impact of the Covid-19 pandemic, preparations for Local Government Reorganisation, and Government changes to social care. The report lays out balanced budget proposals for the coming year and provides a solid foundation for the new Somerset Council to build from.

On the 16 December the Government announced the provisional Local Government Finance Settlement which provided details of the funding for 2022/23 including referendum levels for Council Tax and the Adult Social Care precept. The final settlement has been received, to which there were no fundamental changes from the provisional settlement. Any changes have been updated within the report.

Changes in future Council funding through the Governments review of Fairer Funding and changes to the Business Rates retention scheme have been delayed for a number of years and now look to take place from April 2023. There is also the on-going issue of longer-term funding of Adult Social Care and the Business Rates reset. These major changes provide greater uncertainty around the future years funding levels and make longer term financial planning more difficult to predict.

The detailed 2022/23 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 2022 ahead of consideration at the Cabinet meeting on 14 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 14 February. Cabinet endorsed the recommendations in Paper A and further agreed for these to be recommended to Full Council for approval.

**1.3 Paper B (Treasury Management Strategy Statement 2022-23)** was considered by the Audit Committee on 27 January 2021. No specific recommendations were made by the Audit Committee to the Cabinet meeting on 14 February 2022. The Cabinet agreed at their meeting on 14 February 2022 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 and Accountancy (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).

New CIPFA Treasury Management and Prudential Codes were published in December 2021, too late to be wholly incorporated into this year's written strategy. More details of their implementation are given in section 11 'Introduction and Background' below.

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.

Somerset is undergoing a Local Government Reorganisation (LGR), with the new Council coming into effect on 1<sup>st</sup> April 2023. This will mean bringing together the debt and investment portfolios of the 5 current Councils. In order to do this in the most effective and efficient manner, actions may be taken during 2022-23 with the best interests of the continuing Council in mind, as well as purely those of Somerset County Council.

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 31<sup>st</sup> December 2021 the average rate paid on all debt was 4.66%.

Investment balances for 2021-22 to the 31<sup>st</sup> December 2021 have ranged between £261m (6<sup>th</sup> April) to £358m (25<sup>th</sup> July), averaging £313m. The average includes just over £114m of cash held on behalf of others during the period. £114.86m was being held as at 31<sup>st</sup> December 2021 on behalf of others, including entities where the Council is the accountable/administering body. An average rate of 0.54% has been achieved, yielding income in excess of £1.27m. Within this figure £45m is invested in Pooled Funds, £15m with the Churches, Charities, Local Authorities (CCLA) Property Fund, £15m with a Royal London Investment Grade Credit Fund, and £15m with the M&G Corporate Bond Fund.

## 2.1 Recommendations

**Medium Term Financial Plan - 2022/23 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 14 February 2021.

### **The Council is recommended to approve:**

The General Fund net revenue budget for 2022/23 of **£378,646,000** and the individual service budgets for 2022/23 as outlined in **Appendix 1** including,

- a) The transformation, savings and income generation plans outlined in **Appendix 2**, noting the savings did not require detailed Equalities Impact Assessments.
- b) The additional funding requirements set out in **Appendix 3**.
- c) The Finance and Assets Protocol as part of Local Government Reorganisation implementation as attached at **Appendix 11**.
- d) An increase in Council Tax of **1.99%** in 2022/23 (an increase of **£26.94** per Band D property).
- e) An increase of **1.00%** 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 **£13.54** on a Band D property.
- f) 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 **£2,577,594**.

- g) Agree the precept requirement of **£279,841,541** and set the County Council precept for Band D council tax charge at **£1,394.00** for 2022/23.
- h) The use of reserves for once-off spend and the overall estimated position of Earmarked Reserves outlined in **Appendix 4**.
- i) Note the adequacy of General Reserves at **£23.0m** within a risk assessed range requirement of **£20m - £30m**.
- j) The Capital & Investment Strategy attached at **Appendix 6**.
- k) The Efficiency Strategy attached at **Appendix 7**.
- l) The Capital Programme for 2022/23 of **£110.2m** including new capital bids of **£48.4m** outlined in **Appendix 8**, planned sources of funding, and notes the overall programme of **£180.3m** for 2023/24 to 2024/25 as outlined in **Appendix 9**.
- m) The MRP Policy attached at **Appendix 10**.
- n) The Capital Prudential Indicators outlined in **tables 16-22**.
- o) To opt into the national procurement scheme for External Auditor Appointments administered through Public Sector Audit Appointments Limited (PSAA).
- p) Delegate any final Business Rates amendments to the Director of Finance and Governance in consultation with the Leader of the Council.

Delegate any amendments within the final Government Financial Settlement and the final Business Rates amendments to the Director of Finance and Governance 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 14 February 2021.

**The Council is recommended to:**

1. To adopt the Treasury Borrowing Strategy (as shown in Section 2 of the report).
2. 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).
3. To adopt the Prudential Treasury Indicators in section 4.
4. To note **Appendix A**, that is adopted as part of the Councils Financial regulations.
5. To note the current Treasury Management Practices (TMPs) attached at **Appendix D** to 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.

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 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.

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.

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.

Under the Local Government Act 2003, local authorities must have regard to Statutory Proper Practices in their Treasury Management activities.

## **5. Background Papers**

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

Reports to Cabinet on 14 February 2022 and to Scrutiny and Audit Committees in January 2022