

County Council

Wednesday 20 July 2022

**10.00 am Westlands, Westbourne Close,
Yeovil, BA20 2DD**



To: The Members of the County Council

Cllr Cllr S Ashton, Cllr Cllr S Aujla, Cllr Cllr J Bailey, Cllr Cllr J Baker, Cllr Cllr L Baker, Cllr Cllr M Barr, Cllr Cllr M Best (Chair), Cllr Cllr B Bolt, Cllr Cllr A Boyden, Cllr Cllr A Bradford, Cllr Cllr H Bruce, Cllr Cllr T Butt Philip, Cllr Cllr S Carswell, Cllr Cllr M Caswell, Cllr Cllr N Cavill, Cllr Cllr M Chilcott, Cllr Cllr N Clark, Cllr Cllr B Clarke, Cllr Cllr P Clayton, Cllr Cllr S Coles, Cllr Cllr S Collins, Cllr Cllr J Cook-Woodman, Cllr Cllr N Cottle, Cllr Cllr A Dance, Cllr Cllr D Darch, Cllr Cllr H Davies, Cllr Cllr T Deakin, Cllr Cllr D Denton, Cllr Cllr M Dimery, Cllr Cllr A Dingwall, Cllr Cllr L Duddridge, Cllr Cllr M Dunk, Cllr Cllr S Dyke, Cllr Cllr C Ellis, Cllr Cllr H Farbahi, Cllr Cllr B Ferguson, Cllr Cllr B Filmer, Cllr Cllr D Fothergill, Cllr Cllr A Govier, Cllr Cllr T Grimes, Cllr Cllr A Hadley, Cllr Cllr Pauline Ham, Cllr Cllr Philip Ham, Cllr Cllr S Hart, Cllr Cllr M Healey, Cllr Cllr B Height, Cllr Cllr A Hendry, Cllr Cllr R Henley, Cllr M Hewitson, Cllr E Hobbs, Cllr H Hobhouse, Cllr J Hunt, Cllr D Johnson, Cllr H Kay, Cllr V Keitch, Cllr A Kendall, Cllr J Kenton, Cllr T Kerley, Cllr M Kravis, Cllr C Lawrence, Cllr M Lewis, Cllr L Leyshon, Cllr T Lock, Cllr M Lovell, Cllr D Mansell, Cllr M Martin, Cllr H Munt, Cllr T Munt, Cllr M Murphy, Cllr F Nicholson, Cllr G Oakes, Cllr S Osborne, Cllr O Patrick, Cllr C Payne, Cllr K Pearce, Cllr E Pearlstone, Cllr D Perry, Cllr E Potts-Jones, Cllr T Power, Cllr H Prior-Sankey (Vice-Chair), Cllr S Pugsley, Cllr F Purbrick, Cllr W Read, Cllr L Redman, Cllr B Revans, Cllr M Rigby, Cllr T Robbins, Cllr D Rodrigues, Cllr J Roundell Greene, Cllr D Ruddle, Cllr P Seib, Cllr H Shearer, Cllr G Slocombe, Cllr B Smedley, Cllr F Smith-Roberts, Cllr F Smith, Cllr J Snell, Cllr Cllr A Soughton, Cllr M Stanton, Cllr A Sully, Cllr C Sully, Cllr L Trimnell, Cllr S Wakefield, Cllr M Wale, Cllr R Wilkins, Cllr A Wiltshire, Cllr D Woan, Cllr R Woods, Cllr G Wren and Cllr R Wyke

All Somerset County Council Members are invited to attend meetings of the Executive and Scrutiny Committees.

Issued By Scott Wooldridge – Head of Governance and Democratic Services and Monitoring Officer - 12 July 2022

For further information about the meeting, please contact Mike Bryant – Service Manager, Democratic Services – 01823 357628 or mbryant@somerset.gov.uk. 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 Regulation 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

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



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AGENDA

Item County Council - 10.00 am Wednesday 20 July 2022

Full Council Guidance notes

1 Apologies for Absence

To receive apologies for absence.

2 Declarations of Interest

Details of all Members' interests in District, Town and Parish Councils can be viewed on the Council Website at [County Councillors membership of Town, City, Parish or District Councils](#) and this will be displayed in the meeting room (Where relevant).

The Statutory Register of Member's Interests can be inspected via request to the Democratic Service Team.

3 Minutes from the meeting held on 25 May 2022 and 15 June 2022 (Pages 9 - 30)

Council is asked to confirm the minutes from the AGM held on 25 May 2022 and from the extraordinary meeting held on 15 June 2022 are accurate.

4 Chair's Announcements (Pages 31 - 32)

To receive the Chair's Announcements.

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 Chair'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 Executive - items for decision (Pages 33 - 118)

To consider a report with recommendations from the Leader of the Council, arising from the Executive meetings held on 15 June 2022 and 11 July 2022.

The recommendations relate to:

- Medium Term Financial Strategy & Plan 2023/24 – 2027/28
- Treasury Management Outturn Report 2021-22

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- Children and Young Peoples Plan 2022-24

7 **Reports of the Appointments Committee - Items 7a and 7b**

(a) Appointment of a Chief Executive - Report of the Appointments Committee (to follow)

To consider a report from the Appointments Committee.

(b) Interim arrangements for the post of Chief Executive and designation of the Head of Paid Service (to follow)

To consider a report from the Appointments Committee.

8 **Report of the Joint Independent Remuneration Panel - Special Responsibility Allowances for 2022/23** (Pages 119 - 144)

To receive a report from the Monitoring Officer.

9 **Annual Report of the Audit Committee** (Pages 145 - 150)

To receive a report by the Chair of the Audit Committee.

10 **Requisitioned Items** (Pages 151 - 156)

To consider the following requisitioned items:

A – To Declare an Ecological Emergency

B – Cost of Living

C – Cost of Living Crisis

D – Local Community Networks

For Information

11 **Report of the Leader and Executive - items for information** (Pages 157 - 160)

To receive reports by the Leader of Council summarising key decisions taken by him and the Executive, including at the Executive meetings held on 15 June 2022 and 11 July 2022.

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

12 **Annual Report of Pensions Committee** (Pages 161 - 388)

To receive and update on the performance of the Somerset County Council

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Pension Fund.

13 **Annual Report of the Health and Wellbeing Board** (Pages 389 - 398)

To receive a report by the Chair of the Health and Wellbeing Board.

14 **Annual Report of the Scrutiny for Policies, Adults and Health Committee**
(Pages 399 - 404)

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

15 **Annual Report of the Scrutiny for Polices, Children and Families Committee**
(Pages 405 - 410)

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

16 **Annual Report of the Scrutiny for Policies and Place Committee** (Pages 411 - 426)

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

17 **Any other urgent items of business**

- Extraordinary meeting to consider the Taunton Community Governance Review.

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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 Mike Bryant, , County Hall, Taunton, Somerset, TA1 4DY 01823 357628 democraticserviceteam@somerset.gov.uk so that the Chair 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 meeting will be webcast and an audio recording made.

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: [Members' Code of Conduct](#)

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: democraticserviceteam@somerset.gov.uk by 5pm on Thursday 14 July. 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 Chair 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 an Executive 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 Chair will decide when that debate will take place.

COUNTY COUNCIL

Minutes of a Meeting of the County Council held in the Hollinsworth Hall, The Canalside Conference Centre, Marsh Lane, Huntworth, Somerset, TA6 6LQ, on Wednesday 25 May 2022 at 10.00 am

Present: Cllr S Ashton, Cllr S Aujla, Cllr J Bailey, Cllr J Baker, Cllr L Baker, Cllr M Barr, Cllr M Best, Cllr B Bolt, Cllr A Boyden, Cllr A Bradford, Cllr H Bruce, Cllr T Butt-Philip, Cllr S Carswell, Cllr M Caswell, Cllr N Cavill, Cllr M Chilcott, Cllr N Clark, Cllr B Clarke, Cllr P Clayton, Cllr S Coles, Cllr S Collins, Cllr J Cook-Woodman, Cllr N Cottle, Cllr A Dance, Cllr D Darch, Cllr H Davies, Cllr T Deakin, Cllr D Denton, Cllr M Dimery, Cllr A Dingwall, Cllr L Duddridge, Cllr M Dunk, Cllr S Dyke, Cllr C Ellis, Cllr H Farbahi, Cllr B Ferguson, Cllr B Filmer, Cllr D Fothergill, Cllr A Govier, Cllr T Grimes, Cllr A Hadley, Cllr Pauline Ham, Cllr Philip Ham, Cllr S Hart, Cllr M Healey, Cllr B Height, Cllr A Hendry, Cllr R Henley, Cllr M Hewitson, Cllr E Hobbs, Cllr H Hobhouse, Cllr J Hunt, Cllr D Johnson, Cllr H Kay, Cllr V Keitch, Cllr A Kendall, Cllr J Kenton, Cllr T Kerley, Cllr M Kravis, Cllr C Lawrence, Cllr M Lewis, Cllr L Leyshon, Cllr T Lock, Cllr M Lovell, Cllr D Mansell, Cllr M Martin, Cllr H Munt, Cllr T Munt, Cllr M Murphy, Cllr F Nicholson, Cllr G Oakes, Cllr S Osborne, Cllr O Patrick, Cllr C Payne, Cllr K Pearce, Cllr E Pearlstone, Cllr D Perry, Cllr E Potts-Jones, Cllr T Power, Cllr H Prior-Sankey, Cllr S Pugsley, Cllr F Purbrick, Cllr W Read, Cllr L Redman, Cllr B Revans, Cllr M Rigby, Cllr T Robbins, Cllr D Rodrigues, Cllr D Ruddell, Cllr P Seib, Cllr H Shearer, Cllr G Slocombe, Cllr B Smedley, Cllr F Smith-Roberts, Cllr F Smith, Cllr J Snell, A Soughton, Cllr M Stanton, Cllr A Sully, Cllr C Sully, Cllr L Trimnell, Cllr S Wakefield, Cllr M Wale, Cllr R Wilkins, Cllr A Wiltshire, Cllr D Woan, Cllr R Woods, Cllr G Wren and Cllr R Wyke

1 **Election of the Chair of the Council** - Agenda Item 1

Councillor Peter Clayton, former Vice Chair of Council invited nominations from proposers and seconders for the election of Chair of Council, to serve until the first Annual General Meeting of Somerset Council in May 2023.

Proposed by Councillor Revans and Seconded by Councillor Fothergill, the Council elected Councillor Mike Best as Chair of the Council to serve until the next Annual General Meeting in May 2023. The Chair then read and signed the formal Declaration of Acceptance of Office and received the Chain of Office:

"I, Michael Best, having been elected to the Office of Chair of Somerset County Council, declare that I take that Office upon myself and will duly and faithfully fulfil the duties of it according to the best of my judgment and ability. I will now sign that declaration."

2 **Election of the Vice Chair of the Council** - Agenda Item 2

The Chair invited nominations from proposers and seconders for the election of Vice- Chair of Council, to serve until the first Annual General Meeting of Somerset Council in May 2023.

Proposed by Councillor Revans and Seconded by Councillor Fothergill, the Council elected Councillor Hazel Prior-Sankey as Vice Chair of the Council to serve until the next Annual General Meeting in May 2023. The Vice Chair then read and signed the formal Declaration of Acceptance of Office and received the Chain of Office from the Chair:

“I, Hazel Prior-Sankey, having been elected to the Office of Vice Chair of Somerset County Council, declare that I take that Office upon myself and will duly and faithfully fulfil the duties of it according to the best of my judgment and ability. I will now sign that declaration.”

3 Apologies for Absence - Agenda Item 3

Apologies were received from Councillor Jo Roundell Greene.

4 Declarations of Interest - Agenda Item 4

The following declarations of interest were made at the meeting:

- (a) Councillor Marcus Barr – member Wellington Town Council
- (b) Councillor Suria Aujila - member Bridgwater Town Council
- (c) Councillor S Ashton – member Crewkerne Town Council, Hinton St George Parish Council
- (d) Councillor Sue Osborne – member Ilminster Town Council
- (e) Councillor Adam Dance - Chairman South Petherton Parish Council
- (f) Councillor Heather Shearer – member Street Parish Council
- (g) Councillor Ros Wyke – Vice Chair Westbury sub Mendip Parish Council
- (h) Councillor Peter Seib – member Brympton Parish Council, member of Chilthorne Domer Parish Council
- (i) Councillor Richard Wilkins – member Curry Rivel Parish Council
- (j) Councillor Dean Ruddle – Chairman Somerton Town Council
- (k) Councillor Emily Pearlstone – member Ilchester Parish Council
- (l) Councillor Jeny Snell – member Yeovil Town Council, Brympton Parish Council
- (m) Councillor Val Keitch – member Ilminster Town Council
- (n) Councillor Graham Oakes – member Yeovil Town Council, Yeovil Without Parish Council
- (o) Councillor Wes Read – member Yeovil Town Council
- (p) Councillor Evie Potts-Jones – member Yeovil Town Council
- (q) Councillor Andy Soughton – member Yeovil Town Council
- (r) Councillor Dave Woan – member Yeovil Town Council
- (s) Councillor Andy Kendall – member Yeovil Town Council
- (t) Councillor Tony Lock – member Yeovil Town Council
- (u) Councillor Andy Soughton – member Yeovil Town Council, South Somerset District Council
- (v) Councillor Tim Kerley – member Somerton Town Council

- (w) Councillor Marcus Kravis – member Minehead Town Council
- (x) Councillor Martin Lovell – member Shepton Mallet Town Council
- (y) Councillor Jason Baker – member Chard Town Council
- (z) Councillor Lee Baker – member Cheddon Fitzpaine Parish Council
- (aa) Councillor Tim Carswell – member Mendip District Council
- (bb) Councillor Theo Butt-Philip – member of Wells – St Thomas Parish Council
- (cc) Councillor Nick Cottle – member Glastonbury St Edmunds Parish Council, Mendip District Council
- (dd) Councillor Ben Ferguson – member Axbridge Town Council
- (ee) Councillor Pauline Ham – member Axbridge Town Council
- (ff) Councillor Edric Hobbs – member Shepton Mallet Town Council
- (gg) Councillor Jenny Kenton -member Chard Town Council, South Somerset District Council
- (hh) Councillor Tony Robbins – member Wells City Council
- (ii) Councillor Bob Filmer – member Brent Knoll Parish Council
- (jj) Councillor Norman Cavill – member West Monkton Parish Council, Somerset West and Taunton Council
- (kk) Councillor Ross Henley – member Wellington Town Council
- (ll) Councillor Marcus Barr – member Wellington Town Council
- (mm) Councillor Andrew Govier – member Wellington Town Council
- (nn) Councillor Alan Bradford – member North Petherton Town Council, Sedgemoor District Council
- (oo) Councillor Gill Slowcombe – member Bridgwater Town Council
- (pp) Councillor Philip Ham – member Coleford Parish Council
- (qq) Councillor Peter Clayton – member Burnham-on-Sea and Highbridge Town Council
- (rr) Councillor Kathy Pearce – member Bridgwater Town Council
- (ss) Councillor Brian Smedley – member Bridgwater Town Council
- (tt) Councillor John Hunt – member Bishop’s Hull Parish Council
- (uu) Councillor Mike Rigby – member Bishops Lydeard and Cothelstone Parish Council
- (vv) Councillor Mike Best – member Crewkerne Town Council

5 **Minutes from the meeting held on Wednesday 27 April 2022** - Agenda Item 5

The minutes of the meeting held on 27 April 2022 were accepted as a true and accurate record and were signed by the Chair of the meeting.

6 **Chair's Announcements** - Agenda Item 6

The Chair of Council referred to the events detailed on the Chair’s Information Sheet No. 16, circulated and published with the agenda. He also paid tribute to the former Chair of Council Nigel Taylor and to the former Vice Chair, Councillor Peter Clayton who had had to take on more duties when the Chair had become very unwell.

The Chair paid tribute to the 14 County Councillors who had not been re-elected at the elections on 5 May 2022:

Cllr John Thorne – Blackdown and Neroche

First elected – 2017

Years served as a County Councillor – 5

Highlights – Member on various Committees and recently served as Chair of the Pensions Committee.

Cllr William Wallace – Blackmoor Vale

First elected – 2005

Years served as a County Councillor – 17

Highlights – Served as Chair of Council from 2017-2018. Cabinet Member and most recently served as Chair of the Constitution and Standards Committee.

Cllr Dave Loveridge – Bridgwater East and Bawdrip

First elected – 1989

Years served as a County Councillor – 29

Highlights – Served as a Member of Scrutiny Committees, Constitution and Standards Committee and Regulation Committee.

Cllr Clare Paul – Curry Rivel and Langport

First elected – 2017

Years served as a County Councillor - 5

Highlights – Served as Cabinet Member, Chair of the Audit Committee and Chair of the Health and Wellbeing Board.

Cllr John Clarke – Frome North

First Elected – 2017

Highlights – Served as a Member of the Council and Regulation Committee.

Cllr David Huxtable – King Alfred

First elected – 1985

Years served as a County Councillor – 37

Highlights – Served as a Cabinet Member for 13 years and Chair of the Audit and Resources Committee for several years.

Cllr Gemma Verdon – Martock

First elected – 2017

Years served as a County Councillor – 5

Highlights – Served as Junior Cabinet Member and Vice Chair of the Audit Committee.

Cllr Neil Bloomfield – Martock

First elected – 2017

Years served as a County Councillor – 5

Highlights – Served as Vice Chair of the Audit Committee.

Cllr John Parham – Mendip South
First elected – 2013
Years served as a County Councillor – 9
Highlights – Served as Chair of the Regulation Committee.

Cllr Rod Williams – Rowbarton and Staplegrove
First elected – 2017
Years served as a County Councillor – 5
Highlights – Served on Children and Families Scrutiny Committee as Vice Chair and Chair of Somerset Armed Forces Community Covenant Partnership.

Cllr David Hall – Somerton
First elected – 2009
Years served as a County Councillor – 13
Highlights – Served as a Cabinet Member for 12 years.

Cllr Terry Napper – Street
First elected – 2009
Years served as a County Councillor – 13
Highlights – Served on Scrutiny Committees and Regulation Committee.

Cllr Giuseppe Frascini – Taunton North
First elected – 2017
Years served as a County Councillor – 5
Highlights – Served as a Junior Cabinet Member and member of Scrutiny Committees.

Cllr James Hunt – Upper Tone
First elected – 2013
Years served as a County Councillor – 9
Highlights – Served as a Member of Scrutiny Committees and the Audit and Pensions Committees.

The Chair then outlined his priorities for the forthcoming year and his plans to establish closer links with the four District Council Chairs. He will also be writing to Her Majesty the Queen, via the Lord Lieutenancy's office, passing on the Council's congratulations and thanks on the occasion of her Platinum Jubilee.

The Council received and noted the report.

7 **County Returning Officer's Report** - Agenda Item 7

The Council considered a report by the Returning Officer, Pat Flaherty which informed the County Council of the 110 persons elected as Members (also known as Councillors) of Somerset County Council at the elections held on 5 May 2022 and welcomed the members to their first meeting.

The Council **NOTED** the report of the Returning Officer which informed the County Council of the persons elected as members of Somerset County Council at the elections held on 5 May 2022.

8 Election of the Leader of the Council - Agenda Item 8

The Chair invited nominations from proposers and seconders for the election of Leader of the Council. Proposed by Councillor Liz Leyshon and Seconded by Councillor Graham Oakes, Councillor Bill Revans was duly elected as Leader of the Council.

9 Statement by the Leader of the Council - Agenda Item 9

The Leader of the Council, Councillor Bill Revans made a statement to the Council, including his priorities for the forthcoming year and detailed the Executive Members and Associate lead members, as detailed below: -

- Leader of the Council – Bill Revans
- Deputy Leader of the Council and Lead Member on Finance and Human Resources – Liz Leyshon
- Lead Member for Children and Families – Tessa Munt
- Lead Member for Adult Social Care – Heather Shearer
- Lead Member for Transport and Digital – Mike Rigby
- Lead Member for Public Health, Equalities and Diversity – Adam Dance
- Lead Member for Local Government Reorganisation & Prosperity – Val Keitch
- Lead Member for Environment and Climate Change – Sarah Dyke
- Lead Member for Development and Assets – Ros Wyke
- Lead Member for Communities – Federica Smith-Roberts

Associate Lead Members:

- Associate Lead Member for Governance and Communications –Derek Perry
- Associate Lead Member for Finance – Peter Seib
- Associate Lead Member for Education – Caroline Ellis
- Associate Lead Member for Adult Social Care – Mike Stanton
- Associate Lead Member for Transport & Digital – Mike Hewitson
- Associate Lead Member for Public Health – Ross Henley
- Associate Lead Member for Economic Development & Inward Investment – David Woan
- Associate Lead Member for Environment & Climate Change – Dixie Darch
- Associate Lead Member for Development & Assets – Sarah Wakefield

- Associate Lead Member for Communities – Nic Clark

10 **Public Question Time** - Agenda Item 10

There were public questions received from Mr David Redgewell and Mr Alan Debenham. In the absence of Mr Redgewell, the questions were read out by the Monitoring officer on his behalf. The questions and the responses provided are attached to these minutes in Appendix A.

11 **Reports of the Monitoring Officer** - Agenda Item 11

This item was introduced by the Council's Monitoring Officer, Scott Wooldridge. The Council had before it the following reports by the Monitoring Officer regarding:

- A) Committee proportionality, Committee appointments and annual calendar of meetings
- B) Appointments to Partnership and Outside Bodies
- C) Interim Constitution 2022/23

The three reports set out decisions that are required at the Council's Annual General Meeting (AGM) regarding the appointment of members to internal, partnerships and outside bodies for 2022/23 (up until the next Annual General Meeting).

Paper A – Appointments to Committees and County Council meeting dates for 2022/23

An updated Appendix 1 (proposed Committee and internal appointments) with names of Members had been published and circulated prior to the meeting.

Proposed by Cllr Bill Revans and Seconded Cllr Leigh Redman, the Council **RESOLVED** to:

- 1. Note the election and appointment of the Chair of the Council, Vice Chair of the Council and Leader of the Council agreed at this Annual General Meeting prior to this agenda item.**
- 2. Approve the County Council Appointments Schedule to this report (Appendix 1), to include, as necessary, summary revised terms of reference for proposed new committees, the proposed committees for appointments to be made to and the proposed appointments to Devon and Somerset Fire & Rescue Authority and Exmoor National Park Authority – see sections 3.1 and 3.2 for more detail.**

- 3. That Councillor Peter Seib replace Councillor Henry Hobhouse as a representative on the Pension Fund Committee.**
- 4. To approve the payment of Special Responsibility Allowances (SRA) for any new equivalent SRA qualifying posts created in 1 and 2 above that fit within the existing SRA bandings scheme, pending the Council considering recommendations of the Joint Independent Remuneration Panel in relation to the review of the Members' Allowances Scheme.**
- 5. To agree the dates already agreed for ordinary meetings of the County Council for the year as set out in section 3.3.**

Paper B – Appointments to Internal, Partnership and Outside Bodies

An updated Appendix 1 (schedule of appointments to internal, partnership and outside bodies) had been published and circulated prior to the meeting.

Proposed by Cllr Bill Revans and Seconded Cllr Liz Leyshon, the Council **RESOLVED** to:

- 1. Approve the appointment of members to internal, partnerships and outside bodies for 2022/2023 as set out at Appendix 1.**
- 2. Appoint Councillor Henry Hobhouse as the Armed Forces Member Champion.**
- 3. The representative to the Heart of South West LEP Board be changed to Councillor Nick Cottle.**
- 4. Appoint Councillor Mike Best as representative on the Passion for Somerset Board**
- 5. Appoint Jane Lock as the independent Chair of the Corporate Parenting Board and thanks be sent to the former Chair, Jill Johnson.**

Paper C – Interim Constitution for 2022/23

A revised Appendix 2 had been published and circulated prior to the meeting, to clarify that the proposed quorum for a Full Council meeting is now 28 members.

Proposed by Cllr Bill Revans and Seconded by Cllr David Fothergill, the Council **RESOLVED** to:

- 1. Approve the proposed revisions to its Constitution as set out in Appendices 2 (as revised) 3-5;**
- 2. That an updated Constitution will be brought to the July Council meeting, for information;**

- 3. Approve the proposed guidance documents set out in Appendices 6–9;**
- 4. Note the further constitutional work to be undertaken during 2022; and**
- 5. Authorise the Monitoring Officer to make the necessary amendments required as a result of the decisions to the Council's Constitution and publish the revised documents on the Council's website.**

(The meeting ended at 12.12 pm)

CHAIR

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Public and Member Questions County Council 25 May 2022

Public Questions			
PQ	From	Topic	Question/statement
PQ1	Mr David Redgewell	Railfuture Severnside	<p><i>Mr Redgewell was unwell and his questions were read out at the meeting by the Monitoring Officer.</i></p> <p>What plans do the council have for providing an integrated Transport system for Somerset, including investment in new local railway stations at Wellington, Somerton, Langport Parkway and chard junction?</p> <p>To support the bids by Network rail western route and First group Great western for access for all bids at Bridgwater, Castle Cary for lifts - Castle Cary being designed as a Transport interchange and for lifts at Yeovil junction railway station by First group MTR South Western railway Network. Where disabled passengers and mothers and fathers miss main line passengers trains due to signalling and Barrow crossing. This an important bus link to Yeovil Town and Yeovil pen mill.</p> <p>Has the county council support the bids to the Department for transport and Secretary of state Grant Shapps?</p> <p>What equalities Training is being undertaken by the Department for transport and Somerset County Council on member of South Wessex railway partnership. and Severnside railway partnership on diversity and disability.</p>

Response – Leader of the Council

I would firstly like to wish Mr Redgewell a speedy recovery.

The council has actively supported the Restore Your Railway funding bids for both Wellington and Langport/Somerton. The Wellington bid (along with Cullompton) has been successful and is now being taken forwards with Network Rail in the lead. The new stations are expected to open in 2024. We currently await the outcome of the Langport/Somerton bid. Please note that both bids have included plans for better integration with public transport and for improved walking and cycling links.

The council has submitted a letter of support for the Access for All bids at Bridgwater, Castle Cary and Yeovil Junction stations and engaged in seeking support from other stakeholders.

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Training for the Community Rail partnerships is a matter for the partnerships themselves in line with their stated policies.

PQ/	From	Topic	Question/Statement
PQ2	Mr David Redgewell	Railway	With the West Somerset railway being an important Tourist Railway and part of west Somerset integrated Transport system and community railway, what progress is being on integration with the main line at Taunton, with First group Great western railway services and the bus 28 First group South west, Watchet and Bishop Lydeard to Taunton station and Town centre bus service.

Response – Leader of the Council

The council has joined a project group, lead by the West Somerset Railway and involving Network Rail, Great Western railway and the Local Enterprise Partnership, to examine the feasibility and options for establishing scheduled services between Taunton and Bishops Lydeard.

PQ	From	Topic	Question/statement
PQ3	Mr David Redgewell	South West Transport Network	What is the county council doing as the public transport Authority to promote Bus services, coaches and trains services this summer across the Historic county of Somerset and South West England to residents and Tourists - to such centres as Burnham on Sea, Taunton Minehead, Watchet, Wells, Glastonbury Street, Yeovil, Bath, Bristol Frome and Cheddar and Weston Super Mare; and Sunday bus service to Cheddar from Weston Super Mare and Wells bus station? Working jointly with the public transport companies such as First group buses and trains, stagecoach, National Express coaches, Megabus Falcon and Flexibus Berry coaches, and local operators and west Somerset railway.

Response – Leader of the Council

We work closely with our colleagues cross the rail, bus and tourism industries, to understand and jointly promote their messaging through our own channels.

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I understand that Mr Redgewell did ask a number of other questions and responses will be sent to him following the meeting.

PQ	From	Topic	Question/Statement
PQ4	Mr Alan Debenham	Democracy	<p>(1) Democracy, measured by the amount of active engagement in government of the people at large, from the lowest level upwards - not the reverse - has become a big thing worth fighting for again, both in Ukraine and at home. Once again in local elections the turnout of registered voters ranged from about 25 % to 45% with the average in SWaT being 38.7%, with 43.2% in the Taunton Division where I was a Green Party candidate.</p> <p>In SWaT's parish and town elections the democracy picture was even bleaker, although much the same as in 2017, resting at the unbelievable figure again of less than 10% actually managing to drum-up enough democratic urge to have a contested election at all.</p> <p>In other words, the "don't vote" and "don't be a candidate" democracy wreckers have clearly won at all levels once again. Bearing in mind the big democratic deficit conjured-up in the enormous reduction in total frontline Councillors for the new Somerset Council (from 269 to 110), myself and many others are extremely interested in:-</p> <p>How and what will the new Liberal DEMOCRAT Council do to radically improve this pathetic state of democracy which currently exists throughout Somerset?</p>

Response – Leader of the Council

Thank you Mr Debenham for your questions about the recent elections and election turnout in Somerset. The overall election turnout for Somerset was 37%. This is up from the district council elections in 2019 where the overall turnout was 35%. It was also higher than the other areas going through Local Government Reorganisation with North Yorkshire having a turnout of 35% and for the new Cumberland Authority in Cumbria that had a 36% turnout.

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Those levels of turnout are common for local government elections in England. This is very different for General Elections where much higher turnouts occur. In Somerset we had a 72% turnout for the 2019 General Election.

The Council did a lot of communications to ensure people were aware of the elections on 5 May and to register to vote.

The Council and the four district councils will be doing more work over the next year to further improve awareness of the services and opportunities that the new Somerset Council will deliver.

PQ	From	Topic	Question/Statement
<u>PQ5</u>	Mr Alan Debenham	Council administration	Now we have the great news for Somerset Council of a return to control by the Liberal Democrats, when can us green democrats, if at all, expect, a return to the former much fairer (both for all councillors and voters), more efficient and easily understood, system of Council administration, comprised of a power-shared top Executive Management Committee, plus power-shared, spending 'Services Committees' underneath it, simultaneously getting rid of ineffectual so-called 'Scrutiny' committees and any 'Mayors' with executive, rather than ceremonial, roles?

Response – Leader of the Council

Thank you Mr Debenham for your suggestions and views. Along with the majority of county and unitary councils, the County Council has operated 'Leader and Cabinet' executive arrangements since 2001 in accordance with the Local Government Act 2000. That requires Overview and Scrutiny Committee arrangements to be established and the County Council has operated three scrutiny committees for several years to support the delivery of council priorities. The County Council has reviewed its governance arrangements previously and has confirmed that the 'Leader and Cabinet' executive arrangements best meet its needs. The County Council has never had a Mayor and Executive arrangement and the closest example for that is Bristol City Council. Prior to today's Annual Meeting, the Council had 16 Committees and some of these are joint committees with other councils. Just to contextualise the council's governance arrangements, in the last 12 months there have been 10 Cabinet meetings and there have also been 74 committee meetings so hopefully Mr Debenham will see that there are many opportunities for elected members, the public and partners to participate and influence council services and better outcomes for Somerset through the council's meetings. I would also like to highlight that the Council will consider today the creation of additional new committees and work will be undertaken during 2022 to consider the plans and proposals for the new Local Community Networks. I hope Mr Debenham and the Council would agree that there are many opportunities for people to engage and be involved in the Council's meetings.

MEMBER QUESTIONS

None.

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COUNTY COUNCIL

Minutes of a Meeting of the County Council held at Oake Manor Golf Club, Oake, TA4 1BA, Wednesday 15 June 2022 at 12.00pm

Present: Cllr S Ashton, Cllr J Bailey, Cllr J Baker, Cllr L Baker, Cllr M Barr, Cllr M Best, Cllr B Bolt, Cllr A Bradford, Cllr T Butt-Philip, Cllr S Carswell, Cllr N Cavill, , Cllr N Clark, Cllr S Coles, Cllr J Cook-Woodman, Cllr N Cottle, Cllr A Dance, Cllr H Davies, Cllr D Denton, Cllr A Dingwall, Cllr M Dimery, Cllr S Dyke, Cllr C Ellis, Cllr H Farbahi, Cllr B Ferguson, Cllr B Filmer, Cllr A Govier, Cllr T Grimes, Cllr Pauline Ham, Cllr Philip Ham, Cllr S Hart, Cllr M Healey, Cllr B Height, Cllr A Hendry, Cllr H Hobhouse, Cllr J Hunt, Cllr D Johnson, Cllr V Keitch, Cllr C Lawrence, Cllr M Lewis, Cllr L Leyshon, Cllr T Lock, Cllr M Lovell, Cllr D Mansell, Cllr M Martin, Cllr H Munt, Cllr T Munt, Cllr M Murphy, Cllr F Nicholson, Cllr G Oakes, Cllr S Osborne, Cllr O Patrick, Cllr C Payne, Cllr E Pearlstone, Cllr D Perry, Cllr E Potts-Jones, Cllr T Power, Cllr H Prior-Sankey, Cllr F Purbrick, Cllr W Read, Cllr L Redman, Cllr B Revans, Cllr M Rigby, Cllr T Robbins, Cllr D Rodrigues, Cllr D Ruddle, Cllr P Seib, Cllr H Shearer, Cllr F Smith, Cllr F Smith-Roberts, Cllr M Stanton, Cllr A Sully, Cllr S Wakefield, Cllr M Wale, Cllr R Wilkins, Cllr D Woan, Cllr R Woods and Cllr R Wyke

Virtual attendance: Cllr A Boyden, Cllr M Chilcott, Cllr L Duddridge, Cllr A Hadley, Cllr M Hewitson, Cllr A Kendall, Cllr T Kerley, Cllr G Slocombe

1 **Apologies for Absence** – Agenda Item 1

Apologies were received from: Cllr S Aujla, Cllr H Bruce, Cllr M Caswell, Cllr P Clayton, Cllr B Clarke, Cllr S Collins, Cllr D Darch, Cllr T Deakin, Cllr M Dunk, Cllr D Fothergill, Cllr R Henley, Cllr E Hobbs, Cllr H Kay, Cllr J Kenton, Cllr M Kravis, Cllr K Pearce, Cllr S Pugsley Cllr J Roundell Greene, Cllr B Smedley, Cllr A Soughton, Cllr J Snell, Cllr C Sully, Cllr A Wiltshire, Cllr G Wren, Cllr Lucy Trimnell.

2 **Declarations of Interest** – Agenda Item 2

No declarations of interest were made at the meeting, full list of District / City / Town and Parish Councils can be found on the Somerset County Council website.

Following a tribute by the Chair, Cllr Mike Best, Members of Council stood and observed a minute silence for the Nigel Taylor, former Chair of Council who had passed away on 14 June 2022.

3 **Public Question Time** – Agenda Item 3

No public questions were received by the published submission deadline.

4 **Report of the Appointments Panel - Chief Executive recruitment process and Terms & Conditions** - Agenda Item 4

The Director of Customers, Digital and Workforce, Chris Squire, presented the report highlighting the process for the recruitment and appointment of a Chief Executive to Somerset County Council and Designate Chief Executive to Somerset Council and that as such the role will continue as Chief Executive of Somerset Council, from 1st April 2023.

The Director further highlighted: the importance of learning from other Council's unitary restructures; the role of the Appointments Panel; the composition of the Panel, including the Leader, the Deputy Leader and the Leader of the largest opposition group; the involvement of the four District Leaders as consultees to the decision; and the inclusion of a probationary period.

The Leader of the Council, Cllr Bill Revans presented the recommendations highlighting the following: offering congratulations to the existing Council Chief Executive, Patrick Flaherty on his new role of Chief Executive at the London Borough of Harrow Council; the challenges faced with the amalgamation of five Councils into one Council at time of great change in society, with challenging financial and environmental climates and changes of legislation that will impact on services; the need to recruit an individual with a particular skill set and experience to lead the Council, lobby on the national stage for a fairer deal for Somerset and deliver our vision for the future; the importance of setting the right terms and conditions including a market rate salary; and that the future for Somerset residents depends on the ability to successfully deliver quality services and use resources efficiently and effectively; that the report is the conclusion of discussions by the Council's appointments Panel.

In summary the Leader emphasised and proposed two amendments to the recommendations relating to: the reduction of the salary range to £190,000 to £200,000; and the inclusion of a probationary period. The Leader further

thanked all members of the recruitment panel, staff, partners and recruitment consultants for their work.

Members discussed the Chief Executive recruitment and terms & conditions, the following points were raised:

Cllr Faye Purbrick welcomed the proposed amendment to the salary range due to further consideration by the appointments panel and to provide clarity and suggested a further amendment to the first recommendation to include 'after further consideration to set a salary range of...'.

The Leader of the Council, Cllr Bill Revans thanked Cllr Faye Purbrick for her comments and confirmed his support for the proposed amendment.

Councillors commented on the recruitment process and change in the proposed salary, asking for clarity of the evidence available to support the addition of a probationary period.

The Leader of the Council, Cllr Bill Revans responded, noting the dynamic recruitment market and consideration of all available evidence.

Cllr Leigh Redman commented on: the exclusion of the delivery of the Somerset Climate Strategy; the terms of employment; the very high salary range; the disparity in salary levels; the cost of living crisis; the invaluable work of council staff during the pandemic; and that many staff had in effect seen a year on year pay cut.

The Director of Customers, Digital and workforce responded noting: that no service specific objectives are included within the job description, but that these would be considered under a separate process; difficulties in recruitment; the work undertaken alongside recruitment consultants; the use of a broad salary range to attract candidates; and that national comparisons and benchmarking within local government and other sectors showed the salary range to be fair.

Cllr Bill Revans noted the national issue regarding low pay for public sector workers and that the Council is part of national pay bargaining system.

Cllr John Hunt questioned if the salary as advertised included pension contributions; and whether additional costs were anticipated and budgeted for against the expected savings of £18 million a year with the Unitary Council.

Councillors commented on the importance of setting an appropriate salary and package to attract the right calibre of candidate.

The Director of Customers, Digital and Workforce responded that the Chief Executive's pension is budgeted for and within the anticipated savings of the Unitary Council. The Director further noted that moving forward, salary benchmarking will be undertaken when other Senior Roles are advertised.

The Director of Finance and Governance further added that there is an anticipated £2.6m saving from a net reduction of 29 posts across the top three tiers of management as a part of unitary transformation.

Councillors further commented on: comparisons with the salaries of Chief Executives at other Councils; the dynamic recruitment market and associated amendments to salary range; and the landmass and geography of Somerset and associated costs to provide services to residents.

The Leader of the Council, Cllr Bill Revans formally proposed the two amendments to the recommendations to include: further consideration of the salary range to amend to £190,000 to £200,000; and the addition of a probationary period.

The Deputy Leader of the Council, Cllr Liz Leyshon seconded recommendations as amended. The Deputy Leader further: acknowledged the informative debate; and commended on salary levels; references the building of social housing; and the cost of housing in the County.

The Council proceed to vote on the two amendments regarding further consideration of the salary range and the addition of a probationary period separately. Both votes were carried by a majority.

The Council then proceeded to vote on the recommendations as amended (as detailed below), these were agreed by a majority vote

The Council **RESOLVED** by majority to:

Approve the Appointments Panel's recommendations relating to the role description (set out in Appendix 1 of the officer report), the terms and conditions (set out in Appendix 4 of the officer report) and following further consideration to set a salary range of £190,000 - £200,000, to support the process to recruit a Chief Executive to Somerset County Council and the designate Chief Executive to Somerset Council.

The Council further **RESOLVED** that:

Paragraph 7.5 of the recruitment process be amended as follows: The Appointments Panel believes that the use of a probationary period is necessary for this post, given the nature of the working relationship between the Chief Executive, the Leader of the Council, the Executive and Council. Qualification for statutory employment rights is based on length of service. Performance processes for the post of Head of Paid Service are set out in the Constitution and relevant policies

And that the following is added to Appendix 4 of the officer report (key terms and conditions of employment):

Probationary Period The appointment will be subject to a probationary period of 6 months. Internal applicants who have already completed their probationary period would not normally be expected to complete this again

(The meeting ended at 1.09pm)

CHAIR

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Chair's Information Sheet No. 1



Information

for County Councillors

From:	Cllr Mike Best, Chair, Somerset County Council
Date:	25/05/2022– 20/07/2022
To:	All County Councillors

Chair's Report: 25/05/22 – 20/07/22

The Chair attended the following events:

June 2022

- 2nd The Bath & West Show.
- 5th Pentecost & Jubilee celebrations, Vivary Park, Taunton.
- 12th Royal British Legion 40th anniversary Falklands War, Vivary Park, Taunton.
- 13th Armed Forces Flag Raising, Deane House, Taunton.
- 18th Mayor Making – Chard Town Council.
- 18th Charity Fund Raiser – Taunton Opportunity Group.
- 23rd Somerset Day Board Meeting, Taunton.

28th Opening of hydrotherapy pool at Selworthy School, Taunton.

29th Somerset Day Community Interest Awards, Taunton.

30th Taunton Town Football Club Dinner, Taunton.

July 2022

1st Civic Award Ceremony, Sedgemoor.

1st Meeting of District Chairs, Taunton.

15th Funeral of Former County Council Chair, Nigel Taylor, Wells.

15th Mayor Making, Bridgwater.

17th Annual Civic Service and Reception, Yeovil.

Somerset County Council

County Council

– 20 July 2022

Report of the Leader and Executive – Items for Decision

Executive Member: Cllr Bill Revans – Leader of the Council

Division and Local Member: All

Lead Officer: Scott Wooldridge – Head of Governance & Democratic Services and Monitoring Officer

Author: Mike Bryant - Service Manager – Democratic Services

Contact Details: democraticservicesteam@somerset.gov.uk / 01823 357628

1. Summary

- 1.1** This report sets out the Leader’s and Executive’s recommendations to Council arising from their consideration of reports at the Executive meetings on 15 June 2022 and 11 July 2022.

Note: The references in this report to Papers A, B and C relate to the relevant reports considered by the Executive containing specific recommendations to the County Council meeting on 20 July 2022.

- 1.2 Paper A (Medium Term Financial Strategy & Plan 2023/24 and 2027/28)** was considered at the Executive meeting on 11 July 2022. The Executive endorsed Paper B and agreed for this to be reported to the County Council to consider and approve

Paper A outlines the basis of the Medium-Term Financial Strategy (MTFS) for the new Somerset Council and also starts to set out the Medium-Term Financial Plan (MTFP) for the next five years. The report highlights that the 2023/24 budget will be challenging given both the practical difficulties involved in the process and the national economic outlook with inflation expected to be in double digits and the financial impacts that this will have upon the new Somerset Council.

The report details that although combining the finances of all five Somerset Authorities is at a very early stage, it is important to provide an initial view of the financial challenges ahead in order that we can plan a smooth transition from the existing five councils into the new unitary. The report notes that one of the biggest challenges for any organisation is ensuring that its expenditure is aligned to its priorities. More often than not, historic spend will determine how much is invested in different activities which can lead to disparity between

budgets and corporate priorities. This will be a particular challenge in the early years for the new council. The approach will be based upon not looking at 2023/24 in isolation but taking the first few years of the new unitary together and setting a solid financial foundation which the new council can then build from in the longer term.

The report also details the significant uncertainty in the national approach to funding local government, national and local recovery post Covid-19 pandemic, social care funding, and inflationary pressures as well as preparing for the new Unitary Council.

Scrutiny Committees will be consulted upon the detailed budget proposals in October/November 2022 and January/February 2023. Any required public consultation on the consultation on the budget proposals will take place later in the process once the specific proposals have been developed.

The Executive considered Paper A at its meeting on 11 July 2022. Executive agreed recommendations 'a' and 'b' in Paper A and further endorsed recommendation 'c' be recommended to Full Council for approval.

1.2 Paper B (Treasury Management Outturn Report 2021-22) was considered at the Executive meeting on 11 July 2022. The Executive endorsed Paper B and agreed for this to be reported to the County Council to consider and approve.

The Annual Treasury Management Outturn Report is a requirement of the CIPFA Treasury Management Code and covers the Treasury Management activity for 2021-22.

The report:

- Is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code.
- Gives details of the outturn position on treasury management transactions in 2021-22.
- Presents details of capital financing, borrowing, and investment activity. Reports on the risk implications of treasury decisions and transactions.
- Confirms compliance with treasury limits and Prudential Indicators or explains non-compliance.

1.3 Paper C (The Children and Young People's Plan 2022-2024) was considered at the Executive meeting on 11 July 2022. The Executive endorsed Paper B and agreed for this to be reported to the County Council to consider and approve.

The Somerset Children & Young People's Plan 2022- 2024 sets out the ambition of the Somerset Safeguarding Children Partnership to improve outcomes for all unborn babies, children and young people (in relation to care leavers and

young people with special educational needs duties extend to 25 years of age) for the next eighteen months.

The Plan will influence strategic plans and commissioning decisions with an ambition to be effective in furthering and sustaining improvement of children's services in Somerset.

The Scrutiny Committee for Children and Families has been updated on the Plan during its design in 2021/2022 and their recommendations are incorporated into the Plan. The Committee will receive quarterly updates on progress and are looking forward to working with partners on its successful implementation.

2.0 Recommendations

2.1 Paper A - Medium Term Financial Strategy & Plan 2023/24 and 2027/28 - see Paper A that Executive considered and endorsed at its meeting on 20 July 2022.

The Council is recommended to approve:

- c) That the Director of Finance and Governance is delegated authority to set the council tax base and business rates base for Somerset Council.**

Note – recommendations 'a' and 'b' as detailed below were approved by the Executive at its July meeting:

- a) Approves the Medium-Term Financial Strategy and notes the current budget gap and proposed process for producing a balanced revenue budget for 2023/24 and capital programme.
 - b) That a Budget Working Group is set up to help develop the 2023/24 budget proposals.
-
- ### **2.2 Paper B - Treasury Management Strategy Statement 2021/22 - see Paper B and its appendices that Executive considered and endorsed at its meeting on 11 July 2022.**
- The Council is recommended to endorse the Treasury Management outturn report for 2020-21.**
-
- ### **2.3 Paper C - The Children and Young People's Plan 2022-2024 - see Paper C and its appendices that Executive considered and endorsed at its meeting on 11 July 2022.**

The Council is recommended to endorse Somerset's Children & Young People's Plan 2022 – 2024.

- 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, B and C and their appendices.



Decision Report - Executive Decision

Forward Plan Reference: FP/22/06/24

Decision Date – 11/07/22

Medium Term Financial Strategy & Plan 2023/24 to 2027/28

Lead Member(s): Cllr Liz Leyshon – Deputy Leader of the Council and Lead Member on Finance and Human Resources

Local Member(s) and Division: All

Lead Officer: Jason Vaughan, Director of Finance & Governance

Author: Jason Vaughan, Director of Finance & Governance

Contact Details: JZVaughan@somerset.gov.uk

1. Summary / Background

- 1.1.** This report outlines the Medium Terms Financial Strategy (MTFS) for the new Somerset Council and starts to set out the Medium-Term Financial Plan (MTFP) for the next five years.
- 1.2.** Although combining the finances of all five Somerset Authorities is at a very early stage, it is important to provide an initial view of the financial challenges ahead in order that we can plan a smooth transition from the current five councils into the new unitary. The 2023/24 budget will be challenging given both the practical difficulties involved in the process and the national economic outlook with inflation expected to be in double digits and the financial impacts that this will have upon the council.
- 1.3.** The Business Case for the new unitary council identified that £18.5m of savings could be achieved through the efficiencies of being one rather than 5 separate organisations. However, these savings would not be realised immediately but over the coming years as services, systems and processes were combined. The business case was based upon the best publicly information available at the time, which is now over 2 years ago, and although the work identified that the overall total was in line with other unitary business cases and achievements, the figures need to be updated for the 2022/23 budget information and their delivery profiled over the MTFP.
- 1.4.** It is therefore recognised that 2023/24 is an unusual year and an approach in the financial strategy to recognise this is appropriate. The approach will be based upon not looking at 2023/24 in isolation but taking the first few years of the new unitary together and setting a solid financial foundation which the new council can then build from in the longer term. A key element in developing the budget proposals for the coming year will be producing a balanced revenue budget by the appropriate use of reserves to smooth out the financial challenges whilst the savings

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in Business Case are delivered. This approach will ensure that financial decisions to balance the budget are taken against the backdrop of achieving medium term financial sustainability.

- 1.5.** The context for developing the 2023/24 budget proposals is going to be challenging given complex and unique circumstances which include:
- New Unitary Council – Replacing the existing two-tier system and five councils with Somerset Council
 - Political Leadership – 110 members and change in political control following the elections in May
 - Target Operating Model – Draft being developed but not approved
 - Corporate Plan – New corporate plan for the new council not in place
 - Chief Executive – Recruitment for new chief executive of new council underway
 - Officer Structure – No structure currently in place for the new council
 - MTFP – The 5 Councils forecasting a combined budget gap of £28.5m for 2023/24 in February 2022
 - Inflation – Significant increases in inflation since each council set its budget set in February, which is now expected to be in double digits
 - National funding for councils – Major funding reviews expected for 2023/24 now looking like they will be further delayed
 - Social Care reforms – initial indications are that the costs of these will be significantly in excess of the funding provided by government
- 1.6.** The Spring Statement in March 2022 recognised that inflation was increasing, and that the Russia / Ukraine conflict would impact further on this. The Statement did not outline any additional support for local authorities. The County Councils Network (CCN) and the Society of County Treasurers (SCT) recently produced a national report which highlighted the significant impact that the rising level of inflation is having upon council budgets. With the UK's inflation rate rising from 5.5% at the start of the year to 9% this Spring, and global costs rising, the research estimates that councils' costs from inflation have risen from £789m in March when they set their budgets to £1.5bn as of June, leaving them with £729m of additional unfunded costs. The Month 2 Budget Monitoring Report highlights the significant impact that this is having upon the 2022/23 budget.
- 1.7.** The CCN and the SCT are requesting all authorities in the lead up to the Autumn Budget support them in making the case to the Treasury for additional financial support to meet these rapidly escalating costs. Moreover, with the current Spending Review providing a cash flat settlement for 2023/24, that the government is asked to look again at the settlement for councils next year. Unless the Spending Review settlement is revisited, councils including Somerset Council will be faced with a significant funding gap because of these inflationary pressures.
- 1.8.** The full details of the various government grants including the Social Care Grant, Revenue Support Grant and Rural Services Delivery Grant will be provided as part

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of Governments Finance Settlement which is expected to be announced in December this year. The funding reviews including Fairer Funding and Business Rates are now expected to be further delayed. The changes to social care, may cost circa £20m more than government funding and will create further financial stress on the new Authority if this is not provided through Central Government Grant and further analysis of this will be carried out over the coming months.

- 1.9.** Tax base growth is currently estimated to be 0.97% in 2023/24 but will be updated in the Autumn. It will have been impacted by the current phosphates issue which is restricting new house building. For the purposes of this strategy Council Tax increases are shown at 1.99% per annum ongoing with a 1% increase in the Adult Social Care Precept for the next two years and have been factored in at present. The increase in council tax is governed by the referendum levels and it will not be until later this year that the Government will set them for 2023/24. Given the significance of this income stream to the council, the Governments decision on them in the lights of recent increases in inflations will be a key factor for the 2023/24 budget.
- 1.10.** The MTFP forecast in February was a budget gap of £28.6m for 2023/24 and given the inflationary impacts upon the 5 councils budgets this has been updated to £44.5m. Detailed work will now commence on the MTFP process with an update being made to the Executive in October 2022 including progress on closing the budget gap.

2. Recommendations

2.1. That the Executive: -

- a) Approves the Medium-Term Financial Strategy and notes the current budget gap and proposed process for producing a balanced revenue budget for 2023/24 and capital programme.
- b) That a Budget Working Group is set up to help develop the 2023/24 budget proposals.
- c) Recommends to Council that the Director of Finance and Governance is delegated to set the council tax base and business rates base for Somerset Council.

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3. Reasons for Recommendations

To request members endorsement of the approach to balancing the budget in the medium-term including the financial planning for the initial two years of the new Unitary Council. It also updates members of the progress on budget preparation ahead of the statutory deadline for preparing the budget for 2023/24.

4. Other Options Considered

- 4.1.** Members are not being requested to approve any part of the budget at this stage as there is not sufficient information regarding funding to enable them to do so.

5. Links Between the Council's Priorities and the Medium-Term Financial Strategy

- 5.1.** The MTFP will link pressures, growth, and savings to the delivery of the Council's emerging key priorities as the new Corporate Plan develops and is approved in November 2022.

6. Consultations and Co-production

- 6.1.** Scrutiny Committees will be consulted upon the detailed budget proposals in October/November 2022 and January/February 2023. Any required public consultation on the consultation on the budget proposals will take place later in the process once the specific proposals have been developed.
- 6.2.** The financial strategy and MTFP has been developed by the LGR Finance Workstream which comprises of the S151 officers and Deputies from the 5 councils.

7. Financial and Risk Implications

- 7.1.** The MTFP forecast has been updated from £28.6m in February to £44.5m in June. Detailed work on the MTFP will now commence and the updated position will be report in October.
- 7.2.** The 2022/23 Budget report identified a number of risks and there is the also LGR risk register which has also identified a number of financial risks around the MTFP, LGR implementation budget and deliver of the LGR savings. The October report will provide a comprehensive risk update.

8. Legal and HR Implications

- 8.1.** The legal implications will be assessed as part of the overall budget process that will conclude in February 2023.
- 8.2.** Any HR implications will be reviewed as part of the budget process.

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9. Other Implications

9.1. Equalities Implications

This report is a high-level plan of how the short and long-term budget will be approached. The equalities implications will be assessed as part of the final budget proposals and considered before any final decision is made

9.2. Community Safety Implications

There are no community safety implications arising from this report.

9.3. Sustainability Implications

There are no sustainability implications arising from this report.

9.4. Health and Safety Implications

There are no health and safety implications arising from this report.

9.5. Health and Wellbeing Implications

There are currently no implications

9.6. Social Value

There are currently no implications

10. Scrutiny Comments / Recommendations:

- 10.1. The 2023/24 budget preparations and proposals will be considered by the Councils Scrutiny Committees in October 2022 and January/ February 2023.

11. Summary / Background

- 11.1. This report outlines the basis of the Medium-Term Financial Strategy (MTFS) for the new Somerset Council and also starts to set out the Medium-Term Financial Plan (MTFP) for the next five years. The 2023/24 budget will be challenging given both the practical difficulties involved in the process and the national economic outlook with inflation expected to be in double digits and the financial impacts that this will have upon the new Somerset Council.
- 11.2. Although combining the finances of all five Somerset Authorities is at a very early stage, it is important to provide an initial view of the financial challenges ahead in order that we can plan a smooth transition from the existing five councils into the new unitary. One of the biggest challenges for any organisation is ensuring that its expenditure is aligned to its priorities. More often than not, historic spend will determine how much is invested in different activities which can lead to disparity between budgets and corporate priorities. This will be a particular challenge in the early years for the new council.
- 11.3. There is significant uncertainty in the national approach to funding local government, national and local recovery post Covid-19 pandemic, social care funding, and inflationary pressures as well as preparing for the new Unitary Council.

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It is however important that the MTFs addresses the finances of the Unitary authority and its' financial stability and sustainability over the longer term. A further report on preparations of 2023/24 MTFP will be presented in October 2022, and full budget detail proposals in January 2022, with the final proposals presented for approval at Executive and then Full Council in February 2023.

12. The Medium-Term Financial Plan

12.1. The 2023/24 financial year will be an exceptional year as we amalgamate the budgets of five authorities into one. A new administration has been formed and therefore the Council's key priorities will be set out within a new Corporate Plan that will be presented for approval in November 2022. The work on the MTFP will link in with this as it is being developed.

12.2. There are a number of risks that were reported when the budget was set in February that could have an impact in 2022/23 that are now impacting on the authority's finances – these include additional demand especially in Children's Services, increased inflation, and some early indications that the costs of the Governments changes to social care may not be fully funded.

12.3. This report outlines the current baseline and gap and also what the recommended strategy is for approaching that gap. This will require some smoothing using reserves and capital receipts flexibility. It is also important that the Government is aware of the impacts on the new Council in preparation for the Autumn Budget and Comprehensive Spending Review.

Current Financial Position

12.4. The overall outturn position for 2021/22 for each Council is shown below:

Table 1 – 2021/22 Outturn

Service	Total Budget	Outturn	Overspend / (Underspend)
	£m	£m	£m
Somerset County Council	359.6	355.5	(4.1)
Mendip District Council	Not yet available		
Sedgemoor District Council	Not yet available		
Somerset West and Taunton Council	18.8	16.4	(2.4)
South Somerset District Council	Not yet available		
Total			

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12.5. Each authority will be asked to review their year-end positions to assess whether any underspends can be made permanently as well as the ongoing impact of any overspends.

12.6. As part of developing the budget proposals for 2023/24 it is important to look at the latest budget monitoring report in the current year and to identify any variances that will impact on future years. The budget monitoring report at the end of May forecasts an overspend of £14.4m at the year-end as shown below:

Table 2 : Month 2 Budget Monitoring Position

Service	Current Budget £'m	Forecast Outturn £'m	Total Net Variance £'m	A/(F)
Adult Services	160.1	163.4	3.3	A
Children's Services	105.2	118.0	12.8	A
Public Health	1.3	1.3	0.0	-
Economic & Community Infrastructure	73.2	75.4	2.2	A
Customers, Digital, and Workforce	17.0	17.0	0.0	-
Finance and Governance	12.1	12.9	0.8	A
Accountable Bodies	4.3	4.3	0.0	-
Non-Service Items	2.5	2.4	(0.1)	(F)
Trading Services	0.0	0.1	0.1	A
Total Service Position	375.7	394.8	19.1	A
Corporate Contingency	6.0	1.3	(4.7)	(F)
Total SCC	381.7	396.1	14.4	A

12.7. As part of the County Council's financial management approach monthly budget monitoring of service spend is reported as well as a full financial overview including revenue, capital, and reserves on a quarterly basis. This enables the council to identify issues early and take corrective action as can be demonstrated from the figures above for the end of May.

12.8. The overspends in Children's and Adult Services have been reviewed and amendments where required have been added into the MTFP for future years. This does not mean that savings cannot be found to mitigate these, but they do need to be identified and planned as part of bridging the financial gap. Further refinements will be made over the summer months and an update reported to the Executive in October 2022.

12.9. The District authorities report budget monitoring on a quarterly basis and all budgets will continue to be monitored and updates made to the MTFP and budget for 2023/24 to ensure that the budget reflects the most up to date position.

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12.10. The S24 Agreement has now been approved which enables day to day service provision to continue. The Agreement is appended to show sale of assets, contracts, and capital projects that may impact on the new authority to be reviewed by the County Council's S151 Officer/Lead Members/Executive depending on value

The 2023/24 Budget

12.11. The 2023/24 budget preparation has commenced but it must be acknowledged at this stage that there are still many areas that may vary as the Council prepares the final budget that will be approved in February 2023.

12.12. In addition to the General Fund Somerset Council will also have a Housing Revenue Account (HRA). The HRA is a ringfenced account used to manage the Council's housing stock. The housing stock in the current Somerset West and Taunton area is managed by the Council whereas the housing stock in the current Sedgemoor area is still owned by the Council but since 2007 has been managed by Homes in Sedgemoor (HIS) an Arms-Length Management Organisation (ALMO) under a management agreement. Under the Localism Act 2011, both HRA's moved away from a national subsidy system (which required an annual payment from the HRA to Central Government) on 1 April 2012 to become 'self-financing'. In order to manage the freedoms gained by the HRA through self-financing 30-Year Business Plans were introduced setting out the Council's overall aims and objectives for Housing Services, as well as laying out plans to manage the increased risks and opportunities. Both 30-Year Business Plans have been updated annually alongside the budget setting process. Work is currently being undertaken to review the HRA Business Plans and Budgets which will follow the same principles as the General Fund considering any specific regulations that the HRA need to adhere to. An update will be included in the October Executive report.

12.13. Services will be asked to review additional requirements for inflation, demand, and growth although it has been agreed that growth will not be added without headroom being made within the budget. We will be asking services to produce savings plans over the summer and Autumn months for draft proposals to be presented to the Executive in January 2023.

12.14. An initial starting point for the MTFP is the February 2022 forecast made by each of the 5 councils as part of their 2022/23 budget setting process which they reported to their own Council. The combined position was also reported to the LGR Joint Committee. This identified a budget gap, being the difference between the predicted resources available and estimated cost of providing the current services, of £28.5m for the new council in 2023/24. Taking into account, both the Month 2 budget monitoring report and also applying the 2.1% inflationary pressure (as identified by the CCN report) to the Districts 2022/23 net budget of £70.4m, would add a further £15.9m to the February position.

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Table 3: Updated MTFP Position June 2022

Description	2023/24 Budget Gap £'m
MTFP Forecast Feb 2022	
Mendip DC	1.9
Sedgemoor DC	2.8
South Somerset DC	4.5
Somerset West & Taunton Council	5.2
Somerset CC	14.2
Feb Forecast	28.6
Updates	
SCC Month 2	14.4
Assumed inflation on District Budgets	1.5
June position	44.5

12.15. The June MTFP forecast provides an early very indicative outline of the potential budget gap for 2023/24 before the detailed work on updating all of the individual service budgets commences. The figures do not include any allowance for any new growth items such as LCN's or funding for new capital schemes. It is clear, even at this very stage, that 2023/24 is going to a financially challenging year and to help develop the budget proposals is proposed to set up a Budget Working Group to work with the Lead Member for Finance and Human Resources. The terms of refence for the Group is set out in **Appendix A**.

Funding for Councils

12.16. Local authority funding remains uncertain with both the Fairer Funding Review and review of business rates are likely to be further delayed. There has been discussed with DLUHC to confirm the basis of funding for the new unitary and they have recently sent details on how this would have worked for the current financial year. This now provides a basis for the modelling of future years income subject to any changes in funding streams.

12.17. The Government announced changes to social care should be fully funded but there remains a very high risk that there will be a shortfall in funding once fully rolled out. It is expected that a provisional settlement for local authorities will be announced in December 2022 and that this will include details of the funding for both 2023/24 and 2024/25.

12.18. In terms of specific funding the following outlines the most recent information on future funding:

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Revenue Support Grant (RSG)

Revenue Support Grant is distributed based on need but has been reducing year-on-year. This has been significantly reduced over the last decade, as funding switched to a combination of being more performance related, through the Business Rates Retentions scheme and more locally raised, through council tax. Current estimates are that Somerset Council will receive £6.8m in 2023/24 but this will not be confirmed until the Finance Settlement is published in December.

Schools and DSG

Schools are funded by the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education (DfE). The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools.

New Homes Bonus

New Homes Bonus is an incentive-based grant to increase the number of new homes built and reduce the number of empty properties. The funding through this scheme has been reduced in recent years and the scheme is being phased out. However, with nothing else at present to replace it is likely that a further legacy payment of New Homes Bonus will be made in 2023/24 of £2.3m.

Social Care Grant

SCC received £24.6m in social care grant in 2022/23 – this can be used to support Adult Social Care or Children's Services. The finance settlement is likely to announce further support for local authorities given the national recognition of the pressures in this area, but this will not be allocated to individual authorities until December/January.

Better Care Fund

The Better Care Fund from the CCG is intended to incentivise the integration of health and social care, requiring Clinical Commissioning Groups and Local Authorities to pool budgets and agree an integrated spending plan. Greater integration is seen as a potential way to use resources more efficiently, by reducing avoidable hospital admissions and facilitating early discharge from hospital. The Council received £13.9m in 2022/23 and assumptions are that the grant will remain at 2022/23 levels.

Improved Better Care Fund

iBCF funding has been provided by Government since 2017/18 to support local authorities to meet adult social care needs, reduce pressures on the NHS and support the social care market, in recognition of the increasing financial pressures being seen in the delivery of adult social care. SCC received £23.3m 2022/23 – no uplift has been made to budgets for 2023/24

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Public Health Grant

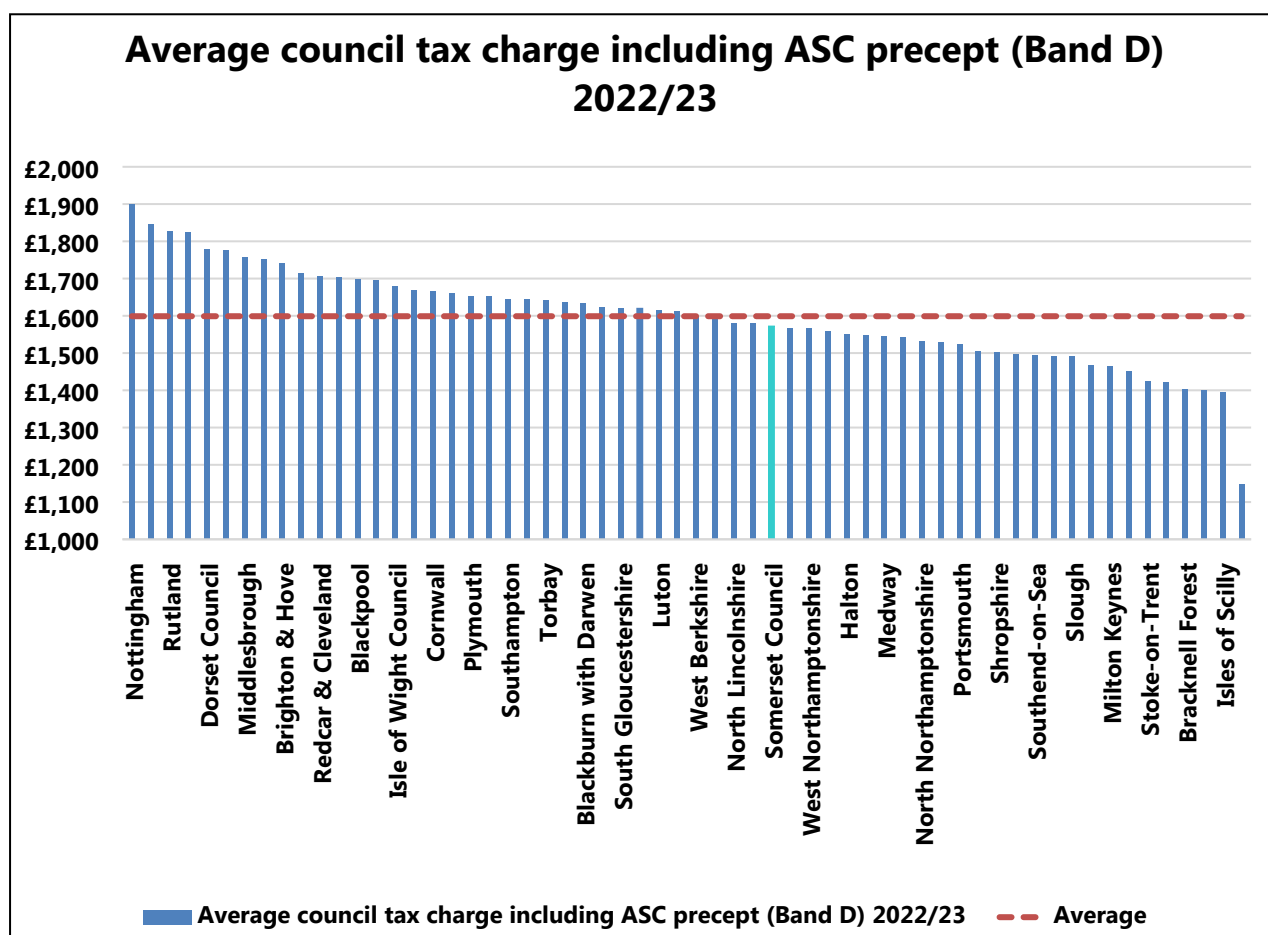
Public Health Grant is funded by central Government to improve health in the local population. The grant totalled £21.8m in 2022/23 and no additional grant is expected in 2023/24.

Business Rates

The review of Business Rates is likely to be further delayed and modelling of the likely income for 2023/24 is currently being undertaken in the light of the current pool performance.

Council Tax

Using a weighted average, the equivalent council tax Band D charge for a Unitary Somerset would be £1,572.39 in 2022/23 (including the ASC and the SRA precepts). This is based on a total council tax base of 200,747. The following graph shows how the authority would sit compared to other Unitary Authorities this year:



The charge would be £27 lower than the average Unitary Band D charge of £1,599, and £326 lower than the highest charge.

Referendum limits are likely to be published for 2023/24 as part of the finance settlement and the Government includes these within the overall spending power for each authority. The provisional budget currently includes increases of 1.99% in Council Tax per annum with a further 1% increase in Adult Social Care Precept over

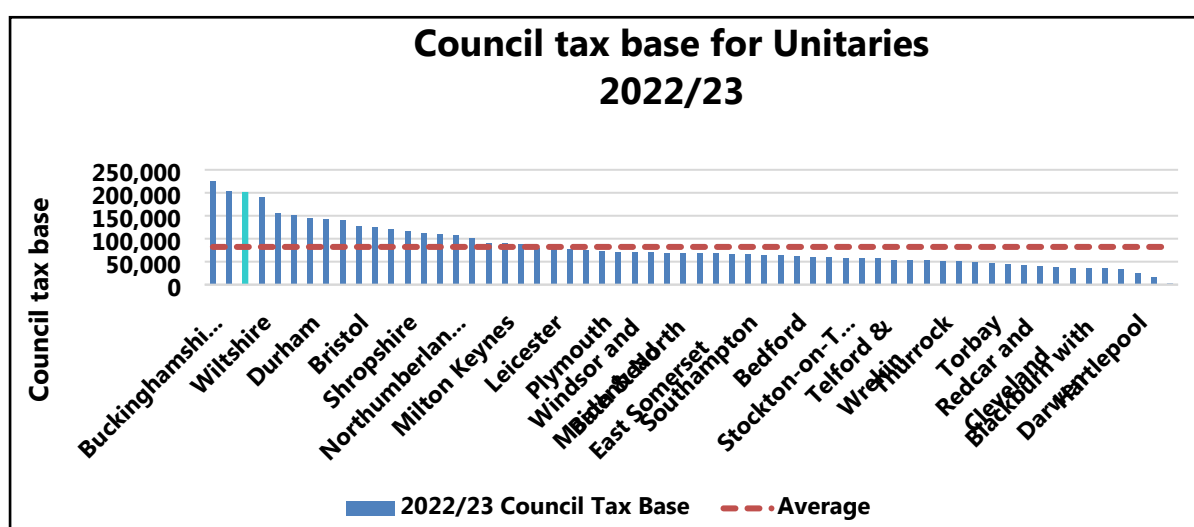
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the next two years. No decisions have been made on final levels. The Government may increase referendum levels so that some of the increasingly impacting inflationary pressures are funded locally. An increase of 2.99% overall would add £47.01 to a Band D property annually (equivalent to just under £0.90 per week).

It is worth noting that the figures outlined above have not included the parishing of Taunton and its implications for Council Tax. The expectation is that this will not have an impact on the overall finances of Somerset Council.

Tax Base

The tax base is expected to increase in 2023/24 by 0.97% followed by increases of 0.92% and then 0.75% for the following two years respectively. The following graph shows the overall tax base for Somerset compared to other Unitary Authorities. It will be the third largest tax base.



The tax base will need to be set for the new Council in December 2022. This is usually set by the District authorities as billing authorities. Somerset Council will become the billing authority from the 1st April 2022 and will need to set the tax base in December 2022. This task is usually delegated to the S151 Officer and therefore a recommendation has been made as part of this report to delegate this task to the Director of Finance and Governance.

13. The Capital Strategy

13.1. The Prudential Code for Capital Finance in Local Authorities was updated in December 2021. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

13.2. It requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long-term financial implications and potential risks to the authority

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- 13.3.** The update includes a clear statement that local authorities must not borrow primarily for financial return. Somerset Council will hold circa £250m of investment properties that would be designated as being held for financial return. The Code outlines that authorities are not required to immediately sell these investments. However, Authorities which have an expected need to borrow should review options for exiting their financial investments for commercial purposes in their annual treasury management or investment strategies. The options should include using the sales proceeds to repay debt or reduce new borrowing requirements. It also states that authorities should not take on new borrowing if financial investments for commercial purposes can reasonably be released instead, based on a financial appraisal of financial implications and risk reduction benefits.
- 13.4.** The requirements of the Prudential Code will be assessed as the Capital Programmes of all five authorities are combined for 2023/24.
- 13.5.** Inflationary pressures are impacting on programmes nationally and across all the Somerset Authorities. Given the overall financial position all of the existing capital programmes need to be reviewed to ensure that value reengineering and contingencies are fully utilised. It will be necessary to review the relative priorities of each individual schemes with an approach of limiting any impact upon the MTFP by expecting that additional costs will be found from removing lesser priority schemes rather than additional borrowing.
- 13.6.** With the current MTFP position any funding for new Capital schemes will be very limited and focused upon:
- Schemes that are Fully Externally Funded; &
 - Where there is a legal requirement such as Health and Safety Needs

14. The Capital Programme

- 14.1.** **Table 5** shows the totals of the overall programmes for all Somerset authorities including this financial year. The figures do not yet include slippage from the 2021/22 financial year. Although the new authority will only inherit the programmes for 2023/24 onwards (£180.5m) it is likely that a considerable amount of slippage possibly around 30% from this financial year will also transfer to the new authority.

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Table 5: Current Capital Programme

Authority	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/25 and Beyond	Projected Total Spend
	£m	£m	£m	£m	£m
Somerset County Council	120.8	41.0	13.5	1.9	177.2
Mendip District Council	6.9	12.8	6.6	3.0	29.3
Sedgemoor District Council	14.4	22.5	0.5	0.5	37.9
Somerset West and Taunton Council	37.8	38.8	9.0	0.0	85.6
South Somerset District Council	47.4	18.9	10.9	0.6	77.8
Total Programme All Councils	227.3	134.0	40.5	6.0	407.8
Funded By:					
Grants	101.1	54.2	19.4	2.7	177.4
Borrowing	101.9	59.8	15.8	0.4	177.9
Capital Receipts	8.9	1.1	2.9	2.8	15.7
Reserves	4.8	0.1	0.1	0.1	5.1
CIL/S106	8.7	17.8	2.2		28.7
Revenue Contributions	1.9	1.0	0.1		3.0
Total Funding	227.3	134.0	40.5	6.0	407.8

Note the above figures do not include the capital programmes for the Housing Revenue Accounts (HRA). The update report in October will outline these as part of business planning for the HRA.

15. Reserves

- 15.1.** The reserves of all five authorities will be combined on the 1st April 2023 and work is currently being undertaken to predict the likely level of these that will be available to Somerset Council.
- 15.2.** There is a legal requirement for the council to consider the overall level of reserves held and this will be included in the budget proposals. The strategy for General Reserves is to retain sufficient funds within a range based on the risks assessed and in the light of the Directors assessment of the robustness of their budgets. At this stage it is a prudent assumption to assume that the range will be between £30m to £50m for financial planning purposes. Given the experience of other newly created unitaries, it would be prudent to be at the higher end of range.
- 15.3.** All five authorities have set aside a specific reserve to support the remaining Unitary transition costs in 2023/24. In addition, there will be calls on reserves for once-off funding to smooth out the budget gaps whilst the LGR savings are being delivered.

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An assessment of this will be made later in the process once we have more certainty over the MTFP and LGR savings profiles.

16. Medium Term Financial Strategy

16.1. This Medium-Term Financial Strategy (MTFS) provides a framework for budget setting. It explains the financial context and the targets, as well as the financing mechanisms available to the Council. This strategy does not detail how individual savings will be made, nor how categories of additional income will be achieved. Nevertheless, it describes the scope of the work required, and taking place, to meet these targets together with some of the anticipated impacts

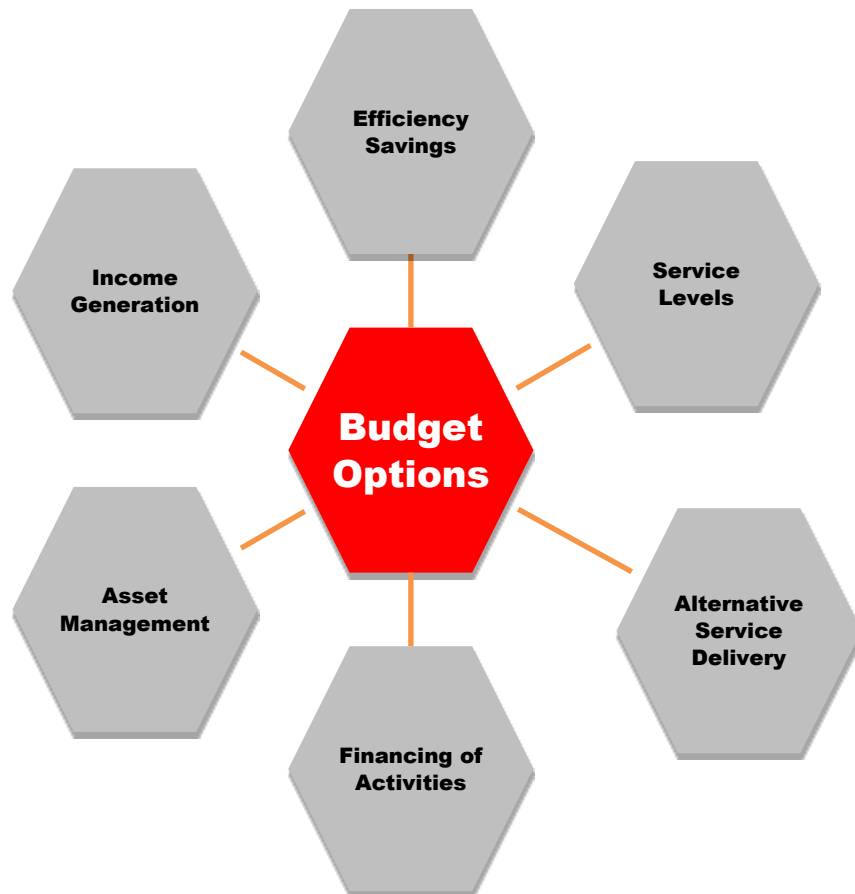
16.2. The focus is to set the context to enable a budget setting and financial planning process, that will deliver a balanced budget for the longer term whilst recognising that the detail will initially be on 2023/24, as the first year of the new Somerset Council. There is significant uncertainty because of transitioning into Local Government Reorganisation as well as the national approach to funding local government is still under review. The MTFS, however, will look at the financial pathway for the new Unitary Council. This strategy also provides the background for budget consultation due to take place this autumn

16.3. The key objectives of the MTFS are therefore to:

- Provide financial parameters within which budget and service planning should take place
- Ensure that the Council sets a balanced and sustainable budget
- Focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of clear alignment between priority and affordability
- Ensure that the Council manages and monitors its financial resources effectively, so that spending commitments do not exceed resources available in each service area
- Plan the level of fees, charges, and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities
- Ensure that the Council's long term financial health and viability remain sound

16.4. A useful framework for the development of options to balance the budget within the MTFP is set out in the diagram below.

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16.5. The headings are: -

- Efficiency Savings – Savings from LGR (being 1 council rather than 5), changes in demand, innovation & procurement
- Service levels – Changing service levels - Gold, Silver or Bronze standard or stopping the service altogether if it's not statutory
- Alternative Service Delivery – Providing the same service in a different way e.g., transformation savings, through a partner or VCSE sector
- Asset Management – different use of assets, purchase, and disposal of assets
- Financing of Activities – Capital, Revenue & Reserves,
- Income Generation – Grants, business rates, council tax & fees & charges

16.6. Given both the current context and MTFP position the proposals based upon the MTFs for balancing the 2023/24 budget are focused upon the following activities recognising both the time and staffing resources constraints that we currently face:

Efficiency Savings

- Delivering the LGR Business case savings of £18.5m
- Review of contracts as part of combining the five contracts registers into one
- Reviewing and challenging demand and inflationary requirements

Service Levels

- Use of benchmarking information to inform the cost of services of comparable unitary councils

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- Consideration of service levels and what discretionary services are provided

Alternative Service Delivery

- To transform services as they are joined together maximising the use of digital technology and new ways of working to maximise efficiency

Asset Management

- Rationalisation of the corporate estate to reduce running costs and generate potential capital receipts or rental income.
- Minimise new capital bids by only considering fully externally funded schemes and those where there is a legal requirement (such as critical condition schemes to manage Health and Safety risks or maintain operations), and those where there is a robust and compelling invest-to-save business case, generating revenue savings.
- Reviewing the portfolio of commercial investments

Financing of Activities

- Review of current capital programme to deal with the impacts of inflation and focus on priority areas
- Reviewing options around the Flexible use of Capital Receipts for appropriately qualifying spend
- Review of Treasury Management activities covering both investment and borrowing activities
- Reviewing the use of reserves to smooth out the MTFP and delivery of savings.

Income Generation

- Increase income from a review of all fees and charges including the alignment of charges from the 5 councils
- Reviewing the finance settlement in terms of council tax, business rates, and other grants

16.7. With both time and staffing resources constraints, it is important that the collective effort is focused on the key areas that will deliver the best return for the effort involved. The Financial Strategy will be further developed and evolved over this year's budget setting process.

17. Risks

17.1. A key part of the MTFP process will be to update the risks identified by the 5 councils when they set their own 2022/23 budgets, as well as those new risks that come from being a new unitary council.

18. Background Papers

18.1. LGR Business Case

18.2. Report to LGR Joint Committee 4 February 2022

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18.3. 2021/22 Outturn report to Executive 15 June 2022

Report Sign-Off

		Date completed
Legal Implications	Honor Clarke	29/06/22
Governance	Scott Wooldridge	30/06/22
Corporate Finance	Jason Vaughan	29/06/22
Human Resources and ICT	Chris Squire	30/06/22
Property	Paula Hewitt / Oliver Woodhams	29/06/22
Procurement	Claire Griffiths	30/06/22
Senior Manager	Jason Vaughan	29/06/22
Commissioning Development	Sunita Mills / Ryszard Rusinek	30/06/22
Executive Member	Cllr Liz Leyshon - Deputy Leader of the Council and Lead Member on Finance and Human Resources	29/06/22
<u>Sign-off Key Decision / Consulted on Non-Key Decision</u>		
Local Member		
Opposition Spokesperson	Opposition Spokesperson - Finance and Human Resources - Cllr Mandy Chilcott	30/06/22
Scrutiny Chair	Scrutiny for Policies and Place Committee - Cllr Gwil Wren	30/06/22

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Decision Report - Executive

Forward Plan Reference: FP/22/06/11

Decision Date - 15/07/22

Annual Treasury Management Outturn Report 2021-22

Executive Lead(s): Cllr Leyshon – Executive Lead for Resources

Local Member(s) and Division: All

Lead Officer: Jason Vaughan – Director of Finance & Governance (Section 151 Officer)

Author: Alan Sanford – Principal Investment Officer

Contact Details: alsanford@somerset.gov.uk or (01823) 359585

1. Summary / Background

1.1. The Annual Treasury Management Outturn Report is a requirement of the CIPFA Treasury Management Code and covers the Treasury Management activity for 2021-22. This report:

- Is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code.
- Gives details of the outturn position on treasury management transactions in 2021-22.
- Presents details of capital financing, borrowing, and investment activity.
- Reports on the risk implications of treasury decisions and transactions.
- Confirms compliance with treasury limits and Prudential Indicators or explains non-compliance.

2. Recommendations

2.1. This is a formal report, and the Executive is asked to approve it and submit it to Full Council on 20th July 2022.

3. Reasons for recommendations

3.1 The Local Government Act 2003 requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services. The Code requires Full Council to receive as a minimum, an annual strategy and plan in advance of the year, a mid-year review, and an annual report after its close. This is the full-year review for 2021-22.

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4. Other options considered

- 4.1.** None. The adoption of the TM full year review for 2021-22 is a regulatory requirement.

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

- 5.1.** Effective Treasury Management provides support to the range of business and service level objectives that together help to deliver the Somerset County Plan.

6. Consultations and co-production

- 6.1.** None. The adoption of the TM full year review for 2021-22 is a regulatory requirement.

7. Financial and Risk Implications

- 7.1.** There are no specific financial or risk implications associated with this outturn report. The risks associated with Treasury Management are dealt with in the Annual Treasury Management Strategy, Annual Investment Strategy, and Treasury Management Practice (TMPs) documents.

8. Legal and HR Implications

- 8.1.** Treasury Management must operate within specified legal and regulatory parameters as set out in the summary, and in more detail in the TMPs.
- 8.2.** There are no HR implications.

9. Other Implications

9.1. Equalities Implications

There are no equalities implications.

9.2. Community Safety Implications

There are no community safety implications.

9.3. Sustainability Implications

There are no sustainability implications.

9.4. Health and Safety Implications

There are no health and safety implications.

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9.5. Health and Wellbeing Implications

There are no health and wellbeing implications.

9.6. Social Value

Not applicable

10. Scrutiny comments / recommendations:

10.1. The Audit Committee is the body responsible for ensuring effective scrutiny of the treasury management strategy and policies.

11 Introduction and Background

The Council's treasury management activities are regulated by a variety of professional codes, statutes, and guidance. A more detailed outline of these, including the Treasury Management Framework and Policy is given in **appendix A**.

Somerset County Council (SCC) has adopted the CIPFA Code of Practice for Treasury Management and operates its treasury management service in compliance with this Code and the requirements in **appendix A**. The Code requires as a minimum, a formal report on treasury activities and arrangements to Full Council mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities and enable those with ultimate responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives.

Whilst headline figures can be a useful guide to performance, they should not be viewed 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 and circumstances that affect treasury activity and performance that are not immediately apparent from statistical reports. Activities undertaken may be directly attributable to good risk management or preferred risk tolerances. Some limitations to purely statistical analyses are outlined in **appendix B**.

Useful comparison has been further eroded as many Local Authorities are invested in non-financial assets, with the primary aim of generating profit. Others have entered into very long-term investments or are providing loans to local enterprises or third-party entities as part of regeneration or economic growth projects. It is impossible to standardise and meaningfully compare returns, particularly for a given timeframe, and it is also extremely difficult to understand, quantify, and compare risks.

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12 Treasury outturn and performance

12.1 Economic background

Financial markets are constantly changing, both proactively in anticipation of upcoming scenarios and events, and reactively, in response to news and outcomes. Whilst it is important to review and report on performance, it must be borne in mind that Treasury decisions are made in dynamic conditions. It is important therefore to give some background and context to Treasury performance.

The continuing economic recovery from the coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period. Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022.

UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.

The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

With the fading of lockdown, activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

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Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected, consumer confidence had fallen due to the squeeze in real household incomes.

GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.

Financial markets: The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.

The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter. 1-month, 3-month, 6-month, and 12-month Money Market rates averaged 0.12%, 0.23%, 0.37%, and 0.50% respectively over the period.

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Tables of relevant rates throughout the year, are in **appendix C – borrowing**, and **appendix D - investments**.

12.2 The Treasury Position as at 31st March 2022

The Treasury position as at 31st March 2022 and a comparison with the previous year is shown in the table below.

Table 1 – Debt Portfolio

	Balance on 31-03-2021	Debt Matured / Repaid	New Borrowing	Balance on 31-03-2022	Increase/ Decrease in Borrowing £m
	£m	£m	£m	£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	108.00	0.00	0.00	108.00	0.00
Fixed Rate Loans	57.50	0.00	0.00	57.50	0.00
Total Borrowing	324.55	0.00	0.00	324.55	0.00

Table 2 – Debt interest

	31-03-2021 Rate %	31-03-2022 Rate %	Increase/ Decrease Rate %
Short Term Borrowing	N/A	N/A	0.00
PWLB	4.59	4.59	0.00
LOBOs	4.74	4.74	0.00
Fixed Rate Loans	4.73	4.73	0.00
Total Borrowing	4.66	4.66	0.00

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The Council's need to borrow for capital purposes is determined by the Capital Programme and Capital Strategy. Council Members were aware of the major projects identified for 2021 to 2024. Capital projects identified were to be funded using a combination of grant, capital receipts, and contributions.

Although timing of capital expenditure is never totally predictable, it was envisaged that borrowing of up to £90.4m (including externalising all internal borrowing) may have been necessary.

As the differential between investment earnings and debt costs remained negative during 2021-22, a passive borrowing strategy, borrowing funds as they were required was deemed to be most appropriate. With capital spending less than anticipated, no new borrowing was undertaken. The benefits of this strategy were monitored and weighed against the risk of shorter-term rates rising more quickly than expected.

This meant that as at 31st March 2022, SCC had £63.9m of internally borrowed debt.

During 2021-22, there were no scheduled debt maturities. The PWLB portfolio remained the same.

Table 3 – Investments as at 31st March 2022

	Balance as at 31-03-2021 £m	Rate of Return at 31-3-2021 %	Balance as at 31-03- 2022 £m	Rate of Return at 31-03-2022 %
Short-Term Balances (Variable)	75.63	0.04	49.00	0.59
Comfund (Fixed)	160.00	0.39	245.00	0.60
Pooled Funds	40.00	2.97	45.00	2.70
Total Investments	275.63	0.67	339.00	0.87

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Table 4 - Investment balances by type

	31 March 2021 £m	31 March 2022 £m	Change
Money Market Funds	25.63	24.00	-1.63
Notice Bank Accounts	60.00	80.00	+20.00
Time Deposits/CD's - Banks	20.00	85.00	+65.00
Time Deposits - LAs	130.00	105.00	-25.00
Pooled Funds	40.00	45.00	+5.00
Total Investments	275.63	339.00	+63.37

Table 5 - Breakdown of investment balances by source

	31 March 2021 £m	31 March 2022 £m	Change
ENPA / SWC	0.04	1.83	+1.79
Organisations in the Comfund	7.22	10.05	+2.83
LEP – Growth Deal Grant	41.69	31.70	-9.99
CCG Prepayment	31.60	80.40	+48.80
Earmarked funds held on behalf of other decision-making bodies	11.55	11.82	+0.27
Total Externals	92.10	135.80	+43.70
SCC	183.53	203.20	+19.67
Total Investments	275.63	339.00	+63.37

Total investments as at 31st March 2022, including unspent LEP money, and CCG prepayments, stood at £339m, an increase of over £63m from 2021.

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The investments balance has been inflated by LEP balances that were slow to be spent, and further prepayments from the CCG in December, January, and February, of £12m, £27m, and £9.8m respectively.

The Comfund investment of £245.0m was £85.0m higher, mostly due to the CCG money mentioned above, whilst short term balances were £26.6m lower. During the year, a further £5m was invested in the M&G Strategic Corporate Bond Fund bringing Pooled Fund investment to £45m.

Revenue balances held on behalf of others at year-end increased by £1.79m. Investment in the Comfund by external bodies increased, from £7.22m to £10.05m. A large grant of £17.7m was received by the LEP, but steady payments throughout the year meant a decrease of £9.9m of that money. £55.4m was managed on behalf of others at year-end 2022, a decrease of £6.1m, plus prepayments of £80.40m that have been made by the NHS Clinical Commissioning Group (CCG).

The cash managed on behalf of others includes that of Exmoor National Park Authority (ENPA) and South-West Councils (SWC). SCC continues to manage revenue balances on their behalf, and under contractual arrangements sweeps their cash into the SCC account daily, from where it is lent into the market in the name of SCC. There are arrangements in place for the allocation of interest received on these amalgamated balances, and SCC should not be at a disadvantage as rates paid to ENPA and SWC should always be less than those achieved by the investments.

The same principle holds for the Comfund external investors (a limited group of not-for-profit organisations with links to SCC) but here, the rate achieved is passed on to investors and an admin fee is charged.

In addition, during 2021-22, SCC was retained to manage the Local Enterprise Partnership (LEP) Growth Deal Grant on behalf of the other Enterprise Partners.

12.3 Summary of performance

During the year, Council treasury management policies, practices, and activities remained compliant with relevant statutes and guidance, namely the MHCLG investment guidance issued under the Local Government Act 2003, and the CIPFA Treasury Management and Prudential Codes. The Council can confirm that it has complied with its Prudential Indicators for 2021-22.

At year-end, with no new debt taken, total debt stood at £324.55m, with an average rate paid on total borrowings of 4.66%.

Security of capital remained the Council's main investment objective. This was achieved by following the counterparty policy as set out in the Annual Treasury Management Strategy, and by the approval method set out in the Treasury Management Practices. SCC has continuously monitored counterparties, and all ratings

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of proposed counterparties have been subject to verification on the day, immediately prior to investment.

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Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Council's counterparty list to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK. Fitch also revised the outlook for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable.

In the first half of FY 2021-22 credit default swap (CDS) spreads were flat over most of the period and are broadly in line with their pre-pandemic levels. The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.

Having completed its full review of its credit advice on unsecured deposits, in late September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

The average Credit Rating of the SCC investment portfolio (excluding pooled funds) as at 31st March 2022 was AA-. To give this some perspective, the United Kingdom Government is rated AA- by two of the three main ratings agencies, the other being one notch higher at AA.

An account of issues and any restrictions implemented throughout the year can be found in **appendix D**.

Liquidity. In keeping with the MHCLG guidance, the Council maintained a sufficient level of liquidity through the use of call accounts, Money Market Funds, and short-term deposits. SCC did not need to borrow short-term money during the year.

Yield (excluding Pooled Funds). Interest of over £650k was earned on cash investments during 2021-22. One factor for the decrease on the comparative figure for 2020-21 of £1m is due to base rate being held at 0.1% for the majority of the year. A second significant factor is that Arlingclose advice restricted investment with those banks on their restricted list, to 35-days for the majority of the year. Many banks are not interested in this short period, so counterparty options were extremely limited. A third factor was that lending to Local Authorities (being the only other deposit option) provided longer duration, but rates were not commensurate with similar market rates because most Local Authorities were awash with Government covid cash. At one stage there were very few LA bids in the market, and 1-year money traded as low as 0.06%.

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When compared with average cash rates for the year, the ex-Pooled Funds yield of 0.24% was 0.01% above the average 3-month Money Market rate, but 0.26% less than the average 12-month Money Market rate, on a portfolio with an average duration of less than 3-months.

Pooled Funds. During 2021-22, SCC increased investment into Pooled Funds by £5m, to £45m. To 31st March the £45m investment (average £43.7m) in Pooled Funds delivered an average net income yield of 2.73%.

Yield (including Pooled Funds). Interest of £1.85m was earned on total investments during 2021-22.

Security and liquidity have been achieved with the income return of 0.58% achieved for the year, being 0.08% above the average 12-month Money Market rate.

During the year, two further dividends have been received from Kaupthing, Singer & Friedlander, £10,314.93 on 29th April 2021 and a final dividend of £13,409.41 on 19th August 2021. The Administration of KSF has now ceased and all Icelandic bank issues are now finished.

In total, as at 31st March 2022 £23,373,337.77 of Icelandic bank money had been recovered.

12.4 Temporary borrowing

Temporary borrowing has not been necessary at all during 2021-22.

12.5 Long term borrowing

The borrowing strategy for 2021-22 recognised that borrowing of up to £90.4m (including externalising current internal borrowing) may have been necessary. As the differential between investment earnings and debt costs remained negative during 2021-22, a passive borrowing strategy, borrowing funds as they were required, was pursued. With capital spending less than anticipated, no new borrowing was undertaken.

During 2021-22, there were no scheduled debt maturities. The debt portfolio therefore remained at £324.55m during the year. All details of long-term borrowing rates and any activity during the year can be found in **appendix C**.

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12.6 Cash managed on behalf of others

During 2021-22 SCC provided treasury management services to the Police and Crime Commissioner for Avon and Somerset. As from 1st April 2020, a new contract had been signed, for Treasury Management services to be supplied to the Police, by SCC, for a 3-year period. Funds continue to be lent on a segregated basis, with PCC funds lent in its own name.

SCC continues to manage cash on behalf of other not-for-profit organisations including Exmoor National Park Authority (ENPA), and South-West Councils (SWC) via service level agreements and the Comfund vehicle. These balances were just over £11.8m at year-end.

In addition, during 2021-22, SCC was retained to manage the Local Enterprise Partnership (LEP) Growth Deal Grant on behalf of the other Enterprise Partners. A grant of £17.7m was received in May and added to the £40.58m already held, and an average balance in excess of £46m was managed.

All treasury management activities, including a fee for the management of the LEP money, brought in income just under £140k during the year.

12.7 Investments

The Council holds significant investment balances, details shown by balance, type, source, and return achieved, is shown in tables 3-5 above. During the year, investment balances ranged between £260.6m and £363.2m, averaging £317.5m, up by £98.1m, £78.4m, and £78.5m for the respective figures from the previous year.

Net asset value money market funds (LVNAV MMFs) continued to produce net returns of close to zero until the first Base Rate rise in December 2021.

Given the risk and low returns from short-term bank investments, and the limited spread and duration of bank counterparties on the approved Arlingclose list, the Council has further diversified into more secure and higher yielding asset classes as shown in table 4 above. An increase of £88m to £130m was lent to other Local Authorities, improving both security and yield, as longer-term deposits were able to be made.

Strategic Pooled Funds investment increased by £5m. These investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

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When measuring the cash investment performance of its treasury management activities both in terms of its security and the yield achieved in relationship to benchmark interest rates, objectives have been met. The credit risk target of A(6) has been bettered at AA-(4.46), and the weighted cash investment return of 0.24% was 0.01% better than the average 3-Month Money Market rate, but 0.13% below the 6-Month rate for the financial year. A more detailed commentary on activity and analysis of performance for the year, including comparison with other Local Authorities advised by Arlingclose, can be found in **appendix D**.

12.8 Prudential indicators

The Council can confirm that it has complied with its Prudential Indicators for 2021-22. Indicators that were set for 2021-22, and the year-end position for each are set out in **appendix E**.

12.9 Non-Financial assets, regulatory changes, and risk management

Some Local Authorities have continued to invest in non-financial assets, with the primary aim of generating profit. Others have entered into very long-term investments or providing loans to local enterprises or third sector entities as part of regeneration or economic growth projects. Some recent 'non-financial investments' by other Local Authorities are highlighted in **appendix B**.

As a result, HM Treasury proposed on changes to the Public Works Loan Board, which it said would attempt to "focus PWLB loans on service delivery, housing, and regeneration, and ensure that this money is not diverted into financial investments that serve no direct policy purpose".

In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023-24 financial year if they wish. As LGR for Somerset is to happen for year 2023-24, and because the code was published too late to be fully incorporated in the 2022-23 Treasury Strategy, it seemed sensible to fully incorporate into the Somerset Council Strategy for 2023-24.

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To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version. The Council will follow the same process as the Prudential Code, i.e. delaying changes in reporting requirements to the 2023-24 financial year.

MiFID II

The Council continues to meet 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.

Risk Management, Governance, and Compliance

During the year, all Council treasury management policies, practices, and activities remained compliant with all relevant statutes and guidance, namely the Department for Levelling Up, Housing, and Communities (DLUHC) investment guidance issued under the Local Government Act 2003, the CIPFA Code of Practice for Treasury Management, and the CIPFA Prudential Code.

The DLUHC's Guidance on Investments reiterates security and liquidity as the primary objectives of a prudent investment policy. All investments were compliant with guidance issued by the DLUHC, with the investment strategy agreed, and activities conducted within the procedures contained in the TMPs.

As required by the CIPFA TM Code, a mid-year review was presented to Full Council in November 2021.

Officers from the Treasury Management team reported debt and investment positions and performance via comprehensive reports at regular meetings with the Director of Finance and/or the Strategic Manager (Pensions Management).

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Arlingclose have been retained Treasury Advisors throughout the period.

During the year Treasury staff have continued to attend (virtual) courses and seminars provided through the CIPFA Treasury Management Network (TMN), its advisors, Arlingclose, and other ad hoc events.

13. Background papers

Treasury Management Strategy Statement 2021-22 and appendices. These were approved by Full Council at the meeting on 17th February 2021. The full papers can be found under the 8th February 2021 Cabinet meeting at:

<http://democracy.somerset.gov.uk/documents/s17607/item%209%20TMS%202021-22%20Cabinet%20v3.pdf>

<http://democracy.somerset.gov.uk/documents/s17595/item%209%20TMSS%20App%20A%202021-22.pdf>

<http://democracy.somerset.gov.uk/documents/s17596/item%209%20TMSS%20App%20B%202021-22.pdf>

<http://democracy.somerset.gov.uk/documents/s17597/item%209%20TMSS%20App%20C%202021-22.pdf>

<http://democracy.somerset.gov.uk/documents/s17608/item%209%20TMPs%20V6%20January%202020.pdf>

Note: For sight of individual background papers please contact the report author.

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Report Sign-Off

		Signed-off
Legal Implications	Honor Clarke	06/06/2022
Governance	Scott Wooldridge	08/06/2022
Corporate Finance	Jason Vaughan	01/06/2022
Human Resources	Chris Squire	27/06/2022
Property	Paula Hewitt / Oliver Woodhams	06/06/2022
Procurement / ICT	n/a	n/a
Senior Manager	Stephen Morton	31/05/2022
Commissioning Development	Sunita Mills / Ryszard Rusinek	07/06/2022
Executive Lead	Cllr Liz Leyshon	20/06/2022
Executive Associate Lead	Cllr Peter Seib	20/06/2022
Opposition Spokesperson	Cllr Mandy Chilcott	
Scrutiny - Place	Cllr Gwil Wren	

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Appendix A

Overview

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on these activities.
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act.
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. A Revised edition of this code was published in late December 2021.
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services. A Revised edition of this code was also published in late December 2021.
- Under the Act the Department for Levelling Up, Housing, and Communities (DLUHC) has issued Investment Guidance to structure and regulate the Council's investment activities. This was updated in February 2018, effective from 1st April 2018.

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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 Chief Finance Officer as Section 151 Officer, who will act in accordance with the organisation's policy statement and TMPs and, if they are 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.

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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 The 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 The 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.

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Statistical Reporting Limitations

SCC no longer subscribes to the CIPFA Treasury Management Benchmarking Club. CIPFA Treasury Management Benchmarking Club produced detailed reports of Local Authority performance, and also compared with other authorities. Whilst these headline figures have been a useful guide in assessing performance in the past, it has become more important to 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.

In view of the declining numbers that had been using the service, the increasing difficulty of straightforward comparison, and the cost of membership of the Benchmarking Club, it was decided not to participate from 2016-17 forward.

Many Authorities are using more esoteric means of 'investing' cash making it increasingly difficult to compare levels of risk tolerance, as well as returns. Some recent 'investments' by other Local Authorities include:

- Loans to local Football Club
- Buy and Leaseback of BP Corporate HQ
- 33% Stake in new start-up bank
- Setting up own energy company
- Direct property investment

The many factors that affect treasury performance that were not apparent from the CIPFA reports, and thereby made direct comparison increasingly difficult included:

- The CIPFA reports look at one year in isolation. With the introduction of the Prudential Code in 2004, Authorities have been able to invest for longer periods. Performance of investments in particular, needs to be viewed over a longer timeframe to see the full impact of decisions. A further issue regarding timeframes is that 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.

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- 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 effect 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, or if new borrowing is being undertaken in the present low rate environment.
- Individual decisions are taken to suit a Council's particular circumstances, return aspirations, overall policy, and risk tolerances, and these will affect outcomes. The techniques and tools used to achieve objectives, and as part of risk management will also have an effect. For example, District Councils with housing stock receipts can invest in longer-dated Government and Supranational Bonds or place a greater percentage of investments with longer maturities.
- Investment returns compare rates achieved and give a general indication of length of deposits, but comparisons of the different levels of risk from counterparties and duration of loans is not available.
- The size of an Authority's cash balances will affect returns. An Authority with larger balances may be forced to use counterparties paying a lower rate to satisfy diversification needs and maintain minimum counterparty criteria.
- Conversely, an Authority with larger balances may be able to invest a greater proportion of funds in the longer-term, thereby generating better returns.
- Use of Advisors. Authorities' lending lists will be heavily influenced by their Treasury advisors. Who each Authority's advisor is, and therefore their investment and counterparty advice, is not apparent from CIPFA reports.

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Appendix C

Long-Term Borrowing

The rate at which the Council can borrow from its main source, the PWLB, is directly affected by Market movements in Gilts (PWLB rates are set with a direct correlation to Gilt yields). They are set twice daily and fluctuate according to market sentiment.

Gilt yields rise and fall with interest rates. Gilt yields fall when the Bank of England cuts the base interest rate and rise when the base rate goes up.

Gilts yields are also affected by political, economic, financial, and a myriad of other factors. Yields generally decrease when negative factors or sentiment is felt (uncertainty caused by Wars and geopolitical tensions, fears caused by high energy prices, and continued concerns over the economic effect of Coronavirus). Greater demand = higher price = lower yield = lower PWLB rates. The opposite holds true, i.e. positive sentiment or over supply translates into higher yields.

PWLB rates across all durations inevitably ended the year higher than in March 2021 due to the 3 rises in base rate during the year. Rates had been trading within a fairly narrow band up until September, when there were rises in the shorter end of the yield curve. They fell again in November, but after the first base rate rise in December, continued their ascent across all maturities.

As a result of the above, 5-year, 10-year and 50-year maturity rates averaged 1.65%, 1.98%, and 2.04% respectively for 2021-22, and at 31st March 2022 were 2.45%, 2.63%, and 2.58%.

Spreads across all shorter maturities were most volatile, the five-year Maturity rate showing a maximum of 2.57% and a minimum of 1.25%, and the 10-year Maturity rate a maximum of 2.72% and a minimum of 1.59%, producing spreads of 1.32% and 1.13% respectively during the year.

When yields increase, it becomes cheaper to repay debt prematurely. To give an example, to repay the entire PWLB portfolio at March 31st 2021 a premium of £101.9m would have been payable (64% of principal). At 31st March 2022 a premium of £78.8m would have been payable (49.5% of principal). Any decision to reschedule or repay debt would need to be taken in this dynamic environment, but as SCC is likely to be adding to its current debt in the near future, it is improbable rescheduling would happen.

The table and graph below summarise PWLB borrowing rates during the year.

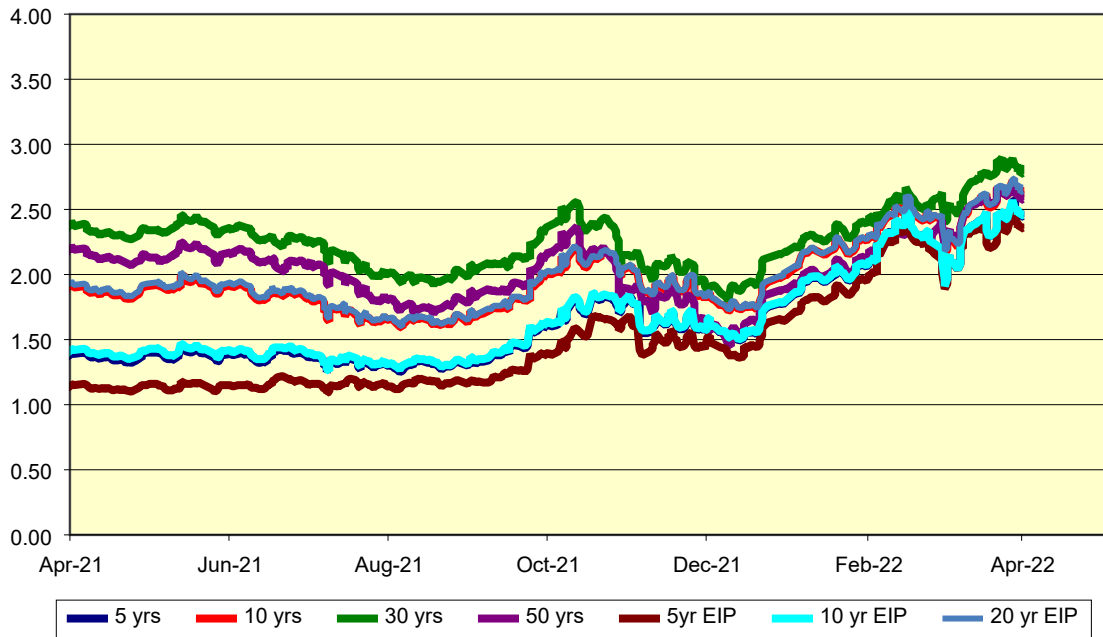
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PWLB Rates 2021-22 (Maturity rates unless stated)

	5 Year	5 Year EIP	10 Year	15 Year EIP	30 Year	50 Year
01/04/2021	1.40	1.16	1.93	1.71	2.41	2.22
30/04/2021	1.40	1.16	1.91	1.70	2.34	2.13
31/05/2021	1.30	1.15	1.90	1.69	2.34	2.15
30/06/2021	1.36	1.15	1.81	1.62	2.25	2.07
31/07/2021	1.30	1.14	1.65	1.50	2.00	1.80
31/08/2021	1.32	1.18	1.66	1.51	2.01	1.80
30/09/2021	1.61	1.39	2.01	1.84	2.37	2.16
31/10/2021	1.77	1.63	2.03	1.92	2.15	1.90
30/11/2021	1.56	1.43	1.81	1.70	1.88	1.56
31/12/2021	1.80	1.66	2.00	1.90	2.17	1.88
31/01/2022	2.08	1.98	2.28	2.19	2.42	2.15
28/02/2022	2.19	2.10	2.44	2.31	2.63	2.42
31/03/2022	2.45	2.36	2.63	2.53	2.78	2.58
Average 2021-22	1.65	1.50	1.98	1.84	2.27	2.04
Minimum	1.25	1.09	1.59	1.44	1.80	1.45
Maximum	2.57	2.49	2.72	2.64	2.90	2.68
Spread	1.32	1.40	1.13	1.20	1.10	1.23
Average 2020-21	1.70	1.64	2.01	1.86	2.51	2.33
Difference in average	-0.05	-0.14	-0.03	-0.02	-0.24	-0.29

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Movements in PWLB rates (April 2021 - March 2022)



During 2021-22, there were no scheduled debt maturities, and due to the elevated premiums, rescheduling of existing debt was not cost effective.

The year-end average rate of the PWLB portfolio remained at 4.59%.

The Council has £113m of loans that are LOBO loans (Lender's Option Borrower's Option) of which £83m were in their option state during 2021-22. None of the lenders exercised their option to request an increase in the rate applied. As stated in the 2021-22 Treasury Management Strategy Statement, it is SCC policy not to accept any option to pay a higher rate of interest on LOBO loans and would invoke its own option to repay the loan.

Note that the £57.5m of loans with Barclays are now effectively long-term fixed loans after they contractually ceded the right to their options.

The year-end average rate of the LOBO/Market Loan portfolio for SCC for the year was 4.74%.

With no debt activity during the year, the weighted average term for SCC market loans at 31st March was 30.0 years, whilst the PWLB loans average was 22.2 years.

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Appendix D

Lending

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Security: Security of capital remained the Council's main investment objective. This was maintained by following the counterparty policy as set out in the Annual Investment Strategy, and by the approval method set out in the Treasury Management Practices. Current approved counterparties are listed below. Those used during the year are denoted with a star.

Bank or Building Society			
Australia & NZ Bank	*	National Westminster	*
Bank of Scotland		Nationwide BS	*
Bank of Montreal	*	Nordea Bank	*
Bank of Nova Scotia		OP Corporate Bank	
Barclays Bank Plc		Oversea-Chinese Banking Corporation	
Canadian Imperial Bank of Commerce		Rabobank	
Close Brothers Ltd		Royal Bank of Scotland	
Commonwealth Bank of Australia		Santander UK	*
DBS Bank Ltd	*	Standard Chartered Bank	*
DZ Bank	*	Handelsbanken Plc	*
Goldman Sachs International Bank		Toronto-Dominion Bank	*
HSBC Bank	*	United Overseas Bank	
Landesbank Hessen-Thuringen	*		
Lloyds Bank	*		
National Australia Bank			

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Sterling CNAV Money Market Funds			
Goldman Sachs MMF		Insight MMF	*
Deutsche MMF	*	Aberdeen Standard MMF	*
Invesco Aim MMF	*	LGIM MMF	*
Federated Prime MMF	*	SSGA MMF	*
JP Morgan MMF		Aviva MMF	*

Other Counterparties	
Other Local Authorities	* (49 Deals)
Debt Management Office	*
CCLA Property Fund	*
RLAM Credit Fund	*
M&G Corporate Bond Fund	*

SCC has continuously monitored counterparties, and all ratings of proposed counterparties have been subject to verification on the day, immediately prior to investment. Other indicators considered have been:

- 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.

Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Council's counterparty list to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK. Fitch also revised the outlook for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable.

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In the first half of FY 2021-22 credit default swap (CDS) spreads were flat over most of the period and are broadly in line with their pre-pandemic levels. The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.

While the UK and Non-UK banks on the Arlingclose counterparty list remained in a strong and well-capitalised position, the duration advice on all these banks remained at 35 days until the end of September for UK Banks, and December for Non-UK Banks. At these points, duration was extended to 100 days maximum, and some previously excluded banks were returned to the lists.

As duration advice has been limited to 35-days on new bank lending (and the number of counterparties recommended has been significantly reduced by Arlingclose) for most of the year, there have been minimal opportunities to use banks, as they are either not in the market in this period, or rates have been negligible or even negative. In order to place deposits for longer maturities, and to pick up a better yield, more deposits have been placed with UK Local Authorities. At times, this too has been difficult, as the deluge of money from Central Government has increased liquidity and reduced the number of Local Authorities looking to borrow money. At times there have been no Local Authorities looking to borrow money, and this has kept rates suppressed.

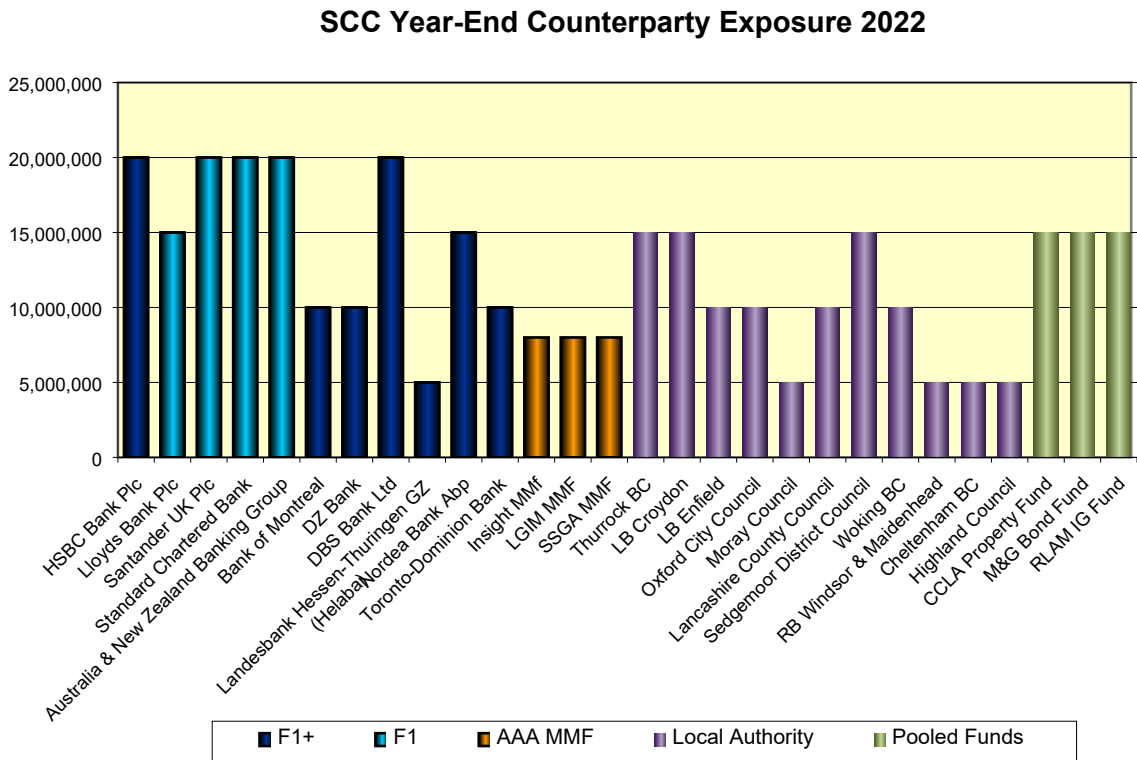
Outside of Arlingclose advice, SCC did continue to hold £15m in a 95-day notice account with Santander UK, and an Instant Access account with Handelsbanken Plc, the UK arm of one of the strongest commercial banks in the world, although they were added to the Arlingclose list during the year.

Another means of assessing inherent risk in an investment portfolio is to monitor the duration, the average weighted time to maturity of the portfolio. As the revenue element of lending is generally instant access or short-term lending, it is more appropriate to monitor the Comfund element of lending. The Comfund portfolio started the year with a duration of 155 days. This fell month on month to 91 days by September as banks were severely restricted, and relatively few Local Authorities were looking for cash. The average duration at the year-end was 120 days, with the average for the year being 3.75 months.

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In order to increase diversification of the portfolio and to increase duration where possible, more deposits were placed with UK Local Authorities. Forty-nine loans were placed with Local Authorities during the year (37 in 2020-21). This allowed for longer-dated maturities with excellent creditworthiness and an appropriate yield.

The chart below shows the names of approved counterparties with deposit exposures as at 31st March 2022.



Liquidity: In keeping with the DLUHC guidance, the Council maintained enough liquidity through the use of call accounts, money market funds (MMFs), and short-term deposits. Some call accounts and MMFs offered yields in excess of those on offer for time deposits up to 3-months, which meant that it was beneficial to use these facilities. This was beneficial not just for liquidity and yield, but in mitigating counterparty and interest rate risk. During the year, identified core balances and reserves have been lent for longer periods when deemed appropriate, via the Comfund. The Comfund aim is to create a portfolio of deposits with a rolling maturity providing sufficient liquidity, whilst enabling advantage to be taken of the extra yield offered in longer periods.

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Pooled Funds: The decision to invest further into Pooled Funds was driven by 2 key factors. Firstly, by diversifying away from unsecured Bank deposits, it would help to mitigate the increased risk posed by unsecured bank bail-in, and secondly, to mitigate the risk of negative returns (real negative returns, or inflation adjusted returns) posed by the low interest rate environment.

During 2021-22, SCC increased investment into Pooled Funds by £5m, to £45m. £15m was maintained in the CCLA Property Fund, whilst £15m was invested in the Royal London Investment Grade Short-Dated Credit Fund (RLAM), and a further £5m into the M&G Strategic Corporate Bond Fund (M&G), bringing investment in that Fund to £15m.

CCLA Property Fund: This Fund is an actively managed, diversified portfolio of UK Commercial Property with a stated investment objective "to provide investors with a high level of income and long-term capital appreciation".

As at 31st March 2022 the Net Asset Value of the SCC holding was £16,554,117 and a Bid Price (value at which investment could be sold) of £16,295,647. The value of the fund had steadily increased throughout the year. In the meantime, the average Property Fund yield of circa 3.65% net for the past 4 quarters, was circa 3.21% above average cash yields, and provided approximately £547,000 of income during the year.

RLAM: This Fund is an actively managed, diversified Investment Grade Short-Dated Credit Fund. As at 31st March 2022 the Bid value (value at which investment could be sold) of the SCC holding was £14,253,076. Income of £328k has been received, and at year-end it was yielding 2.22%.

M&G: This Fund is an actively managed, diversified Strategic Corporate Bond Fund. As at 31st March 2022 the Bid value (value at which investment could be sold) of the SCC holding was £13,815,321. Income of £241k has been received, and at year-end it was yielding 2.24%.

The combined yield of all 3 Pooled Funds as at 31st March was 2.70%.

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Yield: The Council sought to optimise returns commensurate with its objectives of security and liquidity. In March 2021, England began a phased withdrawal from the latest lockdown as the vaccination programme continued. The market anticipated an upturn in the economy, and with supply side issues and rising energy prices stoking the spectre of inflation, bank rate rises began to be talked about in the Autumn. The historically low base rate of 0.10% had prevailed throughout most of the year, but there were 3 consecutive rises in December, February, and March as inflation took hold. The year began with negative overnight rates and a return of only 0.15% for a 1-year deposit with a bank. Local Authority rates were less than this, with 1-year money trading as low as 0.06%. During the year 1-month, 3-month, 6-month and 12-month Money Market rates were at lows of 0.02%, 0.00%, 0.05%, and 0.15% respectively. 1-month, 3-month, 6-month and 12-month Money Market rates averaged 0.12%, 0.23%, 0.37% and 0.50% respectively for 2021-22, 0.17%, 0.22%, 0.30%, and 0.33% more than the averages for 2020-21.

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As at 31st March 2022 1-month, 3-month, 6-month and 12-month Money Market rates were 0.61%, 1.17%, 1.33% and 1.57% respectively. A table of rates is shown below.

Money Market Rates 2021-2022 Source = Bloomberg

	O/N	7-Day	1-Month	3-Month	6-Month	12-Month	2-Yr SWAP
01/04/2021	-0.06	0.05	0.02	0.00	0.09	0.15	0.28
30/04/2021	-0.06	0.05	0.04	0.00	0.05	0.15	0.31
31/05/2021	0.01	0.05	0.04	0.00	0.05	0.15	0.31
30/06/2021	-0.06	0.05	0.04	0.05	0.10	0.15	0.37
31/07/2021	-0.06	0.05	0.04	0.05	0.11	0.17	0.43
31/08/2021	-0.06	0.05	0.04	0.05	0.10	0.19	0.48
30/09/2021	-0.06	0.05	0.03	0.11	0.16	0.19	0.72
31/10/2021	-0.06	0.08	0.10	0.21	0.45	0.70	1.23
30/11/2021	0.01	0.02	0.04	0.16	0.31	0.52	1.06
31/12/2021	0.06	0.20	0.14	0.35	0.22	0.52	1.19
31/01/2022	0.06	0.22	0.32	0.48	0.66	1.02	1.19
28/02/2022	0.40	0.41	0.48	0.78	1.08	1.40	1.19
31/03/2022	0.75	0.70	0.61	1.17	1.33	1.57	1.19
Average 2021-22	0.05	0.15	0.12	0.23	0.37	0.50	0.76
Minimum	-0.08	0.01	-0.50	-0.01	0.05	0.15	0.26
Maximum	0.75	0.70	0.89	1.18	1.52	1.57	1.23
Spread	0.83	0.69	1.39	1.19	1.47	1.42	0.97
Average 2020-21	-0.08	-0.07	-0.05	0.01	0.07	0.17	0.17
Difference in average	+0.13	+0.22	+0.17	+0.22	+0.30	+0.33	+0.59

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Comfund: Comfund investment increased to £245m at year-end 2022, by £85.0m from the £160m at year-end 2021, driven mainly by holding extra CCG prepayments, and an element of reduced capital expenditure due to COVID.

The average balance of the Comfund throughout 2021-22 was £189.5, a £40.6m increase on the previous years' average.

The Comfund vehicle, with an annual return of 0.30% outperformed the benchmark for base rate of 0.19% for the year, by 0.11%. It can be difficult to maintain a positive performance when the comparator rate is moving up, particularly with quick successive rises.

A total of approximately £562,000 was earned in interest in the year, despite low rates, and a restricted choice of bank counterparties. However, it was a decrease of £358,000 on the figure for 2020-21 of £920,000.

Revenue: Revenue balances averaged £84.3m during the year, with an average yield of 0.11%. This is above the Money Market average overnight benchmark of 0.05%. This income stream earned interest of over £94,000.

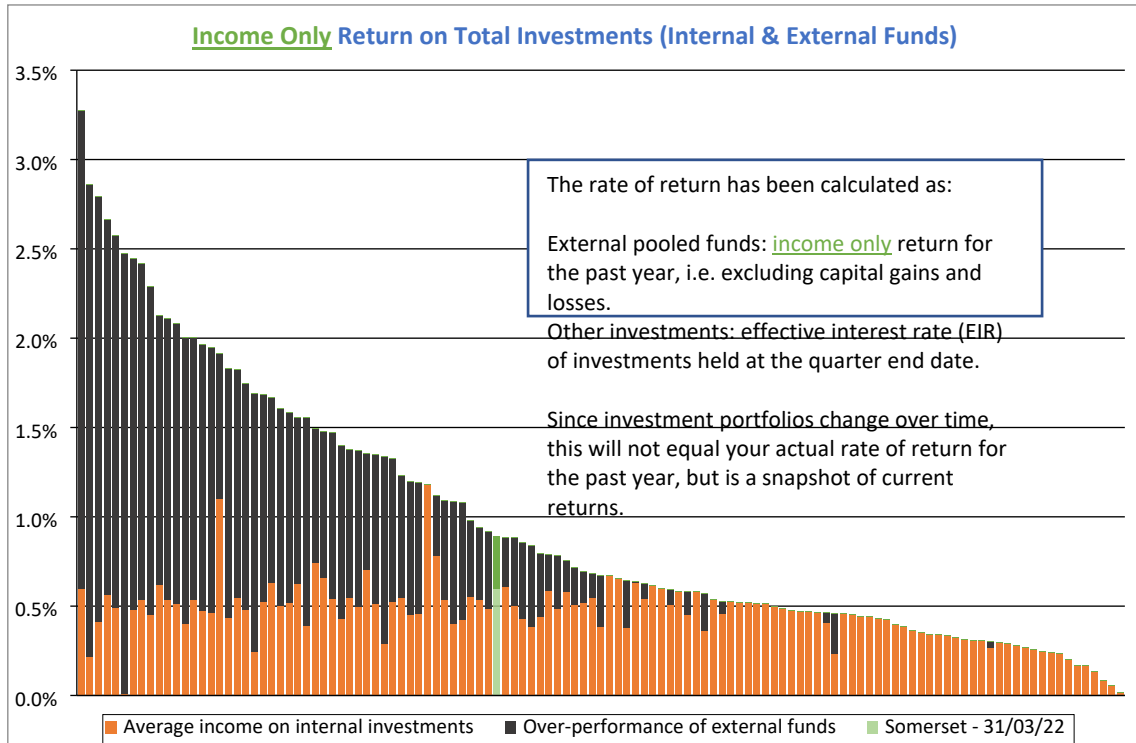
Pooled Funds: Further investment of £5m was made into Pooled Funds during 2021-22. For the year to 31st March 2022 Pooled Funds delivered an average net income yield of 2.73%, and £1,191,792 of income.

Combined: The combined average daily balance of the Council's investments during 2020-21 was £317m against £239m for 2020-21. The overall weighted investment return of combined investments was 0.58% against a return of 0.70% for 2020-21. Excluding the Pooled Funds, cash returns were 0.24% compared to 0.46% for 2020-21. Total income generated was £1,848,642

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Comparison against other Local Authorities clients of Arlingclose

2021-22 was the twelfth complete year that SCC had the services of retained Treasury advisors, Arlingclose. It would therefore seem appropriate to look at SCC performance compared with other Authorities that use Arlingclose, i.e. that share much of the same investment advice, particularly regarding counterparties. However, many of the caveats mentioned in appendix B may apply.

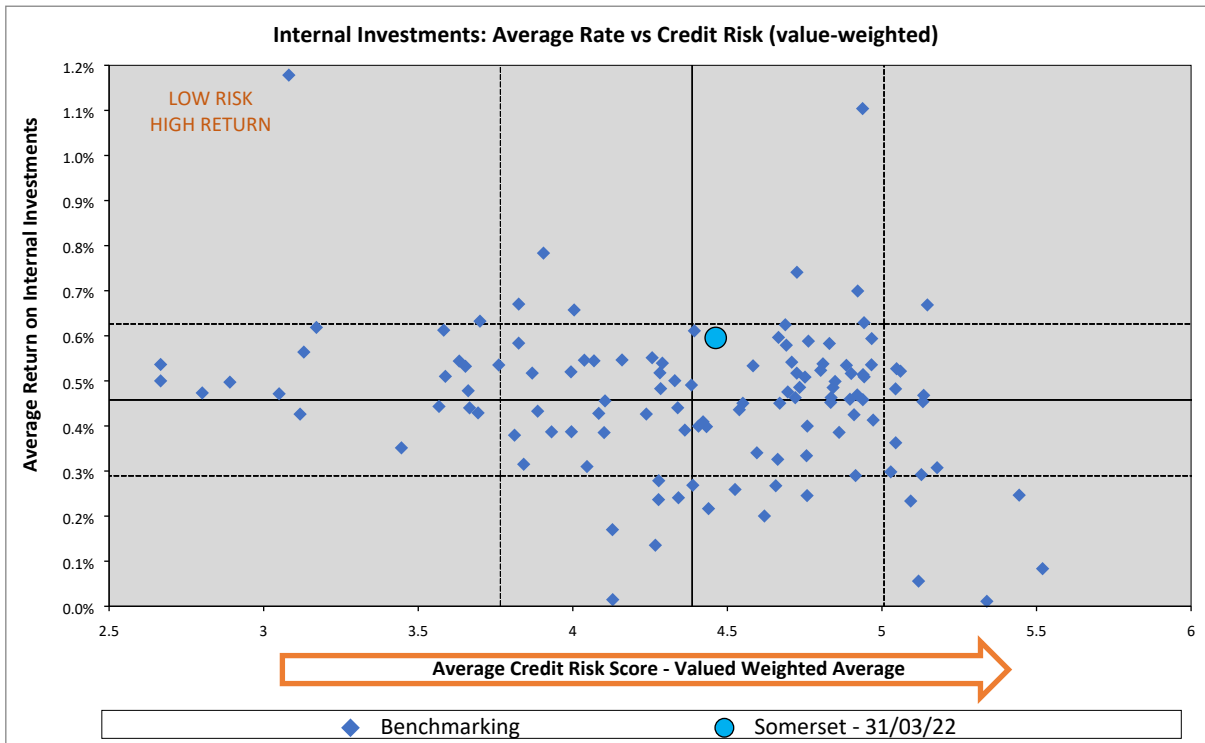


Returns as at 31st March 2022 can be seen in the graph above (if in black & white, SCC is the bar 3rd to the left of the black square before 'Over-performance of external funds' in the graph legend).

A comparison of internally managed investments only is included below, showing performance on a returns v credit risk basis. Note: The Arlingclose report compares quarter-end figures only.

This graph shows that SCC has a return that is better than the average, with the average credit risk score marginally higher than other comparators.

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When comparing the year-end average days to maturity the SCC average is 98 (74 in 2019-20) days, all other Local Authorities just 14 (20), and 983 (644) days for other County Councils. The SCC average is more than **2.4 years** (1.5 in 2019-20) below that of other County Councils. This in part reflects the fact that SCC has been holding an average of approximately £44.5m of LEP money on behalf of its partners, so has needed to retain more liquidity, and that a much more cautious approach is taken with regard to interest rate risk, and perhaps more esoteric investments.

The Arlingclose report compares quarter-end figures only, and comparisons can be seen below.

	Rate		Balance (£m)	
	SCC	Others	SCC	Others
June 2021	0.20%	0.11%	285	83
September 2021	0.17%	0.08%	279	73
December 2021	0.19%	0.10%	257	82
March 2022	0.60%	0.46%	294	80
Average	0.29%	0.19%	279	79.5

Using this methodology, SCC performance has been above that of comparators. This has been achieved with an average investment balance of more than 3 times that of the average for the universe.

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Security and liquidity have been achieved while returning an overall rate in excess of average cash rates for all periods up to 3-months (see table above), on investments with an average duration of around 3 months (Excluding Pooled Funds), in a rising interest rate market.

The overall return has produced a total income of £1.849m, up by £184,000 from 2020-21 on a higher average balance but reduced average rates.

All treasury management activities have mitigated risk to SCC to permit the achievement of objectives and including a fee for the management of the LEP money, have brought in income and benefits of approximately £140k.

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Appendix E

Prudential Indicators

Prudential Indicators are agreed and set by Council prior to each financial year. The key objectives are to ensure, within a clear framework, that the Capital Investment plans of the Council are affordable, prudent, and sustainable.

The indicators are regularly monitored, with actuals reported to the Director of Finance monthly.

The Council can confirm that it has complied with its Prudential Indicators for 2021-22. Those indicators agreed by Full Council and actual figures as at 31st March are included below:

Borrowing	Limit for 2021-22	As at 31-03-22
Authorised Limit	508	336
Operational Boundary	463	336

Maturity Structure of Borrowing	Upper	Lower	Actual
Under 12 months	50%	15%	28.2%
>12 months and within 24 months	25%	0%	1.5%
>24 months and within 5 years	25%	0%	15.1%
>5 years and within 10 years	20%	0%	3.4%
>10 years and within 20 years	20%	5%	8.9%
>20 years and within 30 years	20%	0%	5.9%
>30 years and within 40 years	45%	15%	37.0%
>40 years and within 50 years	15%	0%	0.0%
>50 years and above	5%	0%	0.0%

Limit for Principal sums invested > 365 days £75m **Actual** £45m

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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 (to be below target)	Target	Actual
Portfolio average credit rating (score)	A (6)	AA- (4.46)

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Decision Report - Key Decision

Forward Plan Reference: FP/22/05/04

Decision Date – 11/07/22

The Children and Young People's Plan 2022 - 2024

Executive Member(s): Lead Member for Children and Families
Lead Officer: Julian Wooster - Director of Childrens Services
Author: Fiona Phur – Partnership Business Manager
Contact Details: fzphur@somerset.gov.uk

1. Summary / Background

1.1. The Somerset Plan for Children & Young People (CYPP) ('the Plan) 2022- 2024 sets out the ambition of the Somerset Safeguarding Children Partnership (SSCP) ('the Partnership') to improve outcomes for all unborn babies, children and young people (in relation to care leavers and young people with special educational needs duties extend to 25 years of age) for the next eighteen months.

1.2. This is the third Somerset (CYPP) and builds on the achievements of previous plans which have taken children's services from an 'inadequate' OFSTED judgement on a journey to achieve 'Good;' subject to an expected OFSTED inspection in 2022. However, it is recognised across the Partnership that further improvements in relation to children in care, children with special educational needs and disabilities, unborn babies and infants and children vulnerable to exploitation is required.

These are addressed through the Plan's primary consideration of the rights of children and young people to be safe, to have good health and wellbeing and to learn and thrive. and priorities.

These rights will be met through eight priority areas:

- Safeguarding Unborn Babies, Children and Young People
- Better Support for Social, Emotional, Mental Health and Well-Being
- Reduce Bullying and Promote Positive Communities
- Early Help
- All Babies Have the Best Start in Life
- Climate Change & Transport
- Support for Education and Inclusion
- Poverty & Homelessness

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2. Recommendations

2.1. That Executive:

- Approves Somerset's Children & Young People's Plan 2022 - 2024
- Recommends Full Council to endorse Somerset's Children & Young People's Plan 2022 – 2024
- Requests that relevant partner agencies formally endorse the plan through their executive arrangements as required by S10 & S11 of the Children Act 2004

The Lead Member for Children and Families approves the recommendations.

3. Reasons for recommendations

- 3.1** Somerset's Children & Young People's Plan 2022 – 2024 is the strategic plan for the children's partnership as expressed through various structures, setting out priority areas for improvement.
- 3.2** The Plan is now completed, following engagement with keyboards and stakeholders, including children, young people and their families and practitioners across many organisations. The involvement of children and young people in setting the priorities is a key feature of this plan and supports strategic thinking to be made through the lens of a child or young person's lived experience.

4. Other options considered

- 4.1.** A variety of designs of Children and Young People's Plans produced in other local authorities were researched before this style was selected as being most likely to be effective in furthering and sustaining improvement of children's services over the next 3 years.
- 4.2.** The final design option is based on a visual Plan on A Page design, with a more formal document to underpin the aspirations set out on the Plan on a Page.

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

- 5.1.** All unborn babies, children and young people in Somerset are the responsibility of three lead statutory safeguarding partners – Somerset County Council, Somerset Clinical Commissioning Group and Avon and Somerset

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Constabulary – as well as other relevant agencies as set out in S11 Children Act 2004).

5.2. The CYPP picks up the themes for children and young people identified in 'Improving Lives' - Somerset's Health and Wellbeing Strategy and its four priorities:

1. A county infrastructure that drives productivity, supports economic prosperity and sustainable public services
2. Safe, vibrant and well-balanced communities able to enjoy and benefit from the natural environment
3. Fairer life chances and opportunity for all
4. Improved health and wellbeing and more people living healthy and independent lives for longer.

The Plan is reported annually to the Health & Wellbeing Board aligned to Priority 3: Fairer life chances and opportunity for all.

The plan recognises the importance of inter-agency collaboration, providing the tools for families to help themselves and intervening early when we need to.

6. Consultations and co-production

6.1. In producing Somerset's Children & Young People's Plan 2022 – 2025 all those covered by the duty to co-operate under the Children Act 2004 must be consulted - as well as children, young people and their parents and carers and other key partners. This has been achieved through workshops and multi-agency meetings.

6.2. Consultation undertaken with over 2500 children, young people, parents and practitioners throughout 2021 includes:

- Make Your Mark vote
- Somerset UK Youth Parliament Advisory Group
- The Unstoppables (SEND)
- Somerset In Care and Leaving Care Councils
- Participation Worker's Network
- Somerset Youth Forum
- Strategic Boards and subgroups

6.3. In addition, the SSCP Partnership Business Group met quarterly to oversee and monitor the writing of the plan.

Staff consultation took place via SSCP multi-agency roadshows in 2021 and updates have been provided to the Children's Services Management Team meetings.

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The Draft plan has also been presented at the Somerset Health and Wellbeing Board and Children & Families Scrutiny Committee.

7. Financial and Risk Implications

7.1. Somerset's Children & Young People's Plan 2022 – 2025 has been prepared in a context of rising need in the population, additional pressures brought on by the COVID-19 pandemic and reducing funding for public services. The eight priorities outlined in the plan are intended to be met within the agreed budgets and staffing resources of the lead agencies and other relevant statutory partners.

The Council's commitment as a lead agency is to provide good or better services to improve outcomes for all children is reflected through its Medium-Term Financial Plan (TFP) with a focus on revenue expenditure for the day-to-day running costs of providing services.

7.2. The principal risk lies in the failure to secure improvement across the partnership. This would impact on the delivery the Council's ambitions in relation to improved outcomes for children and young people in Somerset and could result in poor inspection results from regulatory bodies.

There is a Corporate Risk for Safeguarding Children (ORG0009), and its current score is 15. There are a number of management actions and mitigations for managing this risk. The Directorate Management Team and the Executive Member regularly monitor the management of this risk.

Likelihood	3	Impact	5	Risk Score	15
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8. Legal and HR Implications

8.1. The children's partnership arrangements are underpinned by the "duty to cooperate" (Children Act 2004 Part 2 Section 10). The arrangements are in place to improve the wellbeing of children in the authority's area so far as relating to:

- Physical and mental health emotional wellbeing
- Protection from harm and neglect
- Education, training and recreation
- The contribution made by them to society; and
- Social and economic wellbeing

8.2. The safeguarding aspects of the partnership are further strengthened by the Children and Social Work Act 2017 and arrangement currently being consulted on to hold its individual members to account for delivering their agreed contributions to the shared plan. The partners have agreed to review progress against the Plan on a quarterly basis.

PAPER C

8.3. There are no specific workforce issues arising from this report.

9. Other Implications

9.1. In addition, the plan requires agencies across the partnership to tackle inequalities and narrow gaps, paying suitable regard to the 2010 Equality's Act general duty.

As with previous plans there will be annually reviewed detailed plans to deliver on the eight priorities. These will have additional metrics.

9.2. Community Safety Implications

If there are no Community Safety Implications.

9.3. Sustainability Implications

There are no Sustainability Implications

9.4. Health and Safety Implications

There are no implications Health and Safety Implications

9.5. Health and Wellbeing Implications

There are no Health and Wellbeing Implications

9.6. Social Value

Not applicable

10. Scrutiny comments / recommendations:

10.1. The Scrutiny Committee for Children and Families has been updated on the Plan during its design in 2021/2022; their recommendations are incorporated into the Plan. The Committee will receive quarterly updates on progress and are looking forward to working with partners on its successful implementation.

11. Background

11.1. Somerset's Children & Young People's Plan 2022 – 2024 (the Plan) is an eighteen-month Plan which will influence strategic plans and commissioning decisions with an ambition to be effective in furthering and sustaining improvement of children's services in Somerset. The partnership holds its individual members to account for delivering their agreed contributions to the shared plan and has agreed to review progress against the Plan on a quarterly basis.

PAPER C

- 11.2.** The Plan aligns with 'Improving Lives in Somerset 2019 - 2028' – the health and wellbeing strategy for the local area which sets out a 10-year vision for all organisations to work together to meet the needs identified in the JSNA and improve the lives of all Somerset's residents.
- 11.3.** The basis for the Plan was constructed through the votes of Make Your Mark where 2500 children and young people aged between 10 and 25 voted on the topics, they felt were priorities for Somerset. During 2021 and 2022 two workshops at SSCP Forum weeks were held to facilitate children, young people and key decision makers and practitioners in the Partnership to work together on the priorities identified by the young people that they felt would have the most impact on Somerset's 116,967 children and young people (Office of National Statistics 2020). Between each event, surveys and workshops were held with the wider network of organisations who work with children and young people. This resulted in over 2700 young people contributing to the production of the new Plan.
- 11.4.** The draft Plan was considered by the Scrutiny for Policies, Children and Families Committee in two meetings in 2021/22 and members comments have been taken into account of in the attached Plan. The Plan was approved by the Partnership on 23rd June 2022.

12. Background Papers

- 12.1.** For further information please contact the report author.

PAPER C

Report Sign-Off

		Date completed
Legal Implications	Honor Clarke	27/06/22
Governance	Scott Wooldridge	27/06/22
Corporate Finance	Jason Vaughan	27/06/22
Human Resources and ICT	Chris Squire	27/06/22
Property	Paula Hewitt	27/06/22
Procurement	Claire Griffiths	n/a
Senior Manager	Julian Wooster	27/06/22
Commissioning Development	Sunita Mills / Ryszard Rusinek	27/06/22
Executive Member	Cllr Tessa Munt	27/06/22
<u>Consulted on report</u>		
Local Member		n/a
Opposition Spokesperson	Cllr Frances Nicholson	Sent 27 May 2022 & 1 July 2022
Scrutiny Chair	Scrutiny Childrens and Families - Cllr Leigh Redman	Sent 27 May 2022 & 1 July 2022

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 Somerset Safeguarding
Children Partnership

Somerset Children and Young People's Plan 2022-24

   SOMERSET
County Council



Principles that underpin our vision

This plan provides a link between what children and young people have asked us to do and partners' strategic priorities.

Taking a whole family approach we will support our families to be strong and resilient, working together to achieve long-term change and stability so that children can thrive and succeed.

Somerset is committed to the principles of the United Nations Convention on the Rights of the Child (UNCRC). We believe all our children and young people should enjoy these rights.



Rights of the child

Our Children and Young People's Rights

Every child has rights, whatever their ethnicity, gender, religion, language, abilities, or any other status. This Children and Young People's Plan has laid out core rights for all children and young people in Somerset, linked the UNCRC, as follows:

Keeping Children and Young People Safe

(UNCRC Article 19 - the right to be safe from violence, abuse, and neglect)

Supporting Physical and Emotional Health and Resilience

(UNCRC Article 24 - the right to the best possible health)

Enabling Young People to Learn and Thrive

(UNCRC Article 28 - the right to education)

We believe that engaging with children and young people - and often their families and communities too - in decisions about their lives improves things for everybody. It is the right thing to do.

Our vision

Our vision is that Somerset's children and young people grow up in a child friendly county that supports them to be **happy, healthy and prepared for adulthood**.

We will keep our children and young people safe and help them to thrive and to be ambitious – building a county that encourages equality and diversity, protects the environment and strives for progress on climate change for future generations. We want to increase social mobility that, in turn, will build a more prosperous county.

We aim to improve outcomes for all our children whilst recognising the need for outcomes to improve faster for vulnerable unborn babies, children and young people.

We are a county that listens to and supports our children, young people and their families to share their lived experiences in order to make the right decisions on service provision with them.

What young people said

Somerset
**YOUTH
PARLIAMENT**
& advisory group

**YOUTH
FORUM**



Increase Racial awareness in the Curriculum, and Tackle Discrimination and Hate Crime*

Mental & Physical Wellbeing

Opportunity to Thrive & Learn

Domestic Abuse

Tackle Pollution on the Climate Emergency & Stop Plastic Pollution

Equality & Discrimination

Homelessness

Environment & Climate Change

Sexual Harassment & Sexual Health

Child Poverty

Support Our Mental Health

Progress since the last plan

2019

Connecting Devon & Somerset Digital Programme

Local Offer website

Multi-agency Focus on Child Exploitation

Somerset Safeguarding Children Partnership

Schools Health & Wellbeing Framework

Big Tent (Community Mental Health)

Violence Reduction Unit

SomersetWorks support for NEET young people

Family Safeguarding Model

Somerset Youth Forum

Mental Health Support Teams (in schools)

Multi-Agency Practice Evaluation

ASD/ADHD Pathway

Family Strengths & Needs Toolkit

2022

Participation Toolkit for Practitioners Working with CYP and Families

Pre-Birth Workbook

SEND Graduated Response Toolkit



Early Help

Early Help is a way of working, not a service, and it is everyone's responsibility; we want children, families, communities and agencies to work together so that families are assisted to help themselves and are supported as soon as a need arises, improving the overall wellbeing and quality of life of all Somerset children, young people and their families.

What we're planning to do:

1. Develop services with families
2. Share information effectively so that families tell their story only once
3. Increase partnership working and positive relationships between organisations
4. Encourage independence and resilience in our communities



• Somerset Early Help Strategy

Safeguarding children from the pre-birth period, through early childhood and the teenage years



We will ensure that effective systems are in place to promote the well-being of all unborn babies, children and young people in Somerset, and protect them from harm.

What we will do:

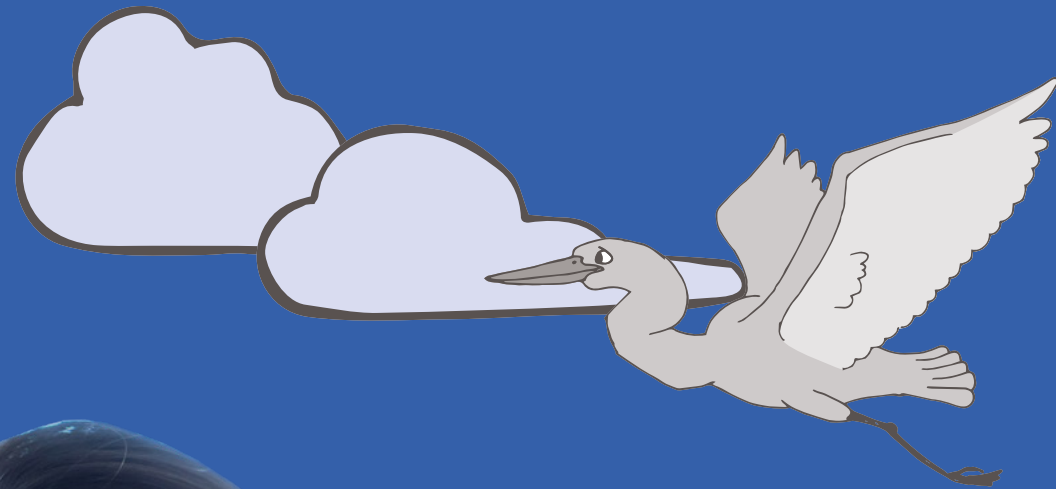
1. protect children from abuse and maltreatment
2. prevent harm to children's health or development
3. ensure children grow up with the provision of safe and effective care
4. take action to enable all children and young people to have the best outcomes



• Somerset Safeguarding Children Partnership Business Plan



All babies have the best start in life



We are committed to developing safe, personalised, kind, professional and family friendly care in Somerset. We know how important maternity and early years are in determining outcomes for long term health, we are therefore building on the principles of the maternity transformation plan and extending this in the first phase to cover an early year's population in line with the first 1001 days of life, best start in life, healthy beginnings.

What we're planning to do:

1. Improve children and families' experience of health and care services
2. Improve outcomes for long term health
3. Better manage health needs within local communities
4. Supporting fathers and male carers to be positively involved in their children's lives



- Better Births
- Somerset Improving Lives Strategy
- Children and young people's mental health transformation plan

Better support for social, emotional, mental health and wellbeing

Every young person who needs help or support for their mental health and emotional well-being will know how to access that help and will be able to do so easily and swiftly: they will get the right support in the right place, at the right time, and by the right person (or people).

What we're planning to do:

1. Develop services with children and young people at the centre
2. Establish a whole system approach
3. Deliver an extensive range of early help options
4. Ensure that accessing help is easy and accessible
5. Provide urgent mental health services, including effective crisis support



- Somerset's Local Transformation Plan Children and Young People's Mental Health



Support for education and inclusion

Every child deserves an education that nurtures their talents, excites and engages them in learning and helps them grow into happy and fulfilled adults. Educational settings including schools and colleges working with parents, children and young people and partners committed to tackling barriers to this, especially for those with additional needs or who face disadvantage.

What we're planning to do:

1. Support our schools to become more inclusive, improve early identification and avoid exclusions.
2. Improve the way we support children with special educational needs and/or disabilities (SEND) and children with medical needs to ensure every child has a placement and support package that meets their individual needs.
3. Build trust with families seeking advice and guidance for their children's educational needs
4. Ensure all parents, children and young people have better information on their entitlements and our local support offer.



• SEND Strategy - Autumn 2022

Reduce bullying and promote positive communities

Improving young people's emotional health and wellbeing by creating positive educational settings and communities to tackle bullying and promote positive behaviours. Supporting all children and young people to enjoy their learning and have high aspirations for their future.

What we're planning to do:

1. Develop services with children, young people and families
2. Develop multi agency interventions to prevent children and young people involved in offending behaviour escalating
3. Enhance systems for supporting improved attendance in school
4. Support High aspirations through access to play, leisure, arts and culture



- Education Strategy - Spring 2023
- VRU Strategy
- Police & Crime Plan
- Somerset Cultural Strategy – Spring 2023

Poverty and homelessness

Under development as part of Local Government Reorganisation

What we're planning to do:

1. From April 2023 Somerset Council will develop a Housing strategy that includes addressing the needs of homeless children and their families.
2. Develop services with children, young people and families.
3. Families are in control and know where to access help and advice.



- Somerset Early Help Strategy
- Housing Strategy 2023



Climate and transport

Creating positive links between active travel, accessible transport, children and young people's physical and mental health, the environment, air quality and climate change through a cross cutting approach.

What we're planning to do:

1. Develop services with children and young people
2. Reduce carbon emissions in the county
3. Make Somerset a county resilient to the inevitable effects of climate change
4. Provide accessible 'active travel' and options for moving freely in and out of the county

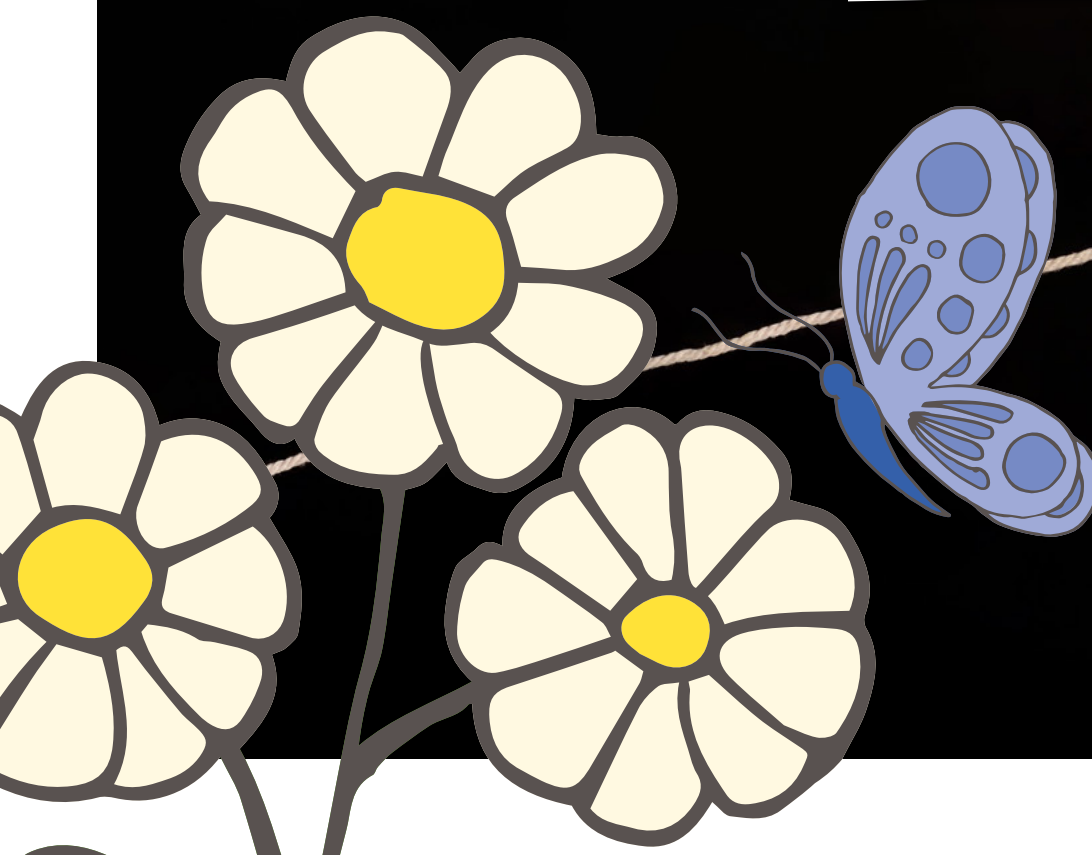


- Education Strategy - Spring 2023
- Somerset Climate Emergency Strategy
- Local Area Transport Plan

How you will know we're making progress

We will publish our progress annually. Each year we will measure and report how the actions undertaken towards this plan are helping us to achieve our priorities.

Somerset children and young people will challenge our progress towards the ambitions they have set us.



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Somerset County Council

County Council

– 20 July 2022

Report of the Joint Independent Remuneration Panel

Division and Local Member: All

Lead Officer: Scott Wooldridge, Monitoring Officer and Head of Governance & Democratic Services

Author: Scott Wooldridge, Monitoring Officer

Contact Details: swouldridge@somerset.gov.uk

1. Summary

- 1.1.** This report sets out the report and recommendations of the Joint Independent Remuneration Panel (“the Panel”) following their ‘light touch’ review of Special Responsibility Allowances (SRAs) within the Scheme of Member’s Allowances following the County Council elections, establishment of new committees and changes to executive appointments. Their review has had the benefit of building upon their previous report in February 2022 and an awareness of the planned Local Government Reorganisation in Somerset in 2023.
- 1.2.** In February 2022 the Council approved the Members’ Allowances Scheme 2022/23 which is effective from 1 April 2022 up until 31st March 2023, ahead of the planned vesting day of the new Somerset Council on 1 April 2023. The Council recognised at its Annual General Meeting the need to review Special Responsibility Allowances following approval to establish new committees and the changes to the number of executive appointments in relation to the Executive Lead Members (formerly known as Cabinet Members) and Associate Lead Members (formerly known as Junior Cabinet Members) roles.

It should be highlighted that the Members Allowances Scheme 2023/24 for the new Somerset Council will be a matter for the County Council to consider in February 2023.

- 1.3.** Each local authority is required to appoint and maintain an Independent Remuneration Panel to make recommendations to the Council prior to the Council agreeing any amendments or setting a Members’ Allowances Scheme. Somerset County Council, Somerset West and Taunton Council, and Mendip District Council have had a joint panel since 2015 to advise the councils on their respective Schemes. The Council must have regard to the Panel’s recommendations before making decisions in relation to members’ allowances but does not have to accept them. Where the Council does not accept the Panel’s recommendations it should give reasons for not doing so.

- 1.4.** As part of the transition to the new Somerset Council, this report also sets out proposals for the Council to withdraw from the current Joint Independent Remuneration Panel with Mendip District Council and Somerset West & Taunton Council. Since the County Council is a continuing authority under Local Government Reorganisation, it is proposed that the Council establishes an Independent Remuneration Panel by the end of September 2022 to review and make recommendations regarding the new Somerset Council's 2023/24 Members Allowances Scheme for consideration by the County Council in February 2023.
- 1.5** All Members have a personal and prejudicial interest in the receipt of allowances, but the Council's Code of Conduct includes a dispensation allowing members to attend relevant meetings and vote on this matter. This paragraph has the effect of declaring this interest by all Members at this meeting of Council. Members do not need therefore to make a verbal declaration at the Council meeting.

2. Recommendations

Council is recommended to:

2022/23 Members Allowances Scheme – Special Responsibility Allowances

- (a) Consider the Joint Independent Remuneration Panel's recommendations set out in the Panel's report attached as Appendix 1 and paragraphs 3.14-3.17 of this report with reference to the options set out in paragraph 3.18 before resolving any changes to Special Responsibility Allowances within the 2022/23 Scheme of Members' Allowances.**
- (b) Subject to any changes being agreed to Special Responsibility Allowances, authorise the Monitoring Officer to make any amendments to the existing Scheme of Members' Allowances in order to publish the Scheme of Members' Allowances 2022/23 as a result of the Council's decisions in (a) above.**

2023/24 Members Allowances Scheme – Independent Remuneration Panel

- (c) As part of the transition to the new Somerset Council, agree to withdraw from the existing Joint Independent Remuneration Panel and to establish an Independent Remuneration Panel (with terms of reference set out in Appendix 2) to oversee the development and make recommendations regarding the 2023/24 Members Allowances Scheme for the new Somerset Council to the County Council by February 2023.**
- (d) Authorise the Monitoring Officer to undertake all necessary actions to implement recommendation (c) above including the recruitment and**

appointment of panel members to the new Independent Remuneration Panel

3 Background

3.1 Members' Allowances Scheme 2022/23 – Special Responsibility Allowances

In July 2017 the Council considered a report from the Joint Independent Remuneration Panel after it had carried out a fundamental review and agreed a revised Scheme of Member Allowances for 2017-21.

With the advent of County Council elections in 2022 the Panel would usually undertake fundamental review ahead of this for consideration by the County Council. However, with the reorganisation of Local Government in Somerset, the Panel sought the Leader's opinion about the type of review it was thought prudent to proceed with and it was agreed a 'light touch' review should again be carried out in Autumn 2021.

3.2 The Panel submitted its report and recommendations to the County Council meeting in February 2022. The Council welcomed and thanked the Panel for its report and agreed the majority of its recommendations except for :

- Increasing the basic allowance by inflation – instead the Council agreed to continue to increase basic allowances in line with officer pay awards
- Reducing Junior Cabinet Member SRA's to Band 7 – instead the Council agreed to reduce these to Band 6 noting that these roles may be reviewed after the elections in May 2022
- Stopping SRAs for Opposition Spokespersons – instead the Council agreed to continue with these SRAs in recognition of the level of time and commitment and that this arrangement has been in place for several years

3.3 One of the Panel's recommendations which the Council agreed was the principle that the Leader of a political group should not receive a SRA when the group membership is below a certain level. However the Council did not set what that minimum level should be.

3.4 The Council recognised that the 2022/23 Members Allowances Scheme may need to be reviewed following the elections in May 2022 if there were changes to the democratic and / or executive arrangements.

3.5 Following the County Council elections and in accordance with the Somerset Structural Changes Order 2022, the number of County Councillors has increased significantly from 55 to 110.

- 3.6** At the Annual General Meeting on 25 May 2022, the Council revised its democratic arrangements by:
- Dissolving the former Constitution & Standards Committee
 - Establishing a new Constitution and Governance Committee
 - Establishing a new Standards Committee
 - Establishing a new Scrutiny Policies and Environment Committee

The Chairs and Vice-Chairs of the new Committees are not provided for in the current 2022/23 Members' Allowances Scheme.

- 3.7** On 30 May 2022, the Leader of the Council agreed the executive arrangements and appointed 9 Lead Members and 10 Associate Lead Members. Details of those appointments are on the council's website.
- 3.8** Following the changes arising from the May 2022 elections and the decisions above, the Joint Independent Remuneration Panel has reviewed SRAs for the 2022/23 Members' Allowances Scheme. The Panel's report and its recommendations are set out in Appendix 1.

3.9 Independent Remuneration Panel for the new Somerset Council

Somerset County Council and the former West Somerset Council established a Joint Independent Remuneration Panel in 2012. In 2015 Mendip District Council joined the Panel. In 2019 the new Somerset West & Taunton Council joined the Panel. The Panel have advised Somerset County Council, Somerset West and Taunton Council and Mendip District Council on their respective Members' Allowances Schemes.

- 3.10** As part of the transition to the new Somerset Council a fundamental review of the Members' Allowance Scheme has been scheduled to be completed by February 2023 with extensive comparative work undertaken with peer unitary councils. A fundamental review of this type will take several months to complete due to the research required, interviews with key members and compilation of the new Member's Allowances Scheme. It is recommended that the fundamental review needs to commence by October 2022 in order to report to the County Council meeting in February 2023.

3.11 Options available are :

- 1) Continue with the existing Joint Independent Remuneration Panel to undertake the fundamental review by February 2023 and in parallel recruit a new Independent Remuneration Panel for the new Somerset Council by February 2023
- 2) Withdraw from the existing Joint Independent Remuneration Panel (leaving a joint panel to advise Somerset West & Taunton and Mendip District Council) and establish a new Independent Remuneration Panel by October 2022 to undertake the fundamental review by February 2023 and any subsequent reviews required by the new unitary council

3.12 Review of the options has led to the recommendation that option 2 is progressed in order to provide continuity for the County Council and the new Somerset Council which will be essential for the new unitary council.

3.13 The proposed terms of reference for a new Independent Remuneration Panel to advise Somerset County Council and in due course the new Somerset Council (as SCC is a continuing authority) are set out in Appendix 2.

Subject to the Council agreeing the proposals set out in the report it is recommended that the Council:

- 1) Agrees to withdraw from the existing Joint Independent Remuneration Panel and thanks its members for their work over several years
- 2) Agrees to establish a new Independent Remuneration Panel for the County Council and the new Somerset Council on the basis of the terms of reference set out in Appendix 2
- 3) Authorises the Monitoring Officer to undertake all necessary actions to withdraw from the Joint Independent Remuneration Panel and to recruit and appoint members to the new Independent Remuneration Panel

3.14 Panel's recommendations

The Panel considers that a light touch review of the 2022/23 Members' Allowances Scheme for SRAs is appropriate given that these will only be in place for slightly under eleven months from the point of appointment to the end of the current financial year and that they will be reviewed again in the fundamental review for the 2023/24 Members' Allowance Scheme.

The Panel considers that, within these parameters, it is safe to assume that the new roles agreed by the Council and the Leader of the Council in May 2022 fit within the existing adopted framework and that there is no need to review the multiples (of BA) that apply to each banding.

3.15 The Panel's recommendations in relation to its review of SRAs for the 2022/23 Members' Allowances Scheme are that:

1. the role of opposition spokesperson should no longer receive an SRA
2. the SRAs for Associate Lead Members be set at Band 7
3. the Chair and Vice Chair of Scrutiny Polices and Environment Committee and the Joint Scrutiny Committee for Local Government Reorganisation be set at Bands 5 and 6 respectively
4. the Chair and Vice Chair of Constitution & Governance Committee be set at Bands 6 and 7 respectively
5. the Chair of Standards Committee be set at Band 6
6. the Leader of a political group receives a SRA where the membership of the political group is 5 or more

3.16 The Panel's recommendations in relation to the new Somerset Council's 2023/24 Members' Allowances Scheme are:

It is recommended that the Council supports the need for a fundamental review of the scheme of allowances for 2023/24 and for this to be reported to the Council by February 2023. It is suggested that this review is considered in three parts:

1. The Basic Allowance
2. The SRAs
3. Other allowances, such as travel, subsistence and carers

With the BA being considered soonest. The role of co-options, including Panel members themselves, should also be considered and this could fit within either part 2 or part 3.

3.17 The Panel's recommendations in relation to establishing an Independent Remuneration Panel for the new Somerset Council:

It is recommended that the Council undertakes the necessary work to ensure that an Independent Remuneration Panel is in place for the new unitary council for 1 April 2023 and that in terms of membership the Council considers:

- a) people who reside in Somerset and drawn from the existing panels operative in the county at present;
- b) a wide geographical spread of members from across the county; and
- c) a minimum membership of five

3.18 Options available to the Council

The following options are available to the Council when agreeing the new Members' Allowances Scheme for 2022/23:

- 1) *To fully adopt the Panel's recommendations and agree any amendments to the existing Scheme of Members' Allowances; or*
- 2) *To adopt some of the Panel's recommendations and agree any amendments to the existing Scheme of Members' Allowances, stating reasons why it rejected some of the Panel's recommendations ; or*
- 3) *To not adopt any of the Panel's recommendations and agree any amendments to the existing Scheme of Members Allowances, stating reasons why it has rejected all of the Panel's recommendations*

4. Implications

4.1 Financial: The respective estimated full year financial implications for each of the Panel's recommendations for SRAs in 2022/23 are:

1. The role of opposition spokesperson should no longer receive an SRA – would result in a reduction of 9 SRAs of £ 1,174 respectively making a total saving of £ 10,566
2. The SRA for Associate Lead Members be set at Band 7 – would result in a reduction of 10 SRAs from £ 2,348 to £ 1,174 respectively making a total saving of £ 11,740
3. The Chair and Vice Chair of Scrutiny Polices and Environment Committee be set at Bands 5 and 6 respectively – would result in additional costs of £ 7,045 and £ 2,348 making a total increase in costs of £ 9,393
4. The Chair and Vice Chair of Constitution & Governance Committee be set at Bands 6 and 7 respectively – would result in additional costs of £2,348 and £ 1,174 making a total increase in costs of £ 3,522
5. The Chair of Standards Committee be set at Band 6 – would result in an additional cost of £ 2,348

If all of the above recommendations were agreed then the net effect would be a saving of £ 7,043.

If just recommendations 3, 4 and 5 were agreed then the net effect would be additional costs of £ 15,263.

Depending on which recommendations are agreed then additional monies would need to be allocated from the Contingency Budget to offset additional costs to the Members Allowances Budget in 2022/23.

- 4.2** Legal: The arrangements for determining allowances for elected members are set down in statutory regulations - the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 1021) and subsequent amendments to the regulations (SI 2003/1022 and SI 2003/1692).

Regulation 20(2) requires that an Independent Remuneration Panel shall consist of at least three members none of whom –

- (i)** is also a member of an authority in respect of which it makes recommendations or is a member of a committee or sub-committee of such an authority; or
 - (ii)** is disqualified from being or becoming a member of an authority
- 4.3** Risk: The risks are reputational rather than legal. The Council does not have to accept the Panel's recommendations but where it chooses not to do so it should give reasons that can be part of the record of the meeting.
- 4.4** Impact Assessment: There are no direct equalities implications arising from any of the proposals in this report. There are also no sustainability or community safety implications.

5. Background papers

- 5.1** Joint Independent Remuneration Panel report set out in Appendix 1

Scheme of Member Allowances 2022-23 available on the following link [SCC allowances and expenses](#))

Appendix 1

Report of the Joint Independent Remuneration Panel to Somerset County Council- Review of SRAs July 2022

1. Introduction

- 1.1 This report sets out the conclusions and recommendations from a light touch review of the Somerset County Council Scheme of Members' Special Responsibilities Allowances for 2022/23 carried out by the Joint Independent Remuneration Panel in June and July 2022.

It builds on the previous reports submitted by the Panel, the most recent 'light touch' review having taken place in December 2021 and January 2022 and considered by the full council in February 2022. The most recent fundamental review having taken place in 2017 and considered on 19th July that year by Full Council.

In this report Somerset County Council is referred to as SCC, the Basic Allowance is referred to as BA and the Special Responsibility Allowances are referred to as SRAs.

The Panel wishes to thank staff at SCC for their invaluable assistance.

2. Executive Summary

- 2.1 The previous light touch review which was considered by full council in February was intended to produce an allowance scheme to run for the last year of the Council's existence as a County Council, that is from 1st April 2022 to 31st March 2023.

Under the new administration following the elections in May 2022, changes have been made to the administrative structure which merits a further review of the Special Responsibilities Allowances (SRAs) for the remainder of the financial year.

It is anticipated that further changes will be necessary after the Council assumes Unitary status, not least to accommodate statutory powers, duties and responsibilities (e.g. planning, housing, licencing) which it will, for want of a better word, inherit from the District Councils.

This review, then, is only intended to cover the interim period, of approximately eleven months, from the adoption of new democratic and executive arrangements in May 2022 to the end of the current financial year, with the annual rates being applied on a pro rata basis.

2.2 This report does not revisit the Basic Allowance (BA), it is only concerned with the SRAs. However, for the reasons set out above, the BA and the SRAs in particular should be reconsidered at the same time as all other allowances (for example travel, subsistence, parental leave and co-options). Our recommendation is that a full fundamental review is undertaken by the Panel to bring recommendations to the Council's meeting in February 2023 seeking approval to a new members Allowances Scheme ahead of the establishment of the new Somerset Council on 1st April 2023.

2.3 The Panel considered that, for the most part, many of the new roles adopted since the election are sufficiently comparable to previous roles which it reported on in February this year, albeit with new nomenclature.

For those roles which are entirely new, the Panel considered from the information available where in the existing banding framework these roles would best sit for the eleven month period between their creation and the end of the financial year.

As always, the Panel is concerned with the **role** and **not** the individual in their assessment of any allowances. Such allowances should reflect what is required of the role and not whether the current incumbent either falls short or 'goes above and beyond'.

The Panel noted that with the advent of 110 councillors in total, its previous concerns about the '50% rule' (whereby the number of elected members entitled to claim an SRA should be in the minority) are no longer an issue, despite the creation of a higher number of roles for which an SRA may apply.

The Panel also noted that whilst the Council had previously adopted the principle that a threshold should be set for the minimum number of members for an SRA to be awarded to the leader of a minority political group (who are not the official opposition), no specific minimum number was adopted.

2.4 The Panel's conclusions are given in section 5 of the report with the recommendations in sections 5.3, 5.4 & 5.5

3. Members' Allowances and Remuneration Panels – the legal position and methodology

- 3.1 By way of an introduction the legal provisions in relation to members' allowances are set out in the Local Authorities (Members' Allowances) (England) Regulations 2003 (SI 1021) and subsequent amendments to the regulations (SI 2003/1022 and SI 2003/1692) ["the Regulations"]. Under the Regulations each Council has to appoint an Independent Panel to make recommendations on its Scheme of Members' Allowances. The Council must have due regard to the recommendations of the Panel before it makes any decisions in relation to its Members' Allowances Scheme, but it may accept, reject, or amend any of the Panel's recommendations. The Regulations provide for a single panel to advise more than one Council [see 3.4 below].
- 3.2 The regulations define a number of basic requirements for allowances schemes but also give considerable scope to allow a council to adopt local provisions according to their circumstances. The only mandatory element provided for, in the Regulations, is the payment of a Basic Allowance to all members of a Council. All the other elements that are currently paid under the scheme, that is, Special Responsibility, Travel, Subsistence and Carers' allowances are discretionary.
- 3.3 The basic principles on which Remuneration Panels work are not set out in statute but there is guidance from the government. On a regional basis South West Councils has also produced a guide aimed at filling a gap in supportive material for the work of Panels. The guide has been reviewed and is in final draft form with publication due in summer 2022, having been originally produced in 2015 and sets out a number of commonly adopted principles used by Panels. The Somerset Panel has considered these and concluded that the following principles should guide their considerations:
- the 50% rule (an expectation that no more than 50% of members of any individual Council should receive an SRA. Government guidance states that "If the majority of members of a council receive a special responsibility allowance the local electorate may rightly question whether this was justified"¹);
 - an individual Member should only receive one SRA at any one time.
 - BA payments should take into account a discretionary voluntary time contribution, as set out in guidance to reflect the community-minded nature of the commitment and maintain the

¹ "New Council Constitutions - Guidance on Consolidated Regulations for Local Authority Allowances, 2003", published by ODPM

difference between a salary and an allowance. The calculation of this varies but, in the past, in line with a number of other Panels, 33%² has been used;

- when considering the payment of an SRA, clarity is needed by both Council and the Panel as to explicit criteria used by the Panel when considering each specific position and whether it qualifies for an SRA, for example, is the position one which requires judgment and responsibility or is it much more of a supporting role but based on substantial additional time and effort; and
- the need to ensure that the level of allowance does not deter potential candidates from standing for election.

The Local Authorities (Members' Allowances) (England) Regulations 2003 state that where allowances are adjusted annually by reference to an index "it may not rely on that index for longer than four years".

3.4 Joint Independent Remuneration Panel: SCC is currently operating a Joint Independent Remuneration Panel alongside Mendip District Council and Somerset West and Taunton Council. The Panel's membership comprises three independent representatives appointed by Somerset and one each by the District Councils. At the time of this review a vacancy naturally arose, which Somerset West and Taunton Council were in the process of filling. All of the members of the Panel are residents of Somerset (although it should be noted that this is not a requirement). The current Panel membership is outlined in brief below for information:

Panel members:

John Dodson

MA in Ceramic Design and Technology from Royal College of Art London. 40 years in Design, Marketing and Sales, UK, all Europe, USSR, Mid East and North America.

Last 14 years Director of J. Wedgwood & sons. Retirement 10 years Chair of Shropshire Seniors Association. John was appointed to the Panel by Mendip District Council the district where he lives.

Bryony Houlden

Chief Executive of South West Councils, a membership organisation of all 33 local authorities in the South West (29 from April 2023 when Somerset becomes a Unitary Council). Formerly a senior civil servant. Serves as a Chair/member or advisor to nine other Local Authority Independent

² The Council, in the past, has used, 33%. This discount on hours 'worked' by councillors reinforces that the BA payment is not a salary paid for employment.

Remuneration Panels in the South West and has advised Devon and Somerset Fire and Rescue Service on their allowance scheme. Bryony was appointed to the Panel by Somerset County Council and lives in the current district of Somerset West and Taunton.

Colin McDonald (Chair)

MA in Housing and Fellow of the Chartered Institute of Housing. Semi-retired after over 30 years full-time employment in social housing, 25 (in total) of these at South Somerset District Council (over two occasions) including several years as Head of Housing & Welfare. Colin was appointed to the Panel by Somerset County Council and lives in the current district of South Somerset. He was Chair of the Panel for the duration of the review but will be withdrawing shortly after publication of this report due to taking up a new part time post with one of the constituent councils.

Alan Wells

39 years' experience in financial services. Specialist in benefit and remuneration structures. Alan was appointed to the Panel by Somerset County Council and lives in the current district of Sedgemoor.

The Panel's former Chair, John Thomson, originally appointed by Taunton Deane Borough Council, also assisted in the early stages of this review until his term of office came to an end.

Technical Advisers to the Panel:

Scott Wooldridge, Monitoring Officer, Somerset County Council

Pam Pursley, Governance Specialist, Democratic Services, Somerset County Council

Laura Woon, Senior Democratic Service Officer, Somerset County Council

Lee Willment, Democratic Services, Business Support, Somerset County Council

- 3.5 The last fundamental review on SCC allowances was carried out in 2017 and was considered by SCC on 19th July that year. Originally, the Panel set in motion a fundamental review to be completed in 2021 and covering the next four years but local government reorganisation changed that plan. When it seemed that the elections that were due in May 2021 might be delayed, the (then) Leader of the Council suggested that a "light touch review" be carried out with a report in February 2021. The Panel produced this report, but it was further deferred to 5th May 2021 (the next meeting). A further 'light touch' review was undertaken between December 2021 and January 2022 which was intended to produce a scheme of allowances for

the final year of the County Council; this was reported to Full Council in February this year.

The election held in May 2022 doubled the total number of members elected, initially, as County Councillors who then, from 1st April 2023, will take on full statutory powers and responsibilities as the Unitary Council. This means that initially they fulfil the functions as county council members but will assume a wider breadth of responsibilities as the new Somerset Council undertakes all of the existing county and district councils' functions. The Panel's report in February 2022 included a recommendation for the Basic Allowance (BA) for the period between May 2022 and 31st March 2023. This report does not revisit the BA and is concerned solely with a review of the SRAs, which are traditionally set as a multiple of the BA. Instead, the BA, and other allowances (such as travel, subsistence, carers and co-options) should be the subject of a fundamental review looking at the period 1st April 2023 onwards. The Panel recommendations that are made as part of a fundamental review can be carried forward for a period of four years, i.e. to 31st March 2027, if a measure of inflation is included in the recommendations. However, best practice would suggest that light touch reviews continue to be regularly undertaken, such as annually.

Whilst the last light touch review intended to produce an allowances scheme that would run for the last year of the council's county status (1st April 2022 to 31st March 2023), the changes made to the council's democratic and executive arrangements by the new administration merit a further review of the SRAs. In its previous report the Panel pointed out that it could only assume that the then current SRA roles and responsibilities would remain unchanged and could not predict how they might change in the event of a change of control of the Council. Given the forthcoming fundamental review of the entire scheme ahead of the establishment of the new unitary council, the Panel considered that a light touch review was appropriate for the remaining eleven months.

- 3.6 Although the number of roles which may merit a SRA has increased under the new democratic and executive arrangements, it is recognised that the overall number of councillors has doubled. The Panel is no longer concerned about the potential breach of the '50% rule' given the relative number of roles that may merit a SRA.

4 Special Responsibility Allowances (SRA)

4.1 Section 5 of the Local Authorities (Members' Allowances) (England) Regulations 2003 states that an authority "may provide" for the payment of an SRA to members of the authority in one of the following categories:-

- Leader or deputy leader of a political group;
- Members of an executive;
- Chair of a committee or sub-committee;
- Representative of the council;
- Member of a meeting with exceptional frequency / period;
- Spokesman of a political group;
- Member of an adoption or licensing panel; and
- Any other activity requiring time and effort equal to, or greater than, the roles listed above.

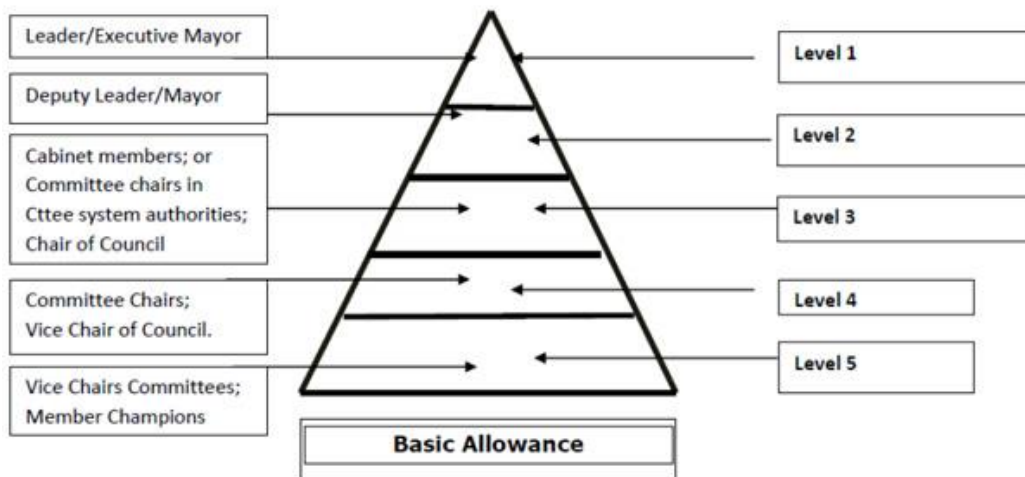
So, whilst an authority must provide a BA to all members, it may, if it wishes, provide SRAs for members with special responsibilities.

It is the firm belief of the Panel that SRAs are justified for the principal roles at the council in view of the responsibilities involved and the time and effort required in carrying them out.

4.2 The Panel has adopted its own methodology for assessing "special responsibilities" which extends the identified categories set out in statute and takes account of the Guidance produced by SW Councils for authorities in the region. In the view of the Panel a particular responsibility might be deemed "special" if it is characterised as having some of, or elements of, the following components, but recognising that particular roles established by councils may well exhibit a range of component characteristics.

- (1) Time commitment
- (2) Specialist skills
- (3) Functional Leadership
- (4) Important decision-making
- (5) Complexity
- (6) Identifiable accountability
- (7) Direct responsibility for important outcomes
- (8) Culpability
- (9) Constitutional relevance

4.3 The existing scheme has been in place since 2013 and includes a “pyramid of responsibility” which defines certain roles. The “level” determined for a role gives (a) comparison with other roles and (b) a level of payment. The following diagram illustrates the concept and is taken from SW Councils publication “Councillors’ Allowances: A practical guide for those involved in the work of Independent Remuneration Panels”.



As with many councils, SCC currently calculates payment at various levels by reference to a multiple of the BA, so, for example, the Leader on level 1 receives an additional payment of three times the BA. This has been the case since 2013.

It is the **role** which attracts the SRA, **not** the individual, and so the description of the role is the important thing. Performance is not formally assessed by the Panel (or any other body, apart from the electorate) and so performance related payments are not appropriate or applicable!

4.4 In determining whether an SRA is appropriate for a role, it is important to ask whether the role is (a) outside the scope of the BA (see section 4.1 above), and (b) formally recognised by the Council and (c) included in the list in the 2003 Regulations. If the role satisfies **all** these criteria, and other criteria identified by the Panel as relevant (see 4.2 above), then the role **may** merit an SRA.

Having identified a role as qualifying for an SRA then the level of responsibility (and how the role fits into the pyramid, above) has to be set.

4.5 In its previous review of the SRAs the Panel looked at the published SRAs available in the top ten ‘nearest neighbour’ or ‘peer’ Councils, as determined by data produced by the Chartered Institute of Public Finance Accountancy (CIPFA). Looking at that benchmarking data, the Panel found

a remarkable correlation between the average (mean) of the top ten peer group of Councils and the SRAs then in place at SCC. For the purposes of this light touch review that peer group remains relevant, although it should be noted that in future, once the Council has assumed full Unitary status, a different set of 'nearest neighbours' would be more appropriate to apply. In February 2022 the Council confirmed most (but not all) of the Panel's recommendations, resulting in the scheme of SRAs described in the table below.

Table 1 Current scheme of SRAs

Band	Multiple of BA	Roles
1	3	Leader
2	1.79	Deputy Leader
3	1.6	Cabinet Member
4	0.9	Opposition Leader Chair of County Council
5	0.6	Chairs of Regulation, Audit, Scrutiny
6	0.2	Chair of Pensions Committee Chair of Constitution & Standards Committee Vice-Chair of County Council Vice Chair of Regulation, Audit and Scrutiny Committees Junior Cabinet Member**
7	0.1	Opposition Group Spokespersons Deputy Leader Opposition Group Minority Group Leaders*

*subject to a minimum number of members (as yet unset)

**Panel recommended moving this role to Band 7; Council resolved to move to Band 6 but review after the May elections.

4.6 The Panel had previously recommended, but the Council did not agree, that three roles should be removed from the SRA scheme completely, these being:

- Vice Chair of Regulation
- Vice Chair of Audit
- Opposition Group Spokespersons

The Panel had identified these roles as having the weakest case for retaining an SRA based on the comparison with the peer group of Councils. In February 2022 the Panel had identified that the overall number

of SRAs exceeded the '50% rule' by six. The Panel accepts that it's previous concerns over breach of the '50% rule' are now rendered irrelevant due to the increased number of councillors overall. However the Panel would wish the Council to remain mindful of the '50% rule' into the future, especially if the additional statutory powers and duties due to be transferred from the District Councils (such as planning, housing and licencing) result in an increase in the overall number of roles that may merit an SRA. The 50% rule relates to always ensuring the appropriateness of roles attracting allowances and therefore the expenditure of public money, Government Guidance suggests the test as to whether the public might 'raise an eyebrow' if more than 50% of councillors in an authority are entitled to an SRA.

4.7 The Panel has considered the new administration's democratic and executive arrangements which have been put in place following the May 2022 elections and the change in control. In an ideal world the Panel would have time to look at the roles in depth and, as it has done in the past, interview some of the post holders to get a better gauge of what each role actually entails (see 4.2 above) in addition to some further peer council comparisons. However it is mindful that this review will only be relevant for just under eleven months, from the point of appointment into the new roles until the end of the financial year. For the new Council, a fundamental review of the entire scheme (including the BA and the other allowances) is required by February 2023. It has therefore taken the view that a light touch review is justified.

4.8 The Panel has, therefore, attempted to 'map' the new roles onto the existing framework, taking the view that for some roles it is largely the nomenclature that has changed and other, newer, roles have a clear comparator (for example further iterations of Scrutiny). If, however, a more fundamental shift has occurred between old and new roles, then this will be revealed by the forthcoming fundamental review with recommendations for changes to be considered by the Council at its meeting in February 2023. To be clear the Panel is not intending to suggest any changes to the current bandings or the multiples of BA that apply.

The Table below shows where the Panel would expect the new roles to fall into the existing SRA framework.

Band	Multiple of BA	New Roles	Old Roles (for Comparison)
1	3	Leader	Leader
2	1.79	Deputy Leader	Deputy Leader
3	1.6	Lead Member	Cabinet Member
4	0.9	Opposition Leader Chair of County Council	Opposition Leader Chair of County Council
5	0.6	Chair of:- -Audit Committee -Regulation Committee - Scrutiny for Policies, Adults and Health -Scrutiny for Policies, Children and Families -Scrutiny for Policies and Environment -Scrutiny for Policies and Place -Scrutiny for Local Government Reorganisation Committee	Chairs of Regulation, Audit, Scrutiny
6	0.2	Chair of:- - Constitution and Governance Committee - Pension Fund Committee - Standards Committee Vice-Chair of County Council Vice Chair of Regulation, Audit and Scrutiny Committees	Chair of Pensions Committee Chair of Constitution & Standards Committee Vice-Chair of County Council Vice Chair of Regulation, Audit and Scrutiny Committees Junior Cabinet Member
7	0.1	Associate Lead Members Deputy Leader Opposition Group Minority Group Leaders Vice Chair Constitution and Governance Committee	Opposition Group Spokespersons Deputy Leader Opposition Group Minority Group Leaders

Table 2 Proposed arrangement of SRAs and comparison with previous system

- 4.9 In the previous report the Panel had recommended that the roles of Vice Chair of Regulation and of Audit should no longer receive an SRA. Our report pointed out that SRAs for vice chairs were rare in the peer group and thus we had identified these two roles as having the weakest case for retaining and SRA. One consideration was the apparent breaching of the '50% rule' and the need to reduce the overall actual number of SRAs. As previously stated, with SCC now expanded to 110 members, our previous concerns about the breach of the 50% rule are no longer valid. The Panel therefore accepts the Councils wish to retain these within band 6 for the remaining 11 months and notes that these roles will be looked at in more depth during the forthcoming fundamental review. The Panel reviewed the SRA for the new Vice Chair of Constitution and Governance Committee and recommend that this is a band 7 role (as the Chair is a band 6) for 2022/23 noting that further review of the role will be undertaken as part of the proposed fundamental review later in 2022.
- 4.10 In the previous report the Panel had recommended that the roles of Opposition Spokespersons be removed from the scheme of SRAs. Although the concern about the 50% rule is no longer a factor, the Panel remains of the view that, whilst these roles are important, they remain insufficiently so to merit an SRA. Only three of the peer group of Councils felt that they were. The Panel therefore stands by its original recommendation that these roles are removed from the scheme of SRAs and reserves its position to review them in more depth under the forthcoming fundamental review.
- 4.11 In the previous report the Panel had recommended that the role of Junior Cabinet Member be set at Band 7, whilst the Council resolved to set these at Band 6. The Panel considers that the role of Associate Lead Member is sufficiently similar to the previous role of Junior Cabinet Member. Such roles were only awarded an SRA in two of the peer group of Councils and the Panel previously noted that they lack any individual decision making responsibilities. The Panel therefore recommends that the role of Associate Lead Member is set at Band 7.
- 4.12 In February 2022 the Council agreed to adopt the principle that there should be a minimum number of members to a minority group to merit an SRA being payable to the leader of that group, but did not set an actual minimum number. The Panel believes that without setting such a threshold, the principle is rendered redundant and would urge the Council to do so, whilst recognising that such a decision would have ideally been taken before the outcome of the recent elections was known.

When previously considering this, the Panel had ten peer Councils in the report, four of which have minimum numbers of members of a political group required to warrant paying an SRA, ranging from 2 to 9. We previously stated *"It is the Panel's view that this suggestion is worth discussion, even if, with only a little over a year to go, it may seem unnecessary. Given that the Unitary Council will have 110 members, it seems sensible to have a minimum set, for example, 5."*

The Panel noted that the Council did not set a minimum number at its meeting in February and therefore recommends that the number should be set at five, being the mid point of the range within the four peer Councils that set a minimum and representing approximately 4.5% of the total council make-up (110 members)

5 Conclusions and recommendations

5.1 The Panel considers that a light touch review of the scheme of SRAs for the Council is appropriate given that these will only be in place for slightly under eleven months from the point of appointment to the end of the current financial year and given that they will be reviewed again in the forthcoming fundamental review.

5.2 The Panel considers that, within these parameters, it is safe to assume that the new roles fit within the existing adopted framework, that there is no need to review the multiples (of BA) that apply to each banding.

5.3 **It is recommended that** the Council supports the need for a fundamental review of the scheme of allowances for 2023/24 and for this to be reported to the Council by February 2023. It is suggested that this review is considered in three parts:

1. The BA
2. The SRAs
3. Other allowances, such as travel, subsistence and carers

With the BA being considered soonest. The role of co-options, including Panel members themselves, should also be considered and this could fit within either part 2 or part 3.

5.4 **For the current year the Panel recommend that: -**

1. The role of opposition spokesperson should no longer receive an SRA
2. The SRA for Associate Lead members be set at Band 7
3. Other roles are awarded the SRA bandings shown in Table 2 above.
4. A minimum number of minority group members be set at five before the leader of such a group merits an SRA

- 5.5** **It is recommended that** the Council undertakes the necessary work to ensure that an Independent Remuneration Panel is in place for the new unitary council for 1 April 2023 and that in terms of membership the Council considers:
- a) people who reside in Somerset and drawn from the existing panels operative in the county at present;
 - b) a wide geographical spread of members from across the county;
and
 - c) a membership of five.

Colin McDonald
Chair

1st July 2022

Appendix 2 – Terms of reference for Independent Remuneration Panel for Somerset County Council and the new Somerset Council

1. Function

Under the Local Authorities (Members' Allowances) (England) Regulations 2003, Local Authorities must establish and maintain an Independent Remuneration Panel. The purpose of the Panel is to make recommendations to the Local Authority about the allowances to be paid to Members.

2. Role and Responsibilities

2.1 The Independent Remuneration Panel ("IRP") shall advise and make its recommendations to Somerset County Council until 31/3/23 and then subsequently to the new Somerset Council (a new unitary council established by the Somerset Structural Changes Order 2022 involving the reorganisation of the existing County Council and four district councils in Somerset).

2.2 The Independent Remuneration Panel ("IRP") shall through the form of a report to Somerset County Council :

- (i) recommend to Council a Members' Allowances Scheme for implementation from 1st April 2023 for the new Somerset Council, which sets out recommendations for :-
 - the amount of basic allowance that should be payable to elected members;
 - the roles, responsibilities and duties for which special responsibility allowances should be paid and the amounts for such allowances;
 - whether travelling and subsistence allowances should be paid and if so, the duties to which they should apply and the amount;
 - whether childcare and dependent carers' allowances should be paid and if so, the duties to which they should apply and the amount of these allowances and the means by which they are determined;
 - whether a basic allowance should be paid to co-opted members and if so, the amount;
 - whether, in the event that the scheme is amended at any time so as to affect an allowance payable for the year in which the amendment is made, payment of allowances may be backdated as permitted in law;
 - whether any annual adjustments of allowance levels may be made by reference to an index, and, if so, for how long such a measure should apply.

(ii) on a four yearly basis, or if otherwise requested, propose recommendations as to any required amendments to the Members' Allowances Scheme in relation to the following matters:

- the amount of basic allowance that should be payable to elected members;
- the roles, responsibilities and duties for which special responsibility allowances should be paid and the amounts for such allowances;
- whether travelling and subsistence allowances should be paid and if so, the duties to which they should apply and the amount;
- whether childcare and dependent carers' allowances should be paid and if so, the duties to which they should apply and the amount of these allowances and the means by which they are determined;
- whether a basic allowance should be paid to co-opted members and if so, the amount;
- whether, in the event that the scheme is amended at any time so as to affect an allowance payable for the year in which the amendment is made, payment of allowances may be backdated as permitted in law;
- whether any annual adjustments of allowance levels may be made by reference to an index, and, if so, for how long such a measure should apply.

2.2 In making its recommendations at paragraphs 2.1 (i) and (ii) above, the IRP shall undertake a full review of the Members' Allowance Scheme as well as obtaining the views of officers and members of the Council to which it relates and having regard to the following general principles:

- that members undertake their council work for the sake of public service and not private gain;
- the varying demands placed upon members, dependent upon their roles and responsibilities;
- the need to fairly and equitably compensate members, so far as the panel thinks appropriate, for the time and effort they can reasonably be expected to devote to their work as a member of the council;
- the need for the scheme to be economic, efficient to administer and effective;
- the requirement for their report and recommended changes to the scheme of allowances to be easy to understand and adequately justifiable to the electorate;
- That recommendations should confirm with existing legislation and anticipate likely future legislation so far as possible

The Panel will also have regards to comparative data on the allowances paid by other similar local authorities.

2.3 The IRP shall be required in reporting its recommendations to include guidance on what is to be encompassed by each relevant allowance so as to ensure that the Members' Allowance Scheme is consistently applied.

3. Panel Membership and Appointment

3.1 The ("IRP") shall be comprised of 5 members of the public ("IRP Members").

3.2 IRP Members will be sought via advert in accordance with the Council's standard recruitment arrangements. Recruitment should be by public advertisement and direct approach to appropriate business and community/voluntary sector organisations who command local respect and public confidence and would be able to nominate persons who should have the necessary skills, integrity, independence and who are recognisable members of the local business and voluntary/community sectors within their respective areas.

3.3 As part of this a person specification shall be drawn up to ensure that candidates who are appointed:

- are able to demonstrate a high degree of personal integrity;
- are not members of any local authority and are not disqualified from being or becoming a member of a local authority;
- have, if possible the appropriate level of skill, knowledge and understanding of setting remunerations;
- have the necessary time and commitment for the role;
- Are not affiliated to any political party – candidates must disclose the extent of their connections to a political party and whether these are such as to risk the effective discharge of the IRP's functions were the candidate to be appointed;
- A knowledge of local government is preferable however a lack of familiarity will not be a bar to appointment.

3.4 IRP Members will be shortlisted, interviewed and appointed by the Monitoring Officer, in consultation with political group leaders.

3.5 The term of office of IRP Members will be three years in the first instance and a Panel Member may be reappointed for a further consecutive 3 year term. A Panel member shall not serve more than two terms – 6 years in total. The Council or its Constitution & Governance Committee may remove an IRP Member in circumstances where:

- the IRP Member is disqualified from being a member of an authority or is found guilty of any conduct which brings the office into disrepute e.g. being found guilty of a criminal offence, an act of dishonesty or other serious misconduct; or
- the IRP Member is considered to have demonstrated a serious lack of diligence or incompetence; or
- the IRP Member becomes an elected or co-opted member (or an employee) of the authority.

3.6 The IRP shall:

- appoint its own Chair at the first meeting of each municipal year;
- require a quorum of 3 at all meetings;
- meet a minimum of once per municipal year with additional meetings convened as necessary;
- Otherwise devise its own rules for the conduct of meetings in consultation with the Council's Monitoring Officer providing that they are consistent with legislative requirements and general good governance requirements.

4. Panel allowances

In order to avoid any perception of personal gain involved with membership of the IRP, only travel and subsistence allowances will be paid to IRP Members, at the rate approved by the Council annually within the limits determined by the Secretary of State. No other allowances will be paid to IRP Members.

5. Lead officer and support arrangements for the Panel

The Council's Monitoring Officer will be the lead officer and principal contact officer for the IRP. Democratic Services will provide support to the Panel.

Lead Officer:

Scott Wooldridge
Monitoring Officer
Somerset County Council

Email: swouldridge@somerset.gov.uk

Tel: 01823 357628

Somerset County Council

County Council

– 20 July 2022

Annual Report of the Audit Committee

Lead Member: Cllr Dean Ruddle, Chair of the Audit Committee

Lead Officer: Jason Vaughan, Director of Finance

Author: Cllr Dean Ruddle, Chair of the Audit Committee and Jason Vaughan, Director of Finance

Contact Details: e-mail jzvaughan@somerset.gov.uk

1. Summary

- 1.1.** The Audit Committee is required through the Constitution to make an annual report to Full Council.
- 1.2.** The Audit Committee forms a part of the County Council's corporate governance arrangements. Its purpose is to "provide independent assurance of risk management and the control environment", "independent scrutiny of the authority's financial and non-financial performance" and "oversee the financial reporting process" (CIPFA).
- 1.3.** This report is to inform members of the work of the Audit Committee in the previous financial year, and to note the Committee's opinion on the standard of governance, risk management and internal audit in place within the County Council.

2. Background

- 2.1.** The Audit Committee has met a total of 5 times between April 2021 and end of March 2022.
- 2.2.** Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

In accordance with best practice, the Audit Committee's role is not to consider policy decisions.

3. Work Programme

3.1. The Audit Committee's work programme is built around its responsibilities for corporate governance, internal audit, external audit, risk management, fraud & corruption, Treasury Management and the consideration and approval of the annual Statement of Accounts for the County Council and the Pension Fund.

3.2. The work of the council has been impacted by the Covid-19 pandemic and this particularly impacted upon production and auditing of the Statement of Accounts. The national timetable was changed to allow more time for this.

3.3. Statement of Accounts

The Statement of Accounts for 2020/21 received an unqualified audit opinion from Grant Thornton the independent external auditors, for both the County Council and the Pensions Fund reported to the Council's Audit Committee on 30th November 2021. The value for money assessment was completed production, publication and approval of the Statement of Accounts was completed in February 2022 and reported to the Committee in March.

3.4. Value for Money (VFM)

The Audit Committee has been receiving regular reports and updates on the work on Value for Money. As part of their work on the Statement of Accounts, Grant Thornton, have issued an unqualified vfm opinion which shows the improvement made over the last few years and demonstrates the continued improvements in financial management and governance within the council.

3.5. Annual Governance Statement

The Councils statutory Annual Governance Statement, which accompanies the Statement of Accounts must demonstrate compliance with a nationally set list of documentary requirements. The conclusion was that these were "consistent with the audited financial statements" and "meets the requirements set out in the CIPFA/SOLACE guidance".

3.6. Internal Audit

The internal audit service is provided by SWAP Internal Audit Services. The Committee received the Internal Audit Plan and Charter for 2021/22 at its March 2021 meeting. SWAP provide an update on internal audit activity at each committee including highlighting any "Limited" assurance audits, follow up audits and progress against the audit plan. It is important that the internal audit plan is dynamic and reflective of emerging issues and risks. The report from SWAP therefore also highlights any changes to the Internal Audit Plan during the year. SWAP provided a 'Reasonable Assurance' opinion for the 2019/20 financial year.

3.7. Risk Management

The Audit Committee has reviewed the County Council's risk management arrangements during the year. Effective risk management can have a major impact on the successful achievement of the objectives, policies, and strategies of the authority. In particular, the Audit Committee concentrates on the Strategic Risk Register and those key risks (such as sustainable budgets, safeguarding of children, business continuity, Health and Safety, and IT) that need to be mitigated to lessen the likelihood or impact of the risk occurring. Whilst most of these risks are regularly reviewed and appropriate measures put in place, the Audit Committee can call in officers if they assess insufficient actions are being taken.

3.8. Fraud & Corruption

The annual Anti-Fraud and Corruption Review report was presented to the January 2020 Audit Committee. This report provided information following the annual review of all the measures being undertaken across the Council aimed at prevention, detection, and reporting of fraud. A significant Anti-Fraud and Corruption effort continues to be undertaken in conjunction with the National Fraud Initiative, and with specialist officers from SWAP and the Police as necessary.

3.9. Debt Management

The Audit Committee receives regular updates on debt management – the collection of money owed to the County Council and our performance in ensuring that we receive fees and charges we are due. Officers produced an updated Income Code of Practice that was discussed and endorsed by the Audit Committee in November 2017 to ensure debt is collected more quickly and efficiently. It promotes payment in advance of services, or at the point of delivery, and accelerates our debt collection processes if this is not possible.

The debt management process was amended for part of 2020/21 to ensure we supported individuals and businesses through the Covid-19 pandemic. As lockdown eased the process reverted to normal although the Council continues to encourage those that are impacted by the pandemic to contact SCC to discuss any payment issues as soon as possible.

3.10. Redmond Review

Sir Tony Redmond was commissioned in July 2019, under the former Communities Secretary, James Brokenshire to undertake a review into local authority financial reporting and external audit. The review was completed on 8th September 2021 and the Audit Committee considered the issues raised at its meeting on 23rd September 2021.

The Recommendations include the creation of a new local government audit body ("*small and focused*" rather than a recreation of the Audit Commission) and ministers changing the way they judge the financial sustainability of councils. He also recommends that there is at least 1 independent member required on each Audit Committee, and that Audit Committee members and

new S.151 officers need improved training on audit and final accounts. It is also recommended that 3 statutory officers meet External Audit annually and that the External Auditor presents an annual report to the first council meeting after the 30th September.

The review concludes that the current reporting arrangements do not allow the public to understand the accounts and more should be done to improve transparency. He recommends the introduction of a standardised Statement of Services and Costs to enable a comparison between budget setting and outturn. CIPFA will consult on this between September and December with a view to trialing the statement in 2020-21 year-end.

The recommendation from the Redmond review have been accepted by the Government with the exception of the creation of a new local government audit body. The recommendation to have an independent member on the Audit Committee was supported by the Audit Committee and has been approved by Council. The appointment to this role has been delayed by Covid-19 but arrangements are now in place to take this forward.

At the 27 January 2022 meeting Ms. Jennifer Whitten having been appointed by the Monitoring Officer, joined the committee as the independent member.

3.11. Treasury Management

As part of the MTFP process the Audit Committee reviewed the Treasury Management Strategy 2021/22; Capital Strategy 2021/22 – 2023/24; Minimum Revenue Position 2020/21 at its January meeting prior to these papers going to Cabinet and Council in February 2021 for approval.

4. Training

- 4.1.** The Committee received training in July 2020 on the Statement of Accounts from the Chief Accountant to help provide some insight and understanding before they were asked to approve this suite of documents. There was also training from the Director of Finance & Governance and SWAP Ltd on the governance framework, work programme and recent audit developments in February 2021.

There has been a training session for the new Audit Committee on 10 June 2022 from

the Director of Finance & Governance and SWAP Ltd. Further training sessions will be arranged as members request or assurance topics emerge.

- 4.2.** Various articles and briefings on national governance issues were shared with the Audit Committee by the Director of Finance & Governance during the year.

5. Conclusions

- 5.1.** The Audit Committee can report that the majority of governance functions and processes remain well-controlled and delivered. This is based upon the improvement in the value for money rating from the external auditors, the unqualified opinion on the Statement of Accounts, the internal audit opinion and the Annual Governance Statement.
- 5.2.** However, there have been some individual audit findings reported during the previous year that have revealed local weaknesses that still need to be addressed. The Audit Committee will continue to review progress in these areas and call in the relevant officers to provide the necessary assurance.
- 5.3.** The Audit Committee remains committed to ensuring that high governance standards are maintained.

6. Background papers

- 6.1.** Audit Committee papers can be found at:
<http://democracy.somerset.gov.uk/ieListMeetings.aspx?CIId=160&Year=0>

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Somerset County Council

County Council
– 20 July 2022

Requisitioned Items

Cabinet Member: All

Division and Local Member: All

Lead Officer: Scott Wooldridge – Head of Governance & Democratic Services and Monitoring Officer

Author: Mike Bryant - Service Manager – Democratic Services

Contact Details: democraticservicesteam@somerset.gov.uk / 01823 357628

A. To Declare and Ecological Emergency

The following requisitioned item will be proposed by Cllr Sarah Dyke and seconded by Cllr Tessa Munt:

That this Council declares an Ecological Emergency.

Full Council acknowledges and notes:

1. That in February 2019, this council declared a climate emergency.
2. In May 2019, the UN Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services (IPBES) raised the alarm about the urgency of the ecological emergency the world faces.
3. That the Climate Emergency Strategy "Towards a Climate Resilient Somerset," adopted by this Council in 2020, recognises the impact on the environment and nature within the Natural Environment theme and has already set out a number of actions to tackle the impact of Climate Change on the Natural Environment.
4. That the sustainability of societies, economies and the environment are co-dependant and intrinsically linked and depend on preserving our natural environment and biodiversity. It follows therefore that the climate and ecological emergencies are also linked, both being the result of overexploitation of the earth's natural resources and poor land management. These practices have led to species extinction, loss of habitat and the connectivity of habitats, the decline of pollinators that are crucial to our food supply, and the loss of and decline in the health and quantity of soil. However, there are other causes of the ecological emergency beyond climate change, including other forms of pollution, urbanisation, hydrological change, the

proliferation of invasive species and poor practices in agriculture, woodland management and fishing.

5. The COVID-19 pandemic has highlighted the significant relationship between people and nature and the important effect of access to nature on the health and wellbeing of our people.

Full Council believes that:

- All governments have a duty to limit the negative impacts of human behaviour on our ecology and recognises that Local Government cannot and should not wait for national government to act.
- It is important for the residents of Somerset that its Councils commit to tackling these negative impacts as quickly as possible.
- Taking positive action to reverse the damage on our natural habitats and protect and sustain the habitats of our precious flora and fauna can also deliver economic benefits by way of new jobs, economic savings, market opportunities and contribute significantly to an improved health and wellbeing of our communities.

Reference sources, links and highlights:

- The [State of Nature 2019 report](#) highlighted the critical decline in biodiversity in the UK stating that 15% of UK species are classified as threatened with extinction and 2% are already extinct;
- The [State of the World's Plants and Fungi 2020 report](#) from Royal Botanic Gardens Kew estimated that 39.4% of plants are now threatened with extinction. This is a jump from one in five plants thought to be at risk in Kew's 2016 report;
- The [Environment Act](#) will require the introduction of a Local Nature Recovery Strategy and Nature Recovery Networks leading to the setting of national targets, plans and policies for improving the natural environment. Of particular importance will be the requirement for a minimum of 10% biodiversity net gain (BNG) from all new developments (from 2023);
- The recent [UN Biodiversity Conference](#) (COP 15) attempted to agree a new deal to stem damage to plants, animals and ecosystems, setting both long-term nature-protection goals for mid-century and shorter-term targets for 2030 and, crucially, push for those to be enshrined in national policies.

- The Letter from Natural England to Local Planning Authorities regarding advice on nutrients in the Somerset Moors and Levels RAMSAR site dated 17th August 2020
<https://www.southsomerset.gov.uk/media/3882/natural-england-advice-to-lpas-on-nutrients-in-the-somerset-levels-and-moors-catchment-170820.pdf>

In support of this motion the Council therefore resolves that:

1. In addition to the work already underway to address this in the Climate Emergency Strategy, it will take on the responsibility as Lead Partner in the delivery of the Local Nature Recovery Strategy (LNRS) (this has already been agreed with Natural England), with partners in the established Local Nature Partnership and deliver a Strategy with a set of clear actions to bring about a reversal of the negative impacts on the natural environment and biodiversity and to develop strategies to mitigate against the possibility of further decline or damage on the habitats, flora and fauna of Somerset.
2. It will incorporate the details of the Ecological Emergency, the desired outcomes and any identified actions, including those within the LNRS into the next iteration of the Climate Emergency Strategy.
3. The Council ensures “tackling the climate and nature emergencies” policies are at the heart of everything this council does and is embedded it into all Council decision making processes.
4. Ecological impact implications assessment alongside those for climate and sustainability will be added in committee and council reports.
5. In collaboration with the 4 District Councils, SCC will use existing and emerging planning policy and development management to ensure biodiversity is improved, environments enriched and the destruction of habitats is resisted when development occurs.
6. Working similarly with the 4 Districts Councils we will develop our response to the phosphates issue affecting the Somerset Levels and Moors Ramsar site catchment area.
7. Encourage residents, businesses and landowners to reduce pesticide use, and seek to become a pesticide-free council.
8. Encourage residents, businesses and landowners to eliminate peat use, and seek to become a peat-free council.

9. Working with emerging government guidance and across the Planning System with the Planning Authorities we will develop our approach and policies around the Ecological Emergency and will implement, measure and monitor the Biodiversity net gain approach in order to maximise the benefits from development

B. Cost of Living

The following requisitioned item will be proposed by Cllr Federica Smith Roberts and seconded by Cllr Nicola Clark:

This Council notes that:

- On 1 April 2022, Ofgem increased the energy price cap by 54 per cent. Considering the increased energy price cap, the average standard tariff energy bill will increase by £693 per year. The average pre-pay meter energy bill will increase by £708 per year (Ofgem, 2022).
- On 6 April 2022, the Government increased National Insurance by 1.25 percentage points, which is projected to cost the average family in Somerset an additional £600 a year.
- The Government has suspended the pensions 'triple lock' for 2022/3, meaning Somerset's 156,000 pensioners will see a rise of 3.1 in their pension income each year instead of the promised 8.3 per cent under the triple lock formula. This year, this will cost pensioners in Somerset hundreds of pounds.
- In 2021/22 the South West's Foodbanks distributed nearly 175,000 food parcels (Trussell Trust, 2022)
- On 1st July Somerset County Council is proud to have announced its 2022 Household support fund, which includes the provision of Free School Meal vouchers in each school holiday period through schools and Colleges, and a payment to every Somerset resident in receipt of pension credit
- Council notes the decision taken in June 2022 to impose a 'Windfall Tax' on the super-profits of oil and gas companies and to redistribute this as a one-off payment of £400 to households later this year. Though the Windfall Tax is welcome, Council believes it does not go nearly far enough and the Government should be doing much more to support local people through the Cost of Living crisis.
-

This Council therefore declares a 'Cost of Living Emergency' and calls on the Government to:

- Immediately reduce the standard rate of VAT from 20 per cent to 17.5 per cent for one year, saving the average household in Somerset a further £600 this year.
- Immediately re-introduce the pensions triple lock to support Somerset's pensioners.
- Immediately restore the Universal Credit supplement of £20, which was cancelled by the Government in September 2021.
- Council instructs the Chief Executive to write to the Secretary of State for Work and Pensions to express the Council's demands for VAT to be cut to 17.5%, for the re-introduction of the pensions triple-lock and for the £20 Universal Credit supplement to be restored.

Finally, Council joins other local councils in calling for a local Cost-of-Living Emergency Summit, with stakeholders, including Citizens Advice, Food Banks, Local Trades Unions, and Chambers of Commerce and will invite local MPs to attend this hybrid meeting.

C. Cost of Living Crisis

The following requisitioned item will be proposed by Cllr Leigh Redman and seconded by Cllr Kathy Pearce:

The ongoing cost-of-living crisis has seen household fuel bills soar to the highest levels in history.

The government's planned rebate will do little to help those living with meters in their rooms in HMOs or anyone who relies on pre payment meters who already pay more.

The rebate is being paid via household electricity bills and there is no decision on whether prepayments will be credited or vouchers issued.

Furthermore, there is no obligation on landlords who include the cost of gas and electricity in tenants' bills to pass the rebate on.

Those excluded from the rebate are often from the most economically disadvantaged sectors of our community.

Alongside this, the impact of the cost of living crisis on sick and disabled people has been grossly underestimated. According to Disability Rights UK spending on

this group of people has been cut by £5 billion over the last decade and they are the hardest hit by Austerity. Since April 2017 new claimants have £30 per week less and Universal Credit has excluded the severe disability premium worth around £65 per week to those formerly entitled to it.

Disabled people have higher household fuel costs because they often need additional heating or to have to run life saving equipment such as oxygen ventilators or dialysis machines.

To address these inequalities the Council resolves to:

Write to the Chancellor of the Exchequer condemning the decision to exclude vulnerable people from meaningful support with the cost of living crisis and demanding that they immediately act to address this inequality and ensure that arrangements for paying the rebate to the excluded groups are put into place.

Write to Somerset MPs asking them to lobby the government to increase cost of living help payments available to sick and disabled people with immediate effect.

Building on LGR and working with District partners to produce and publicise an information leaflet for private sector landlords in Somerset who charge for household fuel as part of rent urging them to pass on the rebate to their tenants especially those in shared houses or HMOs.

D. Local Community Networks

The following requisitioned item will be proposed by Cllr David Fothergill and seconded by Cllr Faye Purbrick:

This Council recognises the vitally important role of Town, Parish and City Councils and will work with them to develop and deliver fully-funded Local Community Networks to support our Communities.

The Council looks forward to comprehensive and consulted-on plans for establishing LCN's being brought forward to the November Full Council for approval.

Somerset County Council

County Council

– 20 July 2022

Report of the Leader and Executive – Items for Information

Executive Member: Cllr Bill Revans – Leader of the Council

Division and Local Member: All

Lead Officer: Scott Wooldridge – Head of Governance & Democratic Services and Monitoring Officer

Author: Mike Bryant - Service Manager – Democratic Services

Contact Details: democraticserviceteam@somerset.gov.uk / 01823 357628

1. Summary

- 1.1. This report covers key decisions taken by the Leader, Executive Lead Members and officers between 5 May 2022 and 8 July 2022, together with the items of business discussed at the Executive meetings on 15 June 2022 and 11 July 2022.

The Leader and Executive Lead Members may also wish to raise other issues at the County Council meeting.

2. Details of decisions

- 2.1. Agenda and papers for the Executive meetings held on 15 June 2022 and 11 July 2022 are published within the Executive webpages on the Council's website. Individual Leader, Executive Lead Member and Officer key decision records and related reports are also published within the Executive webpages on the Council's website.

Decision Title	Decision Maker and date of decision	Link to further information and decision paperwork
Acquiring Home for Children Looked After by their Corporate Parent – Department for Education Grant	4 May 2022 by Deputy Chief Executive	Decision details
Highways Improvement Projects- Funding for Residual Land Acquisition, Land Compensation and Post Construction Delivery	11 May 2022 by Director of Commissioning and Lead Commissioner for Economic and Community Infrastructure and Director of Finance	Decision details
Acceptance of Grant Funding to deliver Wave 3 Skills Bootcamps	14 June 2022 by Director of Commissioning and Lead Commissioner for Economic and Community Infrastructure and Director of Finance	Decision details
Local Government Reorganisation Plan	15 June 2022 by Executive	15 June 2022 Executive Agenda
Budget Monitoring Report – Month 12	15 June 2022 by Executive	15 June 2022 Executive Agenda
Quarter 4 Performance Report	15 June 2022 by Executive	15 June 2022 Executive Agenda
Local Government Reorganisation Section 24	15 June 2022 by Executive	15 June 2022 Executive Agenda
Extension of Parking Enforcement and Associated Services Contract provided by NSL	29 June 2022 by Director of Commissioning and Lead Commissioner for Economic and Community Infrastructure	Decision details

Household Support Fund 2022	1 July 2022 by Deputy Leader of the Council in consultation with the Executive Lead Members for Adult Social Care and Children and Families	Decision details
The Children and Young Peoples Plan 2022-2025	11 July 2022 by Executive	11 July 2022 Executive Agenda
Council Tax Reduction Scheme	11 July 2022 by Executive	11 July 2022 Executive Agenda
Treasury Management Outturn Report	11 July by 2022 Executive	11 July 2022 Executive Agenda
MTFP Strategy	11 July 2022 by Executive	11 July 2022 Executive Agenda
Revenue Budget Monitoring Report – Month 2	11 July 2022 by Executive	11 July 2022 Executive Agenda

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Somerset County Council

County Council

– 20 July 2022

Update on Performance of the Somerset County Council Pension Fund for year to 31 March 2021

Lead Member: Not Applicable

Division and Local Member: Not Applicable

Lead Officer: Jason Vaughan – Director of Finance

Author: Anton Sweet – Funds and Investments Manager

Contact Details: (01823) 359584 or asweet@somerset.gov.uk

1. Summary

- 1.1 This report acts as a summary of the Annual Report and Financial Statements for the Fund. The Annual Report contains details of the many policies adopted by the Pensions Committee to set a framework for the running of the fund along with the Committee's activity during the financial year and details of the fund's financial performance for the year.

2. Background

- 2.1 The Somerset County Council Pension Fund has a pool of invested assets that will be utilised to meet the pension liabilities of Somerset County Council and 251 other employers, including the Somerset district councils, Avon & Somerset Police and local colleges and academies. The scheme covers all employees excluding police officers and teachers, who have separate pension arrangements. For a number of these employers (including the County Council) they must offer their employees the scheme under statute with a range of guaranteed benefits to employees. The benefits package and employee contribution rates are set by central government. The current scheme implemented from April 2014 is based on career average salary and normal pension age is synchronised with state retirement age. The Fund has 68,000 members made up of 20,000 currently contributing, 19,000 pensioners 26,000 deferred members and 2,000 undecided leavers.

- 2.2 The scheme is administered by Somerset County Council on behalf of all of the participating employers, and the Council has delegated this function to the Pensions Committee. The Committee for the financial year ended 31 March 2021 was as follows:

Cllr John Thorne (Chairman), representing Somerset County Council;
Cllr Simon Coles, representing Somerset County Council;
Cllr Graham Noel, representing Somerset County Council;
Cllr John Parham, representing Somerset County Council;
Cllr Ross Henley, a Taunton Deane BC Councillor representing the four district councils;
Paul Butler, Chief Financial Officer for the Police and Crime Commissioner for Avon & Somerset representing Avon & Somerset Police;
Gordon Bryant, Head of Finance and Operations at Exmoor National Parks Authority, representing admitted bodies and the smaller scheduled employers;
and
Sarah Payne, nominated by UNISON representing the members (active employees, deferred members and pensioners).

The committee is also attended by:

Caroline Burton, independent advisor; and officers as required.

- 2.3 The Pensions Committee ensures the Fund is managed in accordance with a range of statutory and regulatory requirements together with industry and professional best practice. It has in place a forward-looking business plan, which is reviewed and updated quarterly. The current plan can be found with the rest of the Committee's papers on the Somerset County Council website.
- 2.4 To ensure that the Fund is of sufficient size to meet its liabilities it is required by statute to undertake an independent actuarial valuation on a tri-annual basis. Following this exercise the actuary sets the employer contribution rates for the next 3 years. The last valuation was undertaken as at 31st March 2019 and the results indicated that the fund was 86% funded and the actuary anticipates setting an average employer contribution rate of 24.4% of pensionable pay for the period from April 2020 to March 2023. The 2022 valuation exercise is underway with results likely to be available towards the end of 2022.

3. Pooling of Investments

- 3.1 Since 2015, we have been working with nine other Administering Authorities to implement the Government's requirement to pool the management and investment of our assets with other Local Government Pension Scheme (LGPS) Funds.
- 3.2 We established the Brunel Pension Partnership in conjunction with the nine other LGPS Funds to meet this Government guidance and the requirements of the LGPS (Management and Investment of Funds) Regulations 2016. We launched our pooling delivery operator, the Brunel Pension Partnership Ltd (Brunel Ltd) on 18 July 2017 as a new company wholly owned by the ten Administering Authorities, including Somerset County Council Pension Fund. We own a 1/10th shareholding in Brunel Ltd.. Brunel Ltd obtained authorisation from the Financial Conduct Authority (FCA) in March 2018.
- 3.3 Since March 2018 we have been working with Brunel and the other Funds to transition our investment assets from the historical arrangements we had to substantially all of the Fund being invested via Brunel. Progress was been slightly delayed by the COVID pandemic but the transition was substantially complete by the end of June 2021. Currently 93% of the investment assets of the Somerset fund are invested via Brunel
- 3.4 Further details regarding Brunel are included within the Fund's Annual Report and Financial Statements.
- 3.5 All costs and benefits of the pooling will be met by the Pension Fund and therefore there is no direct impact on the County Council's budget. In time the expected benefits of pooling in terms of lower costs of investment and potentially better investment returns should lead to the County Council having to make lower contributions to the Fund than would otherwise be the case.

4. 2020-2021 Performance

- 4.1 Investment performance for the 2020-21 financial year was positive with markets rebounding strongly from the substantial loses in March 2020 linked to the first wave of the COVID pandemic, the return was 27.2%. This represented a return above the Fund's own benchmark for the year. A deficit of £0.7m was the outcome for the year from net contributions after the payment of benefits and expenses

5. Consultations undertaken

- 5.1 None

6. Implications

6.1 This report is for information only.

7. Background papers

7.1 Somerset County Council Pension Fund Annual Report and Financial Statements 2020/21.

Somerset County Council Pension Fund Annual Report & Accounts 2020/21



County Hall, Taunton, Somerset TA1 4DY

www.somerset.gov.uk



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Chair's report

This annual report sets out the activities of the pension fund for the year ending 31 March 2021. It is produced to provide information for the following four groups.

- **Those responsible for managing the fund (our elected members).**
- **Those currently receiving benefits from the fund (the pensioners).**
- **Those who will receive benefits from the fund in the future (the deferred pensioners).**
- **Those who contribute to the fund (the active scheme members and employers).**

Obviously much of the financial year covered by this report was dominated by the COVID pandemic, however there was still a lot of other change and work during the year. In last year's report we noted the change to regulations to allow for exit payments where an employer leaves the fund with a surplus. The Pensions Committee have been working through changes to our Funding Strategy Statement (FSS) to put in place our own policies for exit payments and other related additional freedoms and a new FSS will be signed off soon. Committee has also started work on reviewing and refreshing the Fund's Investment Strategy Statement.

The Government has been working to put in place new regulations to cover the issues noted last year relating to the McCloud court case.

After a couple of comparatively quiet years in terms of Governance we are expecting a significant step change in 2021-22 with the LGPS Scheme Advisory Board's "Good Governance" review and The Pensions Regulators new code of practice both due.

During the last year officers have had to contend with learning how to work 100% remotely, including producing the 2020-21 accounts and the audit of those accounts. I am pleased to say that the officers managed this change smoothly. Whilst there was an initial pause in the process of pooling of our investments our officers have worked with Brunel and the other partner LGPS funds to continue to move the partnership forward. During the financial year covered by this report the Somerset fund moved from having 56% of assets managed by Brunel to 76%. Brunel has also worked hard to refresh its governance arrangements and push forward with its strategy for managing Climate Change.

Investment returns for the year, at 27.2%, were very strong. Much of this was simply recouping the impact of the COVID-19 crisis with returns in the quarter to 31 March 2020 of -13.4%, but returns have still been surprisingly strong considering that economic growth is still significantly below its pre-pandemic levels. Equity returns were very high, with some portfolios generating returns in excess of 40%. Fixed income returns were more muted at around 7% whilst we made a small loss on property.

Overall the Fund outperformed its own customised benchmark by 2.5%, with in particular our Equity fund managers outperforming their own benchmarks.

During the year, contributions paid into the scheme were greater than the pensions paid out. The net result is that before expenses and investment returns the fund grew by £8.5m. We expect this figure to continue to be positive for the current financial year.

The last formal valuation was 2019, indicating that the funding level was 86%. The next valuation will take place in 2022 and officers are already working with our actuary to prepare for this.

I would like to thank my fellow committee and board members for their commitment and support over the last year, I would particularly like to thank Graham Noel for his contribution as my predecessor as Chair of the Pensions Committee, it has been reassuring to have Graham still on the Committee as I get used to my new role as Chair. Finally, I would like to thank the officers for their efforts throughout the year in providing an excellent fund for the employers and their employees.

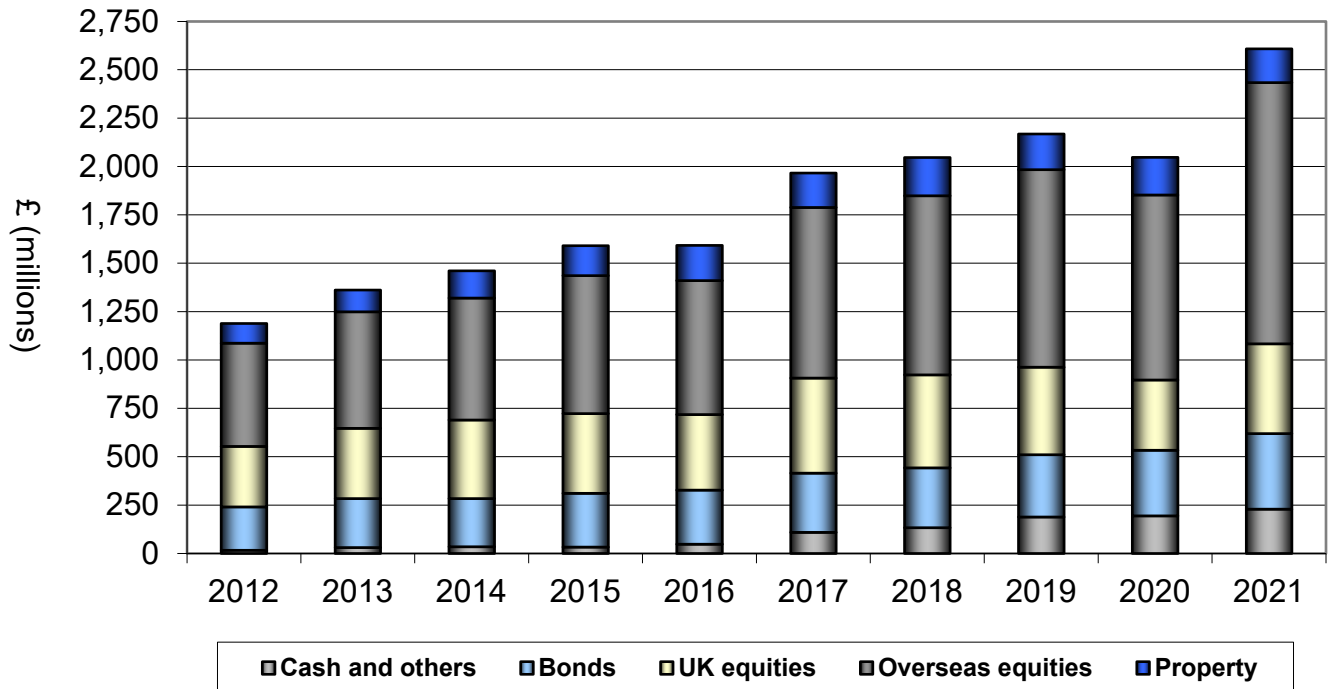
John Thorne

Chair of the pensions committee

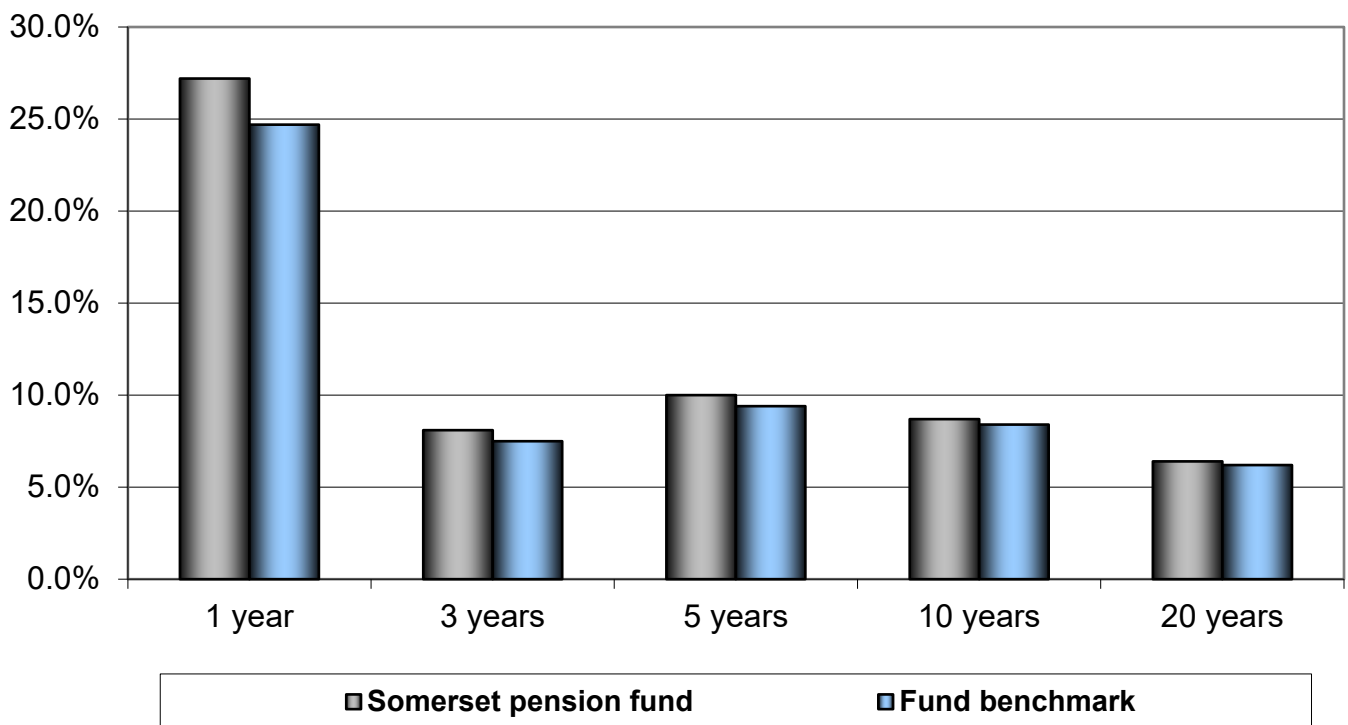
Summary of the scheme

Statistical overview

Fund investment assets



Annualised fund investment performance



Source: Somerset CC

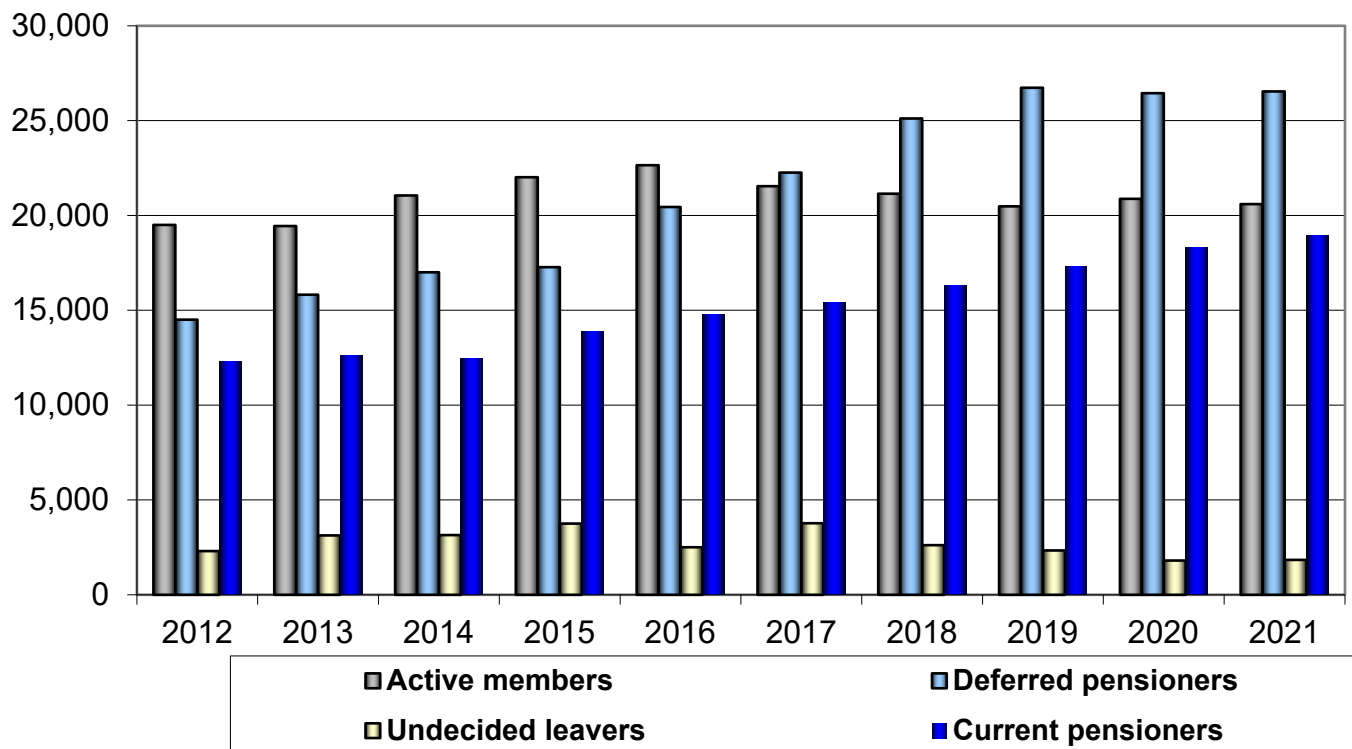
Analysis of investment assets

	UK £m	Non-UK £m	Global £m	Total £m
Equities	463.496	122.453	1,227.756	1,813.705
Fixed Interest	260.195	130.232	0.000	390.427
Property (direct holdings)	0.000	0.000	0.000	0.000
Alternatives	177.350	0.020	70.497	247.867
Cash	156.449	0.000	0.000	156.449
Other	0.000	0.000	0.000	0.000
Total	1,057.490	252.705	1,298.253	2,608.448

Analysis of investment income

	UK £m	Non-UK £m	Global £m	Total £m
Equities	0.132	2.062	0.000	2.194
Fixed Interest	6.203	4.285	0.000	10.488
Property (direct holdings)	0.000	0.000	0.000	0.000
Alternatives	5.753	0.000	0.000	5.753
Cash	0.651	0.000	0.000	0.651
Other	0.059	0.000	0.000	0.059
Total	12.798	6.347	0.000	19.145

Fund membership statistics



Employer statistics

	Active	Ceased	Total
Scheduled body	131	20	151
Resolution body	30	1	31
Admitted body	36	33	69
Total	197	54	251

Financial Statistics – five-year trends

	2016/2017 £ millions	2017/2018 £ millions	2018/2019 £ millions	2019/2020 £ millions	2020/2021 £ millions
Income from contributions	95.316	107.412	114.351	122.636	122.968
Spending on benefits	-86.989	-94.887	-102.191	-111.516	-114.496
Contributions less benefits	8.327	12.525	12.160	11.120	8.472
Management Expenses	-6.861	-7.619	-7.956	-8.175	-9.134
Investment income	52.166	58.515	45.712	33.203	19.031
Change in value of investments	318.549	25.319	70.521	-159.714	544.893
Net return on investments	370.715	83.834	116.233	-126.511	563.924
Change in net assets	372.181	88.740	120.437	-123.566	563.262

Value for money statistics

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Administration expenses (£m)	1.157	1.113	1.170	1.285	1.270
Investment management expenses (£m)	4.964	5.706	6.178	6.228	7.183
Oversight and governance expenses (£m)	0.740	0.800	0.608	0.662	0.681
Total expenses	6.861	7.619	7.956	8.175	9.134
Administration expenses per member	18.75	17.36	17.71	19.13	18.77
Total expenses per member	111.20	118.84	120.46	121.73	134.99
Investment expenses (p) per £ of assets	0.28	0.28	0.29	0.30	0.31
Total expenses (p) per £ of assets	0.39	0.38	0.38	0.39	0.39

Member numbers are the average of the opening and closing membership for the year.

Asset numbers are the average of the opening and closing investments assets for the year.

Other Statistics

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Income yield on average assets	2.98%	2.98%	2.23%	1.60%	0.82%
Average pension in payment (£)	4,514	4,487	4,518	4,586	4,531

Pensions committee

Somerset County Council, the administering authority for the pension fund, has delegated its responsibility to manage the fund to the pensions committee under the county council's constitution.

The pensions committee meets regularly to consider all aspects of the administration of the fund. In line with legal regulations, they get advice from professional advisors, the fund's managers and officers, as necessary. The pensions committee makes decisions about the fund's overall policy and investment strategy, taking account of the professional advice it has received.

The following committee was in place during 2020-21, the in-year changes are detailed.

John Thorne (Chair)

John is one of the four county council representatives on the committee and is the councillor for Blackdown and Neroche. John joined the committee in November 2020 and has been the chair since joining the committee.

Simon Coles

Simon is one of the four county council representatives on the committee and is the councillor for Taunton East. Simon joined the committee in May 2017.

James Hunt

James is one of the four county council representatives on the committee and is the councillor for Upper Tone. James left the committee in November 2020.

Graham Noel

Graham is one of the four county council representatives on the committee and is the councillor for Mendip West. Graham stepped down from being the committee chairman in November 2020 but remains a committee member. Graham joined the committee in May 2013.

John Parham

John is one of the four county council representatives on the committee and is the councillor for Shepton Mallet. John joined the committee in May 2019.

Ross Henley (district councils' representative)

Ross represents the four district councils that are members of the fund. Ross is a district councillor and member of the Executive Committee of Somerset West and Taunton Council with responsibility for planning policy and transportation. Ross joined the committee in May 2019.

Mark Simmonds (police representative)

Mark represented the Police and Crime Commissioner for Avon and Somerset on the committee. Mark was the Chief Finance Officer for the Police and Crime Commissioner for Avon and Somerset. Mark left the committee in September 2020.

Paul Butler (police representative)

Paul represents the Police and Crime Commissioner for Avon and Somerset on the committee. Paul is the Chief Finance Officer for the Police and Crime Commissioner for Avon and Somerset. Paul joined the committee in September 2020.

Gordon Bryant (represents other employers)

Gordon represents all of the employers except those specifically covered by another committee member. Gordon is Head of Finance and Operations for Exmoor National Park Authority.

Gordon is a CIPFA-qualified accountant. Gordon has been a member of the pensions committee since May 2017.

Sarah Payne (employees' and members' representative)

Sarah is the employees' and members' representative on the pensions committee. Until 2011 she was employed by the county council as their Extended Schools Services Manager within the Children and Young Person's Directorate and during her career she worked in a variety of roles and directorates, giving her a wide range of experience of local-government services. She is now a pensioner member of the fund. Sarah is also a retired member of the trade union UNISON who support her position as employees' and members' representative on the committee. Sarah joined the pensions committee as the members' representative in 2004.

As well as the committee members, an independent advisor and officers attend all committee meetings.

Independent advisor – Caroline Burton

After graduating from Oxford University, Caroline joined Guardian Royal Exchange plc in 1973 as a trainee investment analyst. She moved from analysis to portfolio management and became manager of international investments in 1978. In 1987 she became Managing Director of the newly-incorporated Guardian Asset Management. She joined the board of Guardian Royal Exchange plc as the Executive Director for Investment in 1990, a post she held until the company was taken over by AXA in 1999. Caroline currently advises a number of pension schemes.

Caroline has been the independent advisor to the pensions committee since 2002.

Officer – Jason Vaughan

The lead officer of the Fund, as covered by the Fund's scheme of delegation has specific responsibilities although much of the day to day work is delegated. The lead officers for the Fund is Jason Vaughan (Director of Finance). Jason has been the lead officer since March 2020.

The work the committee has done this year

During the financial year 2020/2021, the committee formally met four times, although due to the COVID pandemic each of these meetings were held remotely via video conference. At each of these meetings (quarterly) the committee received a report on the investment performance of the fund for the previous quarter and any related information, an update on the committee business plan and workplan, an update on the fund's risk register and an update on the budget and membership statistics of the fund. They also receive an update on the status of all outstanding matters relating to the performance of the administration provided by Peninsula Pensions. Every September, the committee receive a report on the investment returns for the previous financial year.

In addition to the above, at each of its meetings the committee has discussed the future investment arrangements of the LGPS and the Government's guidance that we Pool our investments with other LGPS Funds. The pool that the Somerset Fund has chosen to join is called the Brunel Pension Partnership's (BPP). The Somerset Fund is part of BPP along with 9 other like-minded LGPS Funds, loosely based in the South West of England. More detail on BPP and its progress towards pooling can be found later in this annual report.

During the year committee also considered a new version of the Funding Strategy Statement, although due to changes in the regulations pertaining to employer exit credits during the process we had to consider a revised draft after an initial consultation with employers. Final adoption of the new Funding Strategy Statement will take place during the current financial year.

Committee training

As part of the fund's training policy, the committee members are committed to developing their skills and knowledge in relation to the pension fund. We have encouraged our members to attend appropriate outside training events and conferences. Due to the COVID pandemic opportunities for conferences and other external training events were more limited than usual. We held an internal training session in March 2021 focussing on risk and the risk register.

The table below shows how many formal meetings, informal meetings and training events committee members attended this year.

	Committee meetings	Induction training	Brunel Engagement Event	Internal training days
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Number of meetings	4		2	1
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Committee members

Graham Noel (Chairman)	2 (2 as Chair)			1
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John Thorne (Chairman)	2 of 2	1		1
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Simon Coles	3			1
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James Hunt	2 of 2			
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John Parham	3			1
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Ross Henley	0			
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Mark Simmonds	1 of 1			
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Paul Butler	3	1	2	1
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Gordon Bryant	4			1
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Sarah Payne	4			1
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Independent advisor

Caroline Burton	4			1
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Risk management

The committee takes the management of risks within the fund seriously. To this end the fund has developed a risk register which is considered and updated as necessary at each of the quarterly Pensions Committee meetings. A copy of the current risk register, which shows the fund's key risks and the actions to mitigate those risks, can be found with all of the other committee papers on the Somerset County Council website, there is a link on the last page of this annual report. As at 31 March 2021 the key risks on the risk register were:

- Failure of Pensions Committee to manage the fund effectively, particularly as a result of insufficient knowledge and skills.
- Risk of Regulatory change:
 - Implementation of change risks
 - Consequences of change risks
- The pension fund has insufficient available cash to meet its immediate (next 6 months) liabilities.
- The pension fund has insufficient available assets to meet its long term liabilities.
- Under performance of pensions investments due to ESG factors, including climate change.
- Failure of Brunel to deliver either fee savings or investment performance.
- Insolvency of the fund's Global Custodian.
- Failure of Benefits Administration to perform their tasks, specifically leading to incorrect or untimely benefits payment.
- Legal challenge to fund, particularly in respect of the payment of pension benefits.
- Fraud, corruption, or error either within investment assets or benefits administration.
- The insolvency of an employer places additional liabilities on the fund and ultimately the remaining employers.
- Vulnerability to long-term staff sickness and staff turn-over, especially for higher graded posts.
- Resilience of IT including a breach of cyber security.
- Impact of COVID-19 crisis.

In addition to the risk register, how the fund manages and aims to mitigate the funding risk and investment risk are dealt with in more detail in the Funding Strategy Statement and the Investment Strategy Statement respectively. Copies of each of these statements can be found later in this annual report. These are supported by monthly monitoring of investment exposures, risk and performance by officers and quarterly reporting to committee. The management of investment exposures, risk and performance includes the risks associated with holding financial instruments and further details regarding these exposures and the management of these risks in the financial statements, which can be found later in this annual report.

The management of third party risk such as late payment of contributions, or error and emissions by investment managers or custodian is managed through a robust set of internal controls and reconciliations.

Financial management

The pensions committee undertakes management of the financial affairs of the fund through a number of regular items at Pensions Committee meetings.

To manage the investments the Committee receive a specific paper on the returns achieved by each fund manager quarterly and the return of the fund as a whole along with relevant benchmark information. Annually the committee receive more detailed reports on the performance of the whole fund.

To manage the other financial aspects of the fund the committee set a budget for the forthcoming financial year and then receive quarterly outturn reports and updated projections for the full year. A copy of the current budget report can be found with all of the other committee papers on the Somerset County Council website, there is a link on the last page of this annual report.

Copies of the most recent investment returns and budget information can be found with all of the other committee papers on the Somerset County Council website, there is a link on the last page of this annual report.

Exercise of shareholder rights at company meetings

The fund is committed to the responsible use of its rights as a shareholder in companies. In particular we are committed to voting at company meetings wherever this is practically possible.

For those funds managed by external fund managers, they are responsible for deciding how the fund votes. Each of the external fund managers have written guidelines on how they will utilise their votes in an effort to maximise shareholder value and promote good governance and ethical behaviour within companies. Typically these policies will, to varying degrees, adhere to the principles and best practice guidelines of the various legislation, city codes of conduct and policies of trade bodies such as the Association of British Insurers.

For the in-house managed funds a specialist company is retained to provide analysis and advice on how we should vote our shares, the current provider is PIRC.

For those funds managed by Brunel, they are responsible for deciding how the fund votes. Brunel has a number of policies governing how they will utilise their votes in an effort to maximise shareholder value and promote good governance and ethical behaviour within companies. Full details of Brunel's policies and how they have voted on the Fund's behalf are available on their website.

In addition PIRC publishes the advice it gives clients (including SCC) on how to vote at company meetings on its website. Brunel and most of our other external fund managers also place their voting record on their public websites.

Pension board

Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 Each LGPS fund was required to set up a Pension Board to assist the administering authority (the Pensions Committee) in the running of the fund.

Under the legislation the Board must have equal representatives of Employers and Members

Employer representatives

Mark Healey (Chair)

Mark is a representative of the county council on the board and is the councillor for Huntspill. Mark joined the Board in July 2015.

Vacancy

There are currently two vacancies for employer representatives on the Board.

Member representatives

Nigel Behan

Nigel is a nominated union representative from UNITE. He is a transport project support officer for Somerset County Council. Nigel joined the Board in September 2017.

Vacancy

There are currently two vacancies for member representatives on the Board.

The work the board has done this year

During the financial year 2020/2021, the board did not formally meet although members are provided with the full set of committee papers

Board training

As part of the fund's training policy, the board members are committed to developing their skills and knowledge in relation to the pension fund. We have encouraged our members to attend appropriate outside training events and conferences. Due to the COVID pandemic opportunities for conferences and other external training events were more limited than usual.

Pension fund administration

In accordance with the Pension Fund's scheme of delegation, a copy of which can be found later in this annual report, the Pensions Committee delegate most of the day to day work of the scheme to officers of Somerset County Council or to Peninsular Pensions, a shared service with Devon County Council. This section details this work.

Investment administration and accounting

The administration of the investments, which includes the monitoring of, and reconciling with, the fund's custodian and external fund managers, is undertaken by the investments team of Somerset County Council.

The accounting for the investments of the fund is also done by the investments team.

The team also report on all investment matters to the Pensions Committee and Pension Board.

Accounting for contributions and benefits

The monitoring and accounting of contributions received from employers is done by the corporate accounting team of Somerset County Council. The corporate accounting team also account for the benefits payments and undertake some other accounting tasks for the fund.

During 2020/2021 financial year (prior year comparative in brackets) there were 134 (176) instances of late payment of contributions by employers, making up 6.34% (8.96%) of payments due. The corresponding figures for more than 10 days beyond due date were 75 (71) instances and 3.55% (3.62%) of payments due.

Instances of failure to pay by the due date were spread over 28 (61) employers.

Based on average monthly contributions from employers it is estimated that by value 97.64% (94.96%) of contributions were received on or before due date and 99.89% (99.00%) within 10 days of due date.

Under the Regulations the Administering Authority is entitled, but not required, to charge interest on late payments at 1 per-cent above base rate. During the 2020/21 financial year no interest was levied on any employer for late payment. The use of this sanction is constantly reviewed.

Membership administration

Membership administration involves all the tasks necessary to maintain the records of each of the members of the fund, be they active members (those currently paying in contributions), deferred (have paid into the fund in the past but are not currently contributing or drawing a pension) or pensioners.

Peninsula Pensions was formed in 2013 as a shared pension administration service, with Devon County Council acting as lead authority, for the provision of the Local Government Pension Scheme (LGPS) administration for the Devon County Council and Somerset County Council administering authorities.

Peninsula Pensions also administers the Police Pension Schemes for Avon and Somerset Police and the Firefighters Pension Schemes for Gloucestershire Fire and Rescue Services.

Key functions provided by the service include:

- guidance and information as to how pension legislation affects employers and their employees;
- guidance and information to individual members in respect of pension issues that will fundamentally affect their living standards, involve complex regulations and will often be in emotional circumstances e.g. death of a partner;
- calculation of individual pension benefits;
- payment of pensions; and
- adherence to HRMC and other regulatory bodies requirements including completion of all statutory returns

Value for money

Peninsula Pensions is committed to delivering a high quality, effective and efficient pensions administration service. We aim to ensure that all of our customers' needs and requirements are met, while delivering value for money for all of our employers and members.

Our vision

Our vision is to be a provider of efficient and cost-effective pensions administration, utilising technology to deliver service improvement, developing training modules to ensure that staff are trained and developed, similarly providing effective training and communication for employers and members alike.

We also aim to ensure that information is readily available to members and employers alike by developing the existing self-service functionality.

Our objectives

We aim to achieve our mission through experienced, well trained pensions administrators driven to deliver a reliable and professional service, whilst demonstrating excellent customer care.

We will develop training modules to enable continuous improvement and development of staff across the service at all levels.

We will make best use of technology to enable an efficient and cost-effective service, providing direct access online to as much information as possible through our Member and Employer self-service facilities.

We will use technology to improve member and employer communications and learning, and will develop training modules to enable more flexible communication to a wider audience.

We also strive for Continuous improvement in service delivery and high levels of employer and member satisfaction.

Summary of activity

The team maintained a high level of performance throughout 2020/21 and have successfully adapted to the new ways of working following the challenges arising from COVID19.

The team is headed up by Dan Harris, Head of Peninsula Pensions, and is split across three specialist functions, as set out on the following pages.

Employer liaison and communication

This team is headed up by Shirley Cuthbert, Employer and Communications Manager, and is responsible for all client management aspects of the fund's employers.

Some of the key areas covered by the team are:

- client management;
- employer engagement, training and support;
- monitoring and review of employer performance data;
- administering the process for admitted bodies and new employers;
- improving and developing communications with employers and members; and
- increasing the use of self-service portals and the website.

Technical and compliance

This function is headed up by Rachel Lamb, Technical and Compliance Manager, and is responsible for ensuring that Peninsula Pensions operates in full compliance with legislation and regulations, and that our internal processes are efficient, effective and secure.

Some of the key areas covered by the team are:

- pensioner payroll;
- finance;
- systems development; and
- technical and training, which includes:
 - procedure notes and training;
 - training and accreditation programme for staff;
 - quality assurance scheme for accredited staff;
 - technical queries; and
 - administering the Annual Allowance exercise and other projects.

Member services

This function is headed up by Natalie Taylor, Member Services Manager, and covers all areas of member services for LGPS, Police and Fire schemes.

The member services teams provide a full pension administration service for scheme members, including:

- processing LGPS retirement calculations and estimates, including retirements of the grounds of ill-health, redundancy, efficiency, early and age retirements;
- processing LGPS benefit calculations in respect of deaths-in-service, deaths of pensioners and the deaths of deferred members;
- setting up new fund members;
- processing leaver notifications;
- calculation of cash equivalent transfer values (CETVs) for divorce proceedings, pension sharing and earmarking orders;
- processing the transfer-in of pension rights accrued with a previous employer or pension provider;
- processing the transfer-out of pension benefits to an external employer or pension provider;
- processing refunds of member contributions;
- administration of Additional Pension or Additional Voluntary Contributions;
- processing notifications such as changes of address, hours and marital status; and
- responding to all queries from LGPS fund members via a variety of communication methods.

Some of the key activities undertaken by the team during 2020/21 are set out below:

Peninsula Pensions Website

Peninsula Pensions launched a new website during the year. The website provides a much improved user experience with easier navigation, clear and relevant information and links and is in full compliance with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.

A series of online videos and user guides for scheme members and employers have been published on the website and these will continue to be developed on an ongoing basis.

The new website can be found here: <https://www.peninsulapensions.org.uk/>

Pension Administration Strategy

October 2020 saw the launch of the updated Pension Administration Strategy (PAS).

Pension Administration Strategies (PAS) were first introduced into the LGPS regulations in 2008, and now fall under Regulation 59 of the LGPS 2013 Regulations. Although they are not a legal requirement, a PAS provides a mechanism to formulate a service level agreement between the administering authority and employers. The PAS covers a number of areas including procedures for liaison and communication, and sets out the performance standards and expectations for the administering authority and employers.

The PAS also helps to improve governance arrangements, ensuring that the administering authority and employers work together to ensure compliance with The Pensions Regulator Code of Practice.

Peninsula Pensions first introduced a PAS in April 2015 and the revised PAS reflects the growth in membership and demands of Scheme members and employers, changes to LGPS regulations, advances in technology and improvements to performance monitoring.

The PAS can be found on our website via the following link:

<https://www.peninsulapensions.org.uk/document/somerset-pension-fund-administration-strategy/>

McCloud and Sargeant Judgements

In 2018 the Court of Appeal ruled that protections introduced for older members of the Judges' and Firefighters' Pension schemes, as part of public sector pension reforms in 2014 and 2015, unlawfully discriminated against younger members. The remedy to address this discrimination will be applied to all public sector pension schemes, including the LGPS. Anyone affected by the discrimination will be offered an appropriate remedy to ensure that they are placed in an equivalent position to protected members.

The team have been working with scheme employers over the year to complete a historic data sign off exercise and a move to monthly data submissions, which will ensure that Peninsula Pensions has the necessary data available to implement the remedy when the regulations are introduced. The target for completing the data sign off exercise is 31st March 2022.

Implementing the remedial action following the McCloud/Sargeant judgement is likely to prove to be one of the team's biggest challenges to date, but we are confident that we possess the skills and resources to deliver the project internally.

The Government has confirmed that members who qualify for this protection do not need to make a claim for the changes to apply to them. Peninsula Pensions will contact any members that will be affected by the remedy in due course. More information about judgment and the impact of the remedy can be found here:

https://lgpsmember.org/news/story/mccloud_qanda.php

Restriction of Public Sector Exit Payments Regulations 2020

This past year saw the introduction of the Restriction of Public Sector Exit Payments Regulations 2020. The regulations were intended to address and restrict the value of exit packages for high earners and therefore deliver value for the taxpayer. Despite several flaws in the regulations which were highlighted in our response to the Government consultation (including the unintended consequence that lower paid earners would also be impacted), the regulations were introduced. The team worked hard to ensure that our internal processes were updated to ensure full compliance with the new regulations and that all scheme employers were aware of their obligations.

Three months after the introduction of the regulations, the Government announced that the regulations were being revoked and would be disapplied with immediate effect. The team were then faced with the additional challenge of identifying benefits that had been impacted by the regulations during the period and making the necessary corrections. We are now awaiting revised regulations which are expected to be released during the coming year.

Member Self-Service

Peninsula Pensions launched a campaign prior to the Government imposed lockdown restrictions to encourage scheme members to register for Member Self-Service (MSS) in order to mitigate any risk of delay with postal communication during the pandemic. MSS allows members to view all of their pension information online, calculate estimates of their benefits, update personal information and to send and receive documentation to and from Peninsula Pensions. Although Peninsula Pensions has continued to provide communications via postal methods throughout the pandemic, MSS has proved to be a much more effective and efficient method of communication for registered members.

If you have not yet registered for MSS and are interested in finding out the benefits of doing so, please visit our website for more information and details on how to register.

COVID-19

Despite having an effective risk register and robust business continuity plan in place, nobody could have anticipated the impact that COVID-19 would have on our day-to-day operations. Prior to the Government imposed lockdown restrictions, Peninsula Pensions took early action to ensure that the impact on the level of service provision would be minimal.

A summary of actions taken by the team over the period are set out below:

- Appropriate ICT and office equipment was provided to staff to ensure that they were able to work from home effectively and maintain service provision.
- Office staffing levels have been kept to a minimum throughout the pandemic and staff have only been permitted to work in the office for issues of wellbeing or for business continuity purposes. Any member of staff wishing to work from the office was required to complete a health risk assessment and adhere to strict social distancing measures.
- Email signatures, the Peninsula Pensions website and telephone welcome message were all updated in respect of the COVID-19 situation.
- Letters were issued to scheme members, notifying them of potential delays in our printing facilities and postal communications, and encouraging the use of Member Self-Service (MSS) for communication purposes.
- The team have made greater use of technology during lockdown to enable continued efficient communication with scheme members, employers, colleagues and for staff management purposes.
- A full internal audit review was commissioned to consider the effectiveness of our Business Continuity Plan and adaptation of our working practices and processes in response to the pandemic.

Taking this action has ensured that Peninsula Pensions has been able to operate as close to business as usual as possible throughout the pandemic, and the impact on our level of service provision has been minimal.

Key administration performance data

Administration performance

Peninsula Pensions' internal service standard target is to complete 90% of work within 10 working days from the date that all necessary information has been received.

In addition to the internal targets, Peninsula Pensions monitors performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, which set out the minimum requirements regarding the disclosure of pension information.

Performance targets are monitored on a monthly basis via a task management system and reporting tool within the pension database.

Total performance against internal targets for 2020/21 was 92%, despite the continued impact of COVID19.

Total performance against the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 for 2020/21 was 93%.

The tables below provide a detailed breakdown of administration performance relating to the Somerset Pension Fund only against the internal targets and Disclosure Regulations for the financial year ending 31st March 2021.

	Cases completed	Performance (internal targets)	Performance (disclosure regs)
High priority procedures	5,502	96%	96%
Medium priority procedures	13,382	90%	92%
Low priority procedures	2,557	89%	91%
Total	21,441	91%	93%

The table below provides additional detail on high priority procedures.

	Cases completed	Performance (internal targets)	Performance (disclosure regs)
Changes	845	99%	100%
Complaints (member)	40	100%	100%
Complaints (employer)	0	-	-
Deaths	606	95%	95%
Payroll	1,466	99%	100%
Refunds	344	99%	99%
Retirements (active)	723	91%	92%
Retirements (deferred)	1,478	91%	91%
Total	5,502	96%	96%

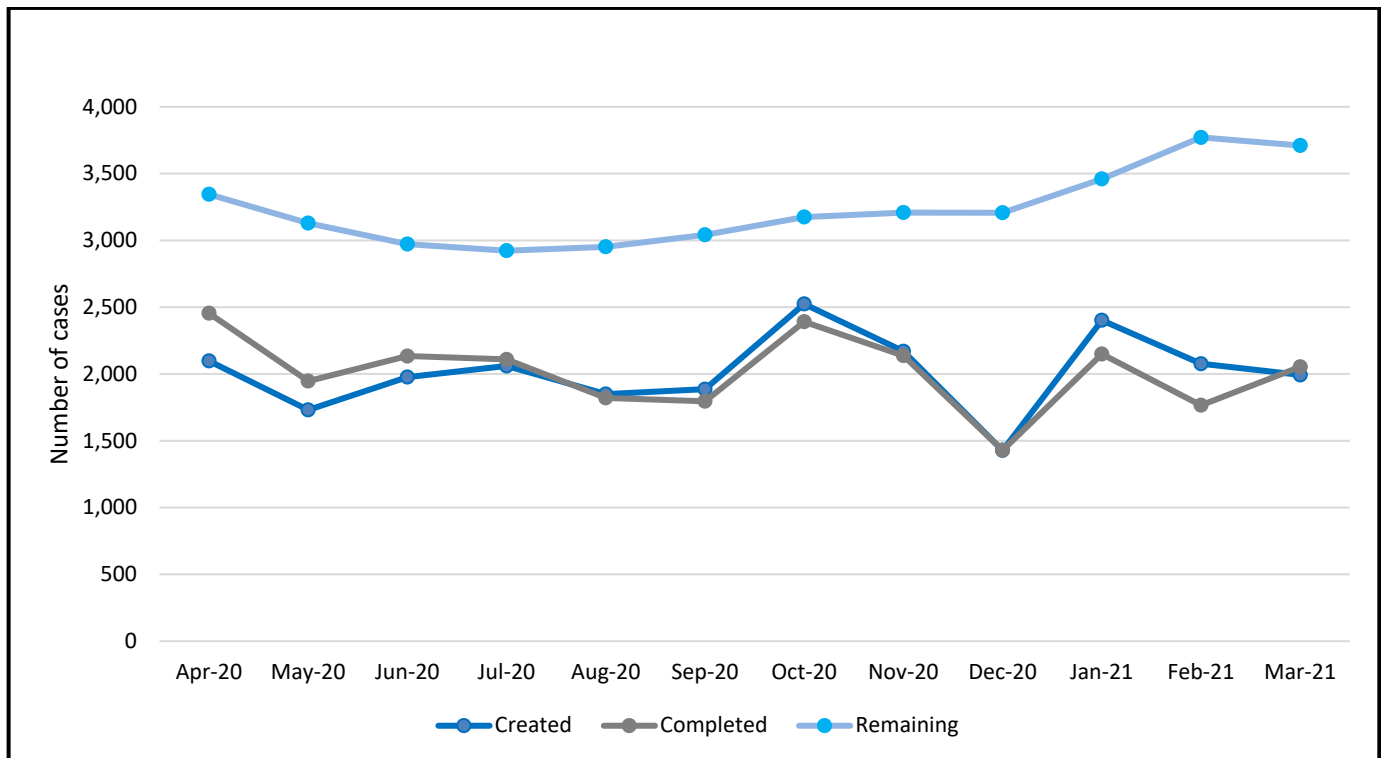
The table below provides additional detail on medium priority procedures.

	Cases completed	Performance (internal targets)	Performance (disclosure regs)
Amalgamation of records	1,677	82%	90%
Deferred benefit calculations	2,355	72%	74%
Divorce calculations	143	85%	85%
Employer queries	579	58%	76%
Estimates (bulk)	0	-	-
Estimates (employer)	79	100%	100%
Estimates (member)	228	98%	98%
General	5,648	100%	100%
HMRC	75	97%	97%
Member self-service	2,598	100%	100%
Total	13,382	90%	92%

The table below provides additional detail on low priority procedures.

	Cases completed	Performance (internal targets)	Performance (disclosure regs)
Estimates (other)	128	94%	94%
GMP queries	8	100%	100%
Interfund transfers in	251	65%	77%
Interfund transfers out	281	71%	78%
Pension top ups	197	96%	96%
Frozen refunds	1,271	98%	98%
New starters	1	100%	100%
Pension transfers in	177	96%	96%
Pension transfers out	243	85%	85%
Total	2,557	89%	91%

The graph below highlights the overall performance of Peninsula Pensions (Somerset Fund only) for the year ending 31st March 2021.



Financial Indicators

For the financial year 2020/21, the costs of providing a pension administration service equated to £17.76 per fund member (compared with £18.13 for 2019/20). The reduction in administration costs per member are primarily as a result of the team making greater use of electronic communication throughout lockdown which resulted in reduced printing and postage costs.

Our pension payroll costs per pensioner equated to £5.60 per pensioner (compared with £5.22 for 2019/20). The increase is as a result of staffing movements.

During 2018/19, officers made the decision to withdraw from the CIPFA Benchmarking Club, which enabled cost comparisons to be made against other LGPS administrators. In addition to saving on membership costs, the decision to withdraw was made in view of the decreasing number of funds taking part in the exercise and results not being available until after the publication of the Pension Fund Annual Report. For the 3 financial years prior to our withdrawal from the CIPFA Benchmarking Club, the costs of our administration service compared favourably against the national average.

We will continue to monitor and benchmark our costs internally against the national average.

Staffing indicators

As at 31st March 2021, Peninsula Pensions employed 65.87 full-time equivalent members of staff. This equates to approximately 3,241 fund members for every full-time equivalent member of staff (compared with 3,372 for 2019/20).

Other Information

A further analysis of new pensioners for the Somerset Pension Fund during 2019/20 is set out in the table below:

Pensioner category	Number of new pensioners
Ill-health retirement	25
Early retirement	565
Normal retirement	310
Total	900

Compliments, complaints and internal dispute resolution procedure

The LGPS has a 2-stage dispute resolution procedure. For stage 1 appeals relating to a decision or action by the member's employer, the dispute is dealt with by the nominated person for that employer. All other disputes are dealt with by the Head of Peninsula Pensions. If the member is not happy with the decision made at Stage 1 then they can move to Stage 2 where the issue will be looked at afresh by the Director of Finance of Somerset County Council. If the member is not happy with the decision made by the Stage 2 panel they can take their case to the Pensions Ombudsman for a final decision.

The table below shows a summary of the number of compliments, complaints and formal complaints under the provision of the IDRPs (Internal Dispute Resolution Procedure) received during 2020/21.

	Total
Compliments	106
Formal complaints (IDRP Stage 1) ¹	1
Formal complaints (IDRP Stage 2) ²	0
Other complaints ³	39

¹ The IDRPs Stage 1 complaint was against a decision made by the administering authority. The complaint was partially upheld.

² Any complaint that cannot be resolved under Stage 1 of the IDRPs may be escalated to Stage 2. No IDRPs Stage 2 complaints were received during 2020/21.

³ All other complaints were successfully resolved in-house and did not escalate to a formal complaint under provision of the IDRPs.

Member Self-Service

Peninsula Pensions encourages scheme members to sign up for Member Self-Service (MSS). This facility enables scheme members to:

- view pension records online;
- update personal information;
- submit and receive documents securely and effectively;
- view documents such as annual benefit statements, newsletters and pensioner payslips;
- calculate pension forecasts and estimates; and
- contact the team directly with any queries.

MSS has proved to be very popular with our members. It is easy to access and use, in addition to being a more environmentally friendly method of communication than post. As at 31st March 2021, approximately 50% of our active fund members have signed up for the service and 6% have opted out (Somerset Pension Fund only).

Member self-service can be accessed via the following link:

<https://members.peninsulapensions.org.uk/>

Pension payroll

Pensioner payroll services were provided by Peninsula Pensions.

Audit

All of the teams above are subject to regular internal audit review of processes and internal controls as well as review by external audit as part of their audit of the accounts of the fund.

The internal audit work for Somerset County Council and is provided by the South West Audit Partnership.

The internal audit work for Peninsula Pensions is provided by Devon Audit Partnership.

External audit work on all areas of the Fund is undertaken by Grant Thornton.

In addition to the audit work undertaken on the directly controlled operations of the Fund by auditors, the Fund requests from its external fund managers and the global custodian reports undertaken by audit companies on the robustness of their internal control environments.

Audit findings are reported regularly to the Somerset County Council Pensions Committee and Pension Board.

Asset pooling

Background

Since 2015, we have been working with nine other Administering Authorities to implement the Government's requirement to pool the management and investment of our assets with other Local Government Pension Scheme (LGPS) Funds.

The 2015 LGPS Investment Reform Criteria and Guidance set out how the Government expected LGPS funds to establish asset pooling arrangements and the objectives from pooling including: benefits of scale, strong governance and decision making, reduced costs and excellent value for money, and an improved capacity and capability to invest in infrastructure.

We established the Brunel Pension Partnership in conjunction with nine other LGPS Funds to meet this Government guidance and the requirements of the LGPS (Management and Investment of Funds) Regulations 2016. We launched our pooling delivery operator, the Brunel Pension Partnership Ltd (Brunel Ltd) on 18 July 2017 as a new company wholly owned by the ten Administering Authorities, including Somerset County Council Pension Fund. We own a 1/10th shareholding in Brunel Ltd.

Brunel Ltd obtained authorisation from the Financial Conduct Authority (FCA) in March 2018 to act as an investment manager and an investment advisor. Brunel Ltd met the Government's requirement for the Pool to become operational from April 2018 and the transition of assets to start.

Brunel Ltd is responsible for implementing our detailed Strategic Asset Allocation and those of its other nine partner Funds by providing and implementing a suitable range of outcome focused investment "portfolios". In particular, it researches and selects the professional external investment managers responsible for making the day to day investment decisions on the portfolios. In some cases, a portfolio will have a single external manager who provides the fund structure for a portfolio. In other cases, Brunel Ltd will allocate to a number of different externally managed funds. For active equities, Brunel Ltd has sponsored the creation of an authorised contractual scheme (ACS), in conjunction with an external fund operator (Fundrock), as this structure in these markets offers significant cost and tax benefits. Brunel Ltd is the investment manager of the ACS.

Importantly, Somerset County Council, through the Pensions Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel Ltd. We are also able to, and actively do, suggest new portfolios to Brunel Ltd and engage with Brunel Ltd on the structure and nature of existing portfolios.

Governance and oversight

The Somerset County Council Pension Fund is both a shareholder and a client of Brunel Ltd and as a client, we have the right to expect certain standards and quality of service. A detailed service agreement has been agreed which sets out the duties and responsibilities of Brunel Ltd, and our rights as a client. It includes a duty of care of Brunel Ltd to act in its clients' interests.

The Pension Committee recognises that the governance of the partnership is of the utmost importance to ensure our assets are invested well and our needs and those of our beneficiaries are protected. We have ensured that governance controls exist at several levels within Brunel Ltd as follows:

- As shareholders in Brunel Ltd, we entered into a shareholder agreement with the company and the other shareholders. This gives us considerable control over Brunel Ltd – several matters, including significant changes to the operating model, are special reserved matters requiring the consent of all shareholders, with other reserved matters requiring agreement across a majority of shareholders. Each of the ten participating Pension Funds has a 1/10th shareholding in Brunel Ltd.
- An Oversight Board comprising representatives from each of the Funds has a primary monitoring and oversight function. Meeting at least quarterly, it reviews and challenges papers from Brunel and interrogates its management. However, it cannot take decisions requiring shareholder approval, which are remitted back to each Fund individually. Sarah Payne (pensions committee member) represents the Fund on this Board. Two members representing Pension Fund members from the participating Funds also attend Oversight Board meetings.
- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Funds, but also drawing on finance and legal officers from time to time. It has a leading role in reviewing the implementation of pooling by Brunel, and provides a forum for discussing technical and practical matters, confirming priorities, and resolving differences. Client Group is also supported by a number of sub-groups, to delve deeper into detail. Anton Sweet represents the Fund and is co-vice chair of the overall client group, he also sits on the strategy and governance, finance and investments sub-groups. We also attend other sub-groups such as the operations or responsible investment sub-groups when required. The Client Group is also responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.
- A separate level of governance is provided by the Board of Directors at Brunel Ltd, which are appointed by ourselves and the other shareholders. It comprises five highly experienced and independent non-executive directors, chaired by Denise LeGal and three executive directors. Further information can be found on Brunel's website: www.brunelpensionpartnership.org/people
- Finally, as an authorised firm, Brunel Ltd has to meet the extensive requirements of the Financial Conduct Authority, which cover areas such as training and competency, policy and process documents, and internal controls.

Brunel Ltd operational delivery

The COVID-19 crisis has impacted the operational delivery of Brunel through 2020-21, largely by postponing transitions that were planned for spring and autumn 2020 to autumn 2020 and summer 2021 respectively. In all other respects Brunel has continued to deliver on the core objectives agreed by the clients.

In accordance with a revised timetable agreed across the partner Funds as part of the 2019/20 Brunel Ltd business plan process, it was anticipated that investment assets would be transitioned across from our existing investment managers to the portfolios managed by Brunel Ltd between July 2018 and around October 2021.

Despite the delays to this process caused by the pandemic Somerset largely completed its transition in June 2021. During the 2020-21 financial year Somerset had its first drawdowns on commitments to Brunel's private equity offering, we invested in the new Brunel global smaller companies fund and we transitioned our property unit trust holdings to being managed by Brunel. The process was substantially completed with the movement of our fixed income assets after the year end.

The Fund still has certain commitments to long term illiquid investment funds in private equity which will take longer to transition across to the new portfolios to be set up by Brunel Ltd. We will continue to manage these in partnership with Brunel Ltd until such time as they are liquidated, and capital is returned. It is anticipated that the in-house team will continue to manage the Fund's cash outside of Brunel Ltd for the foreseeable future.

Delivery against original business case

One of the key objectives for Brunel Ltd is to deliver the fee savings included in the original business case agreed across the ten partner Funds.

The Pensions Committee approved our participation in the Brunel Pension Partnership in July 2017, based on the detailed original business case and supported by appropriate legal and financial assurance. Overall, undiscounted potential fee savings across the pool were estimated at £550 million over the 20 year period (to 2036), of which the Fund's savings were projected to be around £27 million. We recognised that the project would incur initial setup costs, with the business case showing that the Somerset County Council Pension Fund would break even on a cumulative basis during 2024. For the overall pool, the breakeven date is 2023.

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The expected costs and savings for the Somerset County Council Pension Fund through to 2036, as per the original approved business case submitted to Government, are as follows:

	2016/ 2017 £ m	2017/ 2018 £ m	2018/ 2019 £ m	2019/ 2020 £ m	2020/ 2021 £ m	2021/ 2022 £ m	2022/ 2023 £ m	2023/ 2024 £ m	2024/ 2025 £ m	2025 to 2036 £ m	Total £ m
Set up costs	0.117	1.028									1.145
Ongoing Brunel Costs			0.400	0.517	0.534	0.552	0.569	0.588	0.607	8.115	11.882
Clients Savings			-0.040	-0.042	-0.043	-0.044	-0.045	-0.047	-0.048	-0.635	-0.944
Transition costs			1.257	1.805	0.010						3.072
Fee savings			0.008	-0.750	-1.295	-1.454	-1.630	-1.816	-1.945	-33.253	-42.135
Net costs / (realised savings)	<u>0.117</u>	<u>1.028</u>	<u>1.625</u>	<u>1.530</u>	<u>-0.794</u>	<u>-0.946</u>	<u>-1.106</u>	<u>-1.275</u>	<u>-1.386</u>	<u>-25.773</u>	<u>-26.980</u>

Set up costs

Included in the original business case were set up costs for 2016/17 and 2017/18, recognising that Brunel Ltd would go operationally live from April 2018. No additional set up costs were incurred in 2020/21. The cumulative total of set up costs is shown below:

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	Cumulative £ millions
Recruitment	0.018
Legal	0.133
Consulting, Advisory & Procurement	0.082
Other support Costs e.g.IT, accommodation	0.000
Share Purchase / Subscription Costs	0.840
Other Working Capital Provided e.g. loans	0.000
Staff Costs	0.000
TOTAL SET UP COSTS	1.073

Transition costs

The transition costs for 2020/21 are for our smaller companies equity. Transition costs are summarised in the table below:

	2020/2021			Cummulative to date £ millions
	Direct £ millions	Indirect £ millions	total £ millions	
Transition Fee	0.000	0.060	0.060	0.144
Tax	0.000	0.055	0.055	0.887
Other Transition Costs	0.000	1.305	1.305	4.313
	<u>0.000</u>	<u>1.420</u>	<u>1.420</u>	<u>5.344</u>

Investment Fee savings

A summary of fee savings for the 2020/21 financial year are provided below.

Portfolio	Value in original business case (31 March 2016) £ millions	Value 31 March 2021 £ millions	Price variance £ millions	Quantity variance £ millions	Total Savings £ millions
Global passive equity	383.102	681.900	0.003	-0.018	-0.015
Active UK equity	363.467	450.502	0.162	-0.096	0.066
Global high alpha equity	274.912	360.872	0.168	-0.193	-0.025
Smaller companies equity	0.000	184.984	0.097	-0.616	-0.519
Emerging market equity	60.977	122.078	-0.189	-0.107	-0.296
Property	181.893	174.870	0.123	0.005	0.128
Private equity*			0.041	0.000	0.041
Total			0.405	-1.025	-0.620

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*Private equity fees and savings are based on committed capital, not the actual value of investments.

For the smaller companies equity portfolio this represents a partial year saving as the fund transitioned in September 2020. For the property portfolio this is also a partial year effect as the fund transitioned in November 2020.

Expected verses actual costs and savings to date

A summary of the costs and savings to date compared to the original business case is provided in the following table.

	2019/20				2020/21			
	Budget		Actual		Budget		Actual	
	In year	Cumulative	In year	Cumulative	In year	Cumulative	In year	Cumulative
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Set up costs	0.000	1.145	0.000	1.073	0.000	1.145	0.000	1.073
Ongoing Brunel Costs	0.517	0.917	0.979	1.545	0.534	1.451	0.991	2.536
Clients Savings	-0.042	-0.082	0.000	0.000	-0.043	-0.125	0.000	0.000
Transition costs	1.805	3.062	1.526	3.925	0.010	3.072	1.420	5.345
Fee savings	-0.750	-0.742	-0.170	-0.227	-1.295	-2.037	-0.405	-0.632
Net costs / (realised savings)	1.530	4.300	2.335	6.316	-0.794	3.506	2.006	8.322

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The most significant variances from the original business case can be summarised as follows:

- Fee savings in 2020/21 are lower as a result of slower than anticipated transitioning to Brunel portfolios and transitions being more expensive, although this is partly due to higher than forecast asset levels.
- Additional resources have been required by Brunel over and above those envisaged by the original business case, in order to deliver the service required by their clients. As a result, the ongoing overhead costs of the Brunel company are higher than originally estimated.
- The slower than expected transitions has delayed the realisation of internal savings.

Ongoing monitoring of Brunel Ltd against business case

Now that Brunel Ltd is operational, ensuring that the financial performance of the pool is monitored and that Brunel Ltd is delivering on the key objectives of investment pooling is vital. This includes reporting of the costs associated with the appointment and management of Brunel Ltd (our pool company) including set up costs, investment management expenses and the oversight and monitoring of Brunel Ltd by the client funds. This is reinforced through CIPFA, the accounting standards body, which has published recommended guidance for disclosing these costs. We have reported using this guidance above.

The Pensions Committee takes its role as both Shareholder and Client of Brunel Ltd very seriously, as part of its fiduciary and legal obligations to act in the best interests of members. Progress on the implementation of Brunel Ltd, our asset transitions and the business case/business plan are discussed at every Pensions Committee meeting.

Ensuring that Brunel Ltd deliver against the original business case, as a minimum, is of critical importance to the Pensions Committee. We have highlighted above how the Somerset County Council Pension Fund is represented through the governance of Brunel Ltd and how we work with our other partner Funds to achieve this. At all stages and levels there is monitoring and assurance processes around cost control. Regular financial reporting is provided through Client Group and the Oversight Board.

We are pleased that Brunel Ltd has signed up to the Cost Transparency Initiative, and the Pensions Committee are keen to ensure that this is implemented effectively, to improve disclosure and transparency

The ongoing transition of our assets, management of costs and working closely with our partner Funds and Brunel Ltd will continue to be a key focus for the Committee throughout 2021/22.

Further information regarding Brunel Ltd can be found on their website:

<https://www.brunelpensionpartnership.org/>

Fund managers

Under the regulations, we must consider:

- **the need to invest in a wide range of investment areas;**
- **the suitability of investments; and**
- **getting proper advice.**

The fund is divided into sub-funds for investment-management purposes.

In-house

Global Equity Portfolio

Aim

To track the benchmark.

Benchmark

FTSE All-World Developed Index. This index contains over 2,000 companies from the 25 countries that FTSE have defined as 'developed'.

Type of investments

Equities. A percentage of these investments are overseas.

Method

Since this fund has a passive investment style, a quantitative analysis system is used to identify suitable equity stocks and how much of each stock to hold.

Allocation of the fund

Zero. The majority of this fund transferred to a Brunel run portfolio in July 2018. It was effectively closed in March 2021 with only two holdings remaining at 31 March 2021.

Appointed

The pension fund has been running an in-house tracking fund since February 1991.

Cash Portfolio

Aim

To outperform Sterling deposit rates

Benchmark

Bank of England Base Rate

Type of Investments

Cash deposits and Money Market Funds

Allocation of the fund

The target allocation is 1% of the whole fund.

Appointed

The in-house team have been running the Sterling cash fund since at least 1990

Aberdeen Standard Investments

UK equity portfolio

Aim

To outperform the benchmark by an annualised return of 1.75% over continuous three-year periods after Aberdeen Standard's fees have been deducted.

Benchmark

FTSE All-Share index.

Type of investments

UK equities

Allocation of the fund

The target allocation is 20% of the whole fund to UK equity, the majority of this money moved to a Brunel run portfolio in November 2018. The remaining exposure is in a UK smaller companies fund.

Appointed

July 2004

Fixed-income portfolio

Aim

To outperform the benchmark by an annualised return of 0.75% over continuous three-year periods after Aberdeen Standard's fees have been deducted.

Benchmark

22% FTSE Actuaries UK government all-stock gilt total return index

21% FTSE Actuaries UK government index-linked all-stocks total return index

42% iBoxx Sterling non-gilt over 10-year total return index

15% Merrill Lynch European Currency High Yield Index

Type of investments

Bonds

Allocation of the fund

The target allocation is 19% of the whole fund.

Appointed

February 2008

Nomura Asset Management

Aim

To outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after Nomura's fees have been deducted.

Benchmark

TOPIX Index

Type of investments

Japanese equities

Allocation of the fund

Zero. The remaining allocation to Nomura was transitioned to Brunel in September 2020

Appointed

March 2010

Maple-Brown Abbott

Aim

To outperform the benchmark by an annualised return of 1.5% over continuous three-year periods after Maple-Brown Abbott's fees have been deducted.

Benchmark

FTSE All-World Developed Asia Pacific ex-Japan Index

Type of investments

Far East equities. This will mainly be equities listed in South Korea, Hong Kong, Singapore, Australia and New Zealand, but other Asian countries are allowed.

Allocation of the fund

Zero. The remaining allocation to Maple-Brown Abbott was transitioned to Brunel in September 2020

Appointed

July 2014, prior to this the portfolio was managed by the in-house team on a passive basis.

LaSalle Investment Management

Aim

To outperform the benchmark by an annualised return of 0.5% over continuous three-year periods after LaSalle's fees have been deducted.

Benchmark

MSCI/AREF All Balanced Funds Index

Type of investments

Property unit trusts

Allocation of the fund

The target allocation is zero. One European fund remains under LaSalle management, all other assets were transitioned to Brunel in October 2020

Appointed

February 2004 (as Aviva)

Neuberger Berman

Aim

To outperform global equity stock markets over the life of each private equity fund.

Benchmark

Cash returns. This is the normal benchmark for private equity investments.

Type of investments

Companies that are not listed on stock exchanges

Allocation of the fund

The target allocation to private equity 5% of the whole fund spread between Neuberger Berman and Brunel. The existing funds with Neuberger Berman will run off over a number of years and be reinvested with Brunel.

Appointed

March 2010

Brunel Pension Partnership

Passive global equity portfolio

Aim

To track the benchmark.

Benchmark

FTSE All-World Developed Index. This index contains over 2,000 companies from the 25 countries that FTSE have defined as 'developed'.

Type of investments

Equities. A percentage of these investments are overseas.

Underlying fund manager

Brunel has employed LGIM to manage this portfolio on its behalf.

Allocation of the fund

The target allocation is 30% of the whole fund to passive global equity.

Appointed

July 2018

UK equity portfolio

Aim

To outperform the benchmark by an annualised return of 2% over continuous three to five-year periods after fees have been deducted.

Benchmark

FTSE All-Share index excluding investment trusts.

Type of investments

UK equities

Underlying fund manager

Brunel has employed Baillie Gifford and Investec to manage this portfolio on its behalf.

Allocation of the fund

The target allocation is 20% of the whole fund to UK equity.

Appointed

November 2018

Global high alpha equity portfolio

Aim

To outperform the benchmark by an annualised return of 2% to 3% over continuous three to five-year periods after fees have been deducted.

Benchmark

MSCI world index.

Type of investments

Equities. A percentage of these investments are overseas.

Underlying fund managers

Brunel has employed Alliance Bernstein, Baillie Gifford, Fiera Capital, Harris Associates and Royal London to manage this portfolio on its behalf.

Allocation of the fund

The target allocation is 10% of the whole fund.

Appointed

November 2019

Global smaller companies equity portfolio

Aim

To outperform the benchmark by an annualised return of 2% over continuous three to five-year periods after fees have been deducted.

Benchmark

MSCI world small cap index.

Type of investments

Smaller company equities

Underlying fund manager

Brunel has employed American Century, Kempen and Montanaro to manage this portfolio on its behalf.

Allocation of the fund

The target allocation is 5% of the whole fund.

Appointed

September 2020

Emerging market equity portfolio

Aim

To outperform the benchmark by an annualised return of 2% to 3% over continuous three to five-year periods after fees have been deducted.

Benchmark

MSCI Emerging Markets index.

Type of investments

Emerging market equities

Underlying fund manager

Brunel has employed Genesis, Investec and Wellington to manage this portfolio on its behalf.

Allocation of the fund

The target allocation is 5% of the whole fund.

Appointed

October 2019

Property portfolio

Aim

To outperform the benchmark by an annualised return of 0.5% over continuous five to seven-year periods after fees have been deducted.

Benchmark

MSCI/AREF UK quarterly property fund index.

Type of investments

Property funds (such as unit trusts)

Allocation of the fund

The target allocation is 10% of the whole fund.

Appointed

October 2020

Private Equity

Aim

To outperform the benchmark by an annualised return of 3% over continuous seven to ten-year periods after fees have been deducted.

Benchmark

MSCI all countries world index.

Type of investments

Companies that are not listed on stock exchanges

Allocation of the fund

The target allocation to private equity 5% of the whole fund spread between Neuberger Berman and Brunel. All new investments will be made via Brunel.

Appointed

January 2021

As well as the funds mentioned previously the pension fund has a small interest in the South West Regional Venture Capital Fund, which is managed by Technology Venture Partners LLP. For a table showing the split of the assets by fund manager at the date of the net asset statement, see note 16 of the accounts.

Other experts

We need to work with a number of experts to provide functions that are needed under various regulations.

Custodian – JP Morgan

Custody services manage the records of the fund's cash and security investments and track and settle the investment transactions of the fund's appointed investment managers.

JP Morgan has been the fund's custodian since August 2012.

Custodian – State Street

State Street provide custody for those assets which are managed by Brunel Pension Partnership

State Street has been the Brunel's custodian since July 2018.

Bank – NatWest

NatWest have been providing all of the standard banking requirements to the fund since these were split from Somerset County Council's bank accounts in March 2010.

Auditors – Grant Thornton

The role of the auditor is to test the accounts and confirm that they give a true and fair view of the fund's financial position.

Grant Thornton became the auditor of the Fund in 2012.

Actuary – Barnett Waddingham

The role of the actuary is to give the fund information about the fund's liabilities and the best way to meet them. Every three years, the actuary carries out a formal valuation of the fund, which shows how the fund's liabilities relate to its assets and recommends suitable rates of employers' contributions to prevent any shortfall in future years.

Barnett Waddingham has been the fund's actuary since April 2006.

Legal advisor – Osborne Clarke

The role of the legal advisor is to provide independent advice on legal matters affecting the fund.

Osborne Clarke was appointed as legal advisor to the fund in October 2006.

Voting advice – Pensions Investment Research Consultants (PIRC)

PIRC provides us with background information about proposed votes at company meetings, along with a recommendation on how to vote in line with best corporate-governance practice. The in-house managed funds use this information and PIRC's recommendations to help us decide how to vote.

Shareholder engagement on socially responsible investment and corporate governance – The Local Authority Pension Fund Forum (LAPFF)

Our fund is committed to working with companies to improve their awareness of environmental and social issues. LAPFF is the UK's leading collaborative shareholder engagement group. Formed in 1990, LAPFF brings together 72 local authority pension funds from across the country with combined assets of over £200 billion. It aims to bring about improvements in the way companies are run, such as improvements in corporate governance, of the companies in which member funds invest. LAPFF is also concerned with promoting corporate social responsibility on environmental issues and issues relating to overseas employment standards. It does this by working with company boards to encourage them to improve standards.

The fund is also a member of the Pensions and Lifetime Savings Association (PLSA)

Contributions and benefits

The Local Government Pension Scheme (LGPS) has been approved under the Local Government Superannuation Act 1972 and has been updated on a number of occasions since. The most recent version of the scheme is a Career Average Revalued Earnings (CARE) scheme which was introduced from 1st April 2014.

As an administering authority, we must maintain a pension fund for all the County Council's relevant employees (other than teachers) and those of all local-government staff in our area.

The fund also includes civilian employees of the Avon and Somerset Police and the employees of further-education colleges and academy schools. Employees of certain other organisations (town councils, for example) have a right to be included. We have agreed to admit a number of other organisations, including several housing associations.

The fund is financed by contributions from employees and employers, together with interest and other income earned from investing funds not needed to meet pension payments in the short term.

Employees' contributions are fixed by government regulation. Employers' contributions are assessed by the fund's actuary every three years, but are reviewed every year to take account of early retirements.

Contributions

Employees – Tiered contribution rates depending on actual pay received, with nine contribution bands ranging from 5.5% to 12.5%.

Contribution rate	Salary range 2019-2020	Salary range 2020-2021	Salary range 2021-22
5.50%	£0 to £14,400	£0 to £14,600	£0 to £14,600
5.80%	£14,401 to £22,500	£14,601 to £22,800	£14,601 to £22,900
6.50%	£22,501 to £36,500	£22,801 to £37,100	£22,901 to £37,200
6.80%	£36,501 to £46,200	£37,101 to £46,900	£37,201 to £47,100
8.50%	£46,201 to £64,600	£46,901 to £65,600	£47,101 to £65,900
9.90%	£64,601 to £91,500	£65,601 to £93,000	£65,901 to £93,400
10.50%	£91,501 to £107,700	£93,001 to £109,500	£93,401 to £110,000
11.40%	£107,701 to £161,500	£109,501 to £164,200	£110,001 to £165,000
12.50%	More than £161,501	More than £164,201	More than £165,001

Employers – Separate rates apply to the major employing authorities, to make sure the actuarial requirements are met and are expressed as a percentage of employees' pensionable pay, sometimes with an additional cash value payment.

	2019/2020		2020/2021		2021/2022		2022/2023	
	% of Payroll	Cash payment £m	% of Payroll	Cash payment £m	% of Payroll	Cash payment £m	% of Payroll	Cash payment £m
Common fund rate	22.9%	0.000	24.3%	0.000	24.3%	0.000	24.3%	0.000
Somerset County Council	15.5%	12.806	18.1%	9.330	18.1%	9.670	18.1%	10.030
Mendip District Council	14.9%	0.854	17.3%	0.810	17.3%	0.840	17.3%	0.870
Sedgemoor District Council	14.9%	1.630	18.7%	1.410	18.7%	1.470	18.7%	1.520
South Somerset District Council	16.1%	1.659	17.6%	1.360	17.6%	1.410	17.6%	1.460
Somerset West & Taunton	15.4%	2.518	17.5%	2.140	17.5%	2.220	17.5%	2.300
Avon and Somerset Police	13.2%	2.944	16.3%	2.260	16.3%	2.340	16.3%	2.420
Further education colleges	13.8% to 16.2%	Variable	16.3% to 19.9%	Variable	16.3% to 19.9%	Variable	16.3% to 19.9%	Variable
Academies	20.9%	0.000	23.7%	0.000	23.7%	0.000	23.7%	0.000
Town councils	17.8%	Variable	20.3%	Variable	20.3%	Variable	20.3%	Variable
Admitted organisations	9.3% to 24.4%	Variable	12.8% to 28.4%	Variable	12.8% to 28.4%	Variable	12.8% to 28.4%	Variable

A full actuarial valuation of the fund was carried out as at 31 March 2019 and this showed a funding level of 86%. This was higher than the level at the 2016 valuation. Despite an increase in the funding level at the 2019 valuation there were increases in the contribution rates of most of the employers within the fund. Most employers have been asked to make payments towards the funding deficit as prescribed cash amounts rather than as a percentage of payroll. This approach has been taken to ensure the deficit reduction plan is not affected by changes in the size of the employee base as local government undergoes a period of considerable change.

A further valuation of the fund is due using data from 31 March 2022. This will set employers' contribution rates for the following three years and confirm the funding level.

The benefits structure of the fund is set by government legislation and the fund has no discretion over this.

Major benefits

- A pension calculated at 1/80th of final salary for each year of service for pre-April 2008 service;
- A pension calculated at 1/60th of final salary for each year of service for service between April 2008 and March 2014;
- A pension calculated on 1/49th of actual pay for each year of service from April 2014 to provide a pension based on CARE (Career Average) salary;
- The revaluation of earnings as part of the CARE calculation will be based on CPI;
- Normal retirement age for post April 2014 service synchronised with state retirement age, Normal retirement age for pre-April 2014 service is 65;
- Up to 25% of the pension can be exchanged for a tax-free lump sum, 3/80th of pre-April 2008 service will be paid as a lump sum;
- Lump-sum death benefits of three times pay for death in service;
- Lump-sum cover for death after retirement of a guarantee of 10 times' annual pension;
- An ill-health retirement package with three levels of benefits depending on the seriousness of the individual's illness;
- A nominated partner's pension and dependent children's pensions; and
- Pensions that are protected from inflation through the Pensions (Increase) Acts.

Other benefits

- Scheme members can 'top up' their pension benefits by paying additional contributions. This facility has become more popular – both through the in-house scheme 'added benefits' facility and the in-house additional voluntary contributions (AVCs) plan. Prudential are now the fund's AVC provider, although a few members continue with their existing arrangements with Equitable Life.

There is a so called 50/50 option where an employee can chose to pay half the contributions but will accrue half of the benefits.

All local-government pensions are protected against inflation under the public-sector index-linking arrangement. The increase applied from April 2018 was 3.0% and the increase applied from April 2020 was 1.7%.

For more details of the current benefits visit the LGPS members' website: www.LGPSmember.org

Principles and policies

The statements, policies and principles listed below are those that were in place at 31st March 2021.

Funding strategy statement

Introduction

This is the Funding Strategy Statement for the Somerset County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and describes Somerset County Council's strategy, in its capacity as administering authority, for the funding of the Somerset County Council Pension Fund (the Fund).

The Fund Actuary, Barnett Waddingham LLP, has been consulted on the contents of this Statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance issued by CIPFA.

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purposes of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purposes of the Fund are to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective.

Key parties

The key parties involved in the funding process and their responsibilities are as follows:

The administering authority

The administering authority for the Fund is Somerset County Council. The main responsibilities of the administering authority are to:

- Operate the Fund;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers, including admission bodies, participate in the Fund.

The responsibilities of each Scheme employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Department of Communities and Local Government (DCLG).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2016. A summary of the methods and assumptions adopted is set out in the sections below.

The actuarial valuation involves a projection of future cash flows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date (past service) and benefits in respect of service expected to be completed after the valuation date (future service). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as primary rate as defined in Regulation 62(5) of the Regulations) which is the level of contributions required from the individual employers which, in combination with employee contributions is expected to support the cost of benefits accruing in future.

The key feature of this method is that, in assessing the future service cost, the primary contribution rate represents the cost of one year's benefit accrual.

For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract of the remaining expected working lifetime of active members.

Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (RPI). The RPI assumption adopted as at 31 March 2016 was 3.3% p.a.

Future pay inflation

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2016 was CPI plus 1.5%, with a short-term assumption in line with CPI for the period to 31 March 2020. An allowance has also been made for promotional increases.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 0.9% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2016 was 2.4% p.a.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values. The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate. The discount rate adopted for the 31 March 2016 valuation was 5.4% p.a.

For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the Scheme employer becomes an exiting employer under Regulation 64.

The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for closed employers may be to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis if the Fund do not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date.

Asset valuation

For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date.

Statistical assumptions

The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of all of the assumptions adopted are included in the latest actuarial valuation report.

2016 valuation results

As at 31 March 2016, as calculated at the 2016 valuation, the Fund was 77% funded, corresponding to a deficit of £461m.

The primary rate required to cover the employer cost of future benefit accrual was 15.0% of payroll p.a.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.

The recovery periods adopted for the employers in the Fund for the 2016 valuation varied from 3 years to 24 years. The period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst, recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

In the event of a dispute regarding the pooling of individual employers the administering authority will consult with all relevant employers and the fund's actuary before making a decision in the best interests of the fund, which will be binding on all relevant employers.

Cessation valuations

When a Scheme employer exits the Scheme and becomes an exiting employer, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as an exit payment, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.

In assessing the financial position on termination, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll.

However, the Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters. In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.

However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. The tax status of the invested assets is also determined by the Government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

Governance

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
June 2017**

Investment strategy statement

1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

The regulations provide a prudential framework, within which administering authorities are responsible for setting their policy on asset allocation, risk and diversity. The Investment Strategy Statement will therefore be an important governance tool for the Somerset Fund as well as providing transparency in relation to how Fund investments are managed.

The Somerset CC Pension Fund's primary purpose is to provide pension benefits for its members. The Fund's investments will be managed to achieve a return that will ensure the solvency of the Fund and provide for members' benefits in a way that achieves long term cost efficiency and effectively manages risk. The Investment Strategy Statement therefore sets out a strategy that is designed to achieve an investment return consistent with the objectives and assumptions set out in the Fund's Funding Strategy Statement.

The Fund aims to be a long term investors, it seeks to invest in productive assets that contribute to economic activity, such as equities, bonds and real assets. The Fund diversifies its investments between a variety of different types of assets in order to manage risk.

The Investment Strategy Statement will set out in more detail:

- The Somerset Fund's assessment of the suitability of particular types of investments, and the balance between asset classes.
- The Somerset Fund's approach to risk and how risks will be measured and managed, consistent with achieving the required investment return.
- The Somerset Fund's approach to pooling and its relationship with the Brunel Pension Partnership.
- The Somerset Fund's policy on how social, environmental or corporate governance considerations are taken into account in its investment strategy, including its stewardship responsibilities as a shareholder and asset owner.

Under the previous regulations the Fund was required to comment on how it complied with the Myners Principles. These were developed following a review of institutional investment by Lord Myners in 2000, and were updated following a review by the National Association of Pension Funds in 2008. While a statement on compliance with the Myners Principles is no longer required by regulation, the Somerset CC Pension Fund considers the Myners Principles to be a standard for Pension Fund investment management. A statement on compliance is included at Annex 1.

This statement will be reviewed by the Pensions Committee at least triennially, or more frequently should any significant change occur.

2. Investment strategy and the process for ensuring suitability of investments

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations.

In line with the Fund's Funding Strategy Statement, the committee has set an objective of the fund being at or above a 100% funding level, as calculated by the fund's actuary at the triennial valuation, so that it can meet its current and future liabilities.

In order to meet these overriding objectives the Fund maintains an investment strategy so as to:

- Maximise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met;
- Contribute towards achieving and maintaining a future funding level of 100%;
- Enable employer contribution rates to be kept as stable as possible.

The Fund has the following investment beliefs which help to inform the investment strategy derived from the decision making process.

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance are important factors for the sustainability of investment returns over the long term. More detail on this is provided in Section 5.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- Active management can add value to returns, albeit with higher short-term volatility.

The Pensions Committee annually adopts a target return for the investment funds as a whole. This target return is set with specific reference to the investment return assumed by the actuary as part of the valuation process and therefore explicitly links the Fund's targeted level of return with achieving and maintaining a future funding level of 100%.

In order to translate the above objectives and beliefs into a set of investment mandates for practical management of the investments the Pension Committee have created a customised benchmark for the Fund. The customised benchmark is an amalgamation of specific benchmarks for each investment mandate, which is then given to an investment manager (internal or external) for day to day management.

The customised benchmark sets out the intended long term weighting to various types of investment (or asset classes), such as equities, bonds and property and reflects the Pension Fund's investment strategy. The customised benchmark seeks to balance the affordability of contributions with the risk of different types of investments.

The Investment strategy and customised benchmark are reviewed by the Pensions Committee annually to ensure they continue to meet the Fund's investment objectives.

The Actuary considers the Pension Fund's assets in broad terms – growth assets and stabilising assets. The table below splits the customised benchmark between these categories, along with an overview of the role each asset plays:

Asset Class	Strategic Allocation	Role(s) within the strategy	Geography	Currency
Equities				
Global Passive	23%	Growth Inflation protection	Diversified	Diversified
UK Active	23%	Growth Inflation protection	UK	GBP
US Passive	5%	Growth Inflation protection	US	USD
Europe Active	5%	Growth Inflation protection	Europe ex-UK	Diversified
Japan Active	3%	Growth Inflation protection	Japan	JPY
Far East Active	3%	Growth Inflation protection	Diversified	Diversified
Emerging Market Active	5%	Growth Inflation protection	Diversified	Diversified
Total	67%			
Maximum	100%			

Bonds				
UK Gov't Bonds	4%	Stabilising	UK	GBP
UK Gov't Index linked bonds	4%	Stabilising Inflation protection	UK	GBP
Investment Grade corporate bonds	8%	Stabilising	Diversified	GBP
High yield bonds	3	Stabilising	Diversified	Diversified
Total	19%			
Maximum	100%			
Alternatives				
Property	10%	Growth Inflation protection	UK	GBP
Private equity	3%	Growth	Diversified	Diversified
Total	13%			
Maximum	25%			
Cash				
Cash	1%	Liquidity	UK	GBP
Total	1%			
Maximum	100%			

The Fund's benchmark currently includes a significant holding in 'growth' assets, specifically equities, reflecting its need for higher returns than from government bonds in the long term. These long term returns form part of the Actuary's assumptions and mean that employer contributions can be kept lower.

Actual asset allocation varies over time through the impact of market movements and cash flows. The overall balance is monitored regularly by officers and they have delegated authority to rebalance the assets taking into account market conditions and other relevant factors. The actual asset allocation and the actions taken by officers are reported to the Pensions Committee regularly.

As well as monitoring asset allocation officers also regularly monitor the largest single asset exposures and concentrations to ensure inappropriate exposures do not occur.

As there is a strong internal monitoring mechanism in place it is not deemed necessary to place an upper limit on the exposure of the fund to assets that are readily realisable such as assets listed on a regulated exchange or pooled funds that provide daily dealing. This is reflected in the maximum exposures of 100% quoted in the table above although it is not anticipated that this is likely to occur in anything but the most extreme circumstances. For assets that are illiquid, such as property and private equity funds a limit of 25% of the total value of the fund has been set.

Each manager mandate clearly states what assets can be invested in and where appropriate limits on certain asset types, this is monitored by officers for compliance. The Fund can invest in the following asset types:

- listed stocks, shares and warrants of companies;
- listed government and corporate bonds;
- futures and options;
- spot and forward currency contracts;
- cash deposits with suitable banks and building societies;
- stock-lending arrangements;
- unlisted collective investment schemes such as unit trusts and investment companies;
- limited liability partnerships (LLPs) ; and
- unlisted shares.

3. Risk measurement and management

Successful investment involves taking considered risks, acknowledging that the returns achieved will to a large extent reflect the risks taken. There are short-term risks of loss arising from default by brokers, banks or custodians but the Fund is careful only to deal with reputable counter-parties to minimise any such risk.

Longer-term investment risk includes the absolute risk of reduction in the value of assets through negative returns (which cannot be totally avoided if all major markets fall). It also includes the risk of under-performing the Fund's performance benchmark (relative risk).

Different types of investment have different risk characteristics and have historically yielded different rewards (returns). Equities (company shares) have produced better long-term returns than fixed interest stocks but they are more volatile and have at times produced negative returns for long periods.

In addition to targeting an acceptable overall level of investment risk, the Committee seeks to spread risks across a range of different sources, believing that diversification limits the impact of any single risk. The Committee aims to take on those risks for which a reward, in the form of excess returns, is expected over time.

The key investment risks that the Fund is exposed to are:

- The risk that the Fund's growth assets in particular do not generate the returns expected as part of the funding plan in absolute terms.
- The risk that the Fund's assets do not generate the returns above inflation assumed in the funding plan, i.e. that pay and price inflation are significantly more than anticipated and assets do not keep up.
- That there are insufficient funds to meet liabilities as they fall due.
- That active managers underperform their performance objectives.

At Fund level, these risks are managed through:

- Diversification of investments by individual holding, asset class and by investment managers.
- Explicit mandates governing the activity of investment managers.
- The appointment of an Independent Investment Advisor.

The external investment managers can control relative risk to a large extent by using statistical techniques to forecast how volatile their performance is likely to be compared to the benchmark.

The Fund is also exposed to operational risk; this is mitigated through:

- The use of a Global Custodian for custody of assets.
- Having formal contractual arrangements with investment managers.
- Comprehensive risk disclosures within the Annual Statement of Accounts.
- Internal and external audit arrangements.

The Fund maintains a risk register which is considered by the Pensions Committee regularly and updated as necessary. The risk register considers a number of non-investment risks such as funding risk, employer covenant risk, regulatory risk and operational risks.

The Fund's Funding Strategy Statement specifically covers the risks with respect to Funding and how these are managed by the Fund.

4. Approach to asset pooling

The Somerset Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd). This is currently work in progress with the intention of meeting the Government's requirement for the pool to become operational and for the first assets to transition to the pool from April 2018.

Once the Brunel Pension Partnership Ltd. is established the Somerset Pension Fund, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd.

The Brunel Pension Partnership Ltd will be a new company which will be wholly owned by the Administering Authorities. The company will seek authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It will be responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. The Somerset fund will be a client of BPP Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement is being drafted which will set out the duties and responsibilities of BPP Ltd, and the rights of Somerset Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

An Oversight Board will be established. This will be comprised of representatives from each of the Administering Authorities. It will be set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function. Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

Somerset County Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Fund's existing investment managers to the portfolios managed by BPP Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above (approximately 2020), it is envisaged that all of the Fund's assets except certain cash holdings will be invested through BPP Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd. These assets will be managed by the Fund in partnership with BPP Ltd. until such time as they are liquidated, and capital is returned.

5. Social, environmental and corporate governance policy

The Fund has a fiduciary duty to seek to obtain the best financial return that it can for its members. This is a fundamental principle, and all other considerations are secondary. However, the Fund is also mindful of its responsibilities as a long term shareholder, and the Pensions Committee regularly considers the extent to which it wishes to take into account social, environmental or ethical issues in its investment policies. The Fund's policy is to support engagement with companies to effect change, rather than disinvestment.

In the light of that overarching approach the following principles have been adopted:

- The Fund seeks to be a long term responsible investor. The Fund believes that in the long term it will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long term sustainable success of the global economy and society.
- Social, environmental and ethical concerns will not inhibit the delivery of the Fund's investment strategy and will not impose any restrictions on the type, nature of companies/assets held within the portfolios that the Fund invests in. For example, the Fund will not require any form of dis-investment from fossil fuels, tobacco or such like.
- It is recognised, however, that the interests of investors on social etc. grounds may coincide with those solely on investment grounds in which case there will be no conflict of interest. Indeed, the Committee believes that in the long run, socially responsible and fiduciary investment will tend to come together since adverse performance on social, environmental or ethical issues will ultimately be reflected in share prices.
- The Fund will seek to engage (through the Brunel Pension Partnership, its asset managers or other resources) with companies to ensure they can deliver sustainable financial returns over the long-term as part of comprehensive risk analysis. In the example of fossil fuels, this will mean engaging with oil companies on how they are assessing their business strategy and capital expenditure plans to adapt to changes in cost base and regulation that will ensure the continued delivery of shareholder returns in the medium to long term. Engagement with companies is more likely to be successful if the Fund continues to be a shareholder.
- Although social, environmental and ethical issues rarely arise on the agendas of company Annual General Meetings, where an issue does arise the Council's investment managers will vote in accordance with the Fund's interest on investment grounds.
- The Fund recognises the risks associated with social, environmental and governance (ESG) issues, and the potential impact on the financial returns if those risks are not managed effectively. The Fund therefore expects its investment managers to monitor and manage the associated risks. As the Fund moves towards the new arrangements for the pooling of investments it will work with its partners in the Brunel pool and the Brunel Pension Partnership Limited company to ensure that robust systems are in place for monitoring ESG risk, both at a portfolio and a total fund level, and that the associated risks are effectively managed.

6. Policy of the exercise of rights (including voting rights) attaching to investments

The Fund recognises its responsibility as an institutional investor to support and encourage good corporate-governance practices in the companies it invests in. The committee considers that good corporate governance can contribute to business health and success by encouraging boards, shareholders and other stakeholders to answer to each other. Good corporate governance also plays an important part in encouraging corporate responsibility to shareholders, employees and wider society.

The Fund is fully supportive of the UK Stewardship Code, published in July 2010, and the Pensions Committee accepts the rights and responsibilities that attach to being a shareholder and will play an active role in overseeing the management of the companies in which it invests. The Fund is a signatory to the Code and a copy of the Funds most recent Stewardship Statement can be found within the Fund's annual report on the SCC website: <http://www.somerset.gov.uk/information-and-statistics/financial-information/budgets-and-accounts/>

The Funds policy on the exercise of voting rights is:

- To vote on all resolutions at company meetings where the fund holds shares in UK companies and where practically possible for shares in overseas companies.
- To give external investment managers the power to vote on our behalf in line with their own process and policy, which we review, within industry standards and the principles of this statement.
- For the in-house managed funds, to receive external advice from a specialist organisation on voting issues and to follow their recommendations in voting on all resolutions where practically possible. This service is currently provided PIRC Ltd.

External investment managers are required to report on their voting activity as part of their standard quarterly reporting. A summary of the Fund's voting activity is reported to the Pensions Committee twice a year.

The Fund's voting rights are an asset and will be used to further the long-term interests of the Fund's objectives. As a general principle, votes will be used to:

- Protect shareholder rights.
- Reduce, as far as possible, risk to companies from corporate governance failing.
- Improve long-term value.
- Encourage corporate social responsibility.

As part of the Brunel Pension Partnership (BPP) we are actively exploring opportunities to enhance our stewardship activities. More information is on the BPP website:

<https://www.brunelpensionpartnership.org/>

7. Advice taken

This Investment Strategy Statement has been put together by Somerset County Council's professional investment officers, supported by the Fund's Independent Investment Advisor.

The Fund has committed to pooling investments through the Brunel Pension Partnership Limited (BPP Ltd.), and advice from the Brunel Client Officer Group project team has also been taken into account in shaping the Fund's response to the pooling initiative and building an investment strategy that can be implemented via BPP Ltd. once it becomes operational.

The Brunel Client Officer Group has provided support with regard to the impact on strategy of the investment pooling proposals. The group comprises the investment officers from the Avon Pension Fund (Bath and NE Somerset Council), Buckinghamshire CC, Cornwall Council, Devon CC, Dorset CC, Gloucestershire CC, Oxfordshire CC, Somerset CC, Wiltshire Council and the Environment Agency.

8. Arrangements for reviewing this statement

The guidance requires that the Investment Strategy Statement should be revised at least every three years, and when any significant changes are made to the Fund's investment strategy.

This Investment Strategy Statement will be regularly reviewed by the pensions committee, particularly to ensure it continues to meet all regulatory and statutory requirements. Where there is significant change to the Statement the pensions committee will consult relevant stakeholders, particularly the Pension Board, prior to amending the policy.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
June 2017**

Annex 1

Working in line with Myners

In 2000, the UK Government ordered a review of institutional investment in the UK. The review was carried out by Paul Myners, the chairman of a large fund-management group, and his findings were published in March 2001.

Myners sets out a number of principles of best practice and recommends that pension funds should set out what they are doing to apply these principles. In response to Myners' proposals, the Government issued a set of 10 investment principles in October 2001 that it said it would be taking forward. In November 2008, the Government published a revised set of principles, following on from this CIPFA had produced a set of Myner's principles specifically for Local Government Pension Schemes and guidance on how to compare compliance with the principles. The fund's performance against the CIPFA principles and guidance is set out below.

Principle 1: Effective Decision Making

Administering authority should ensure that:

- **decisions are taken by people or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementations; and**
- **those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.**

The fund is fully compliant with this principle but must continue to work to ensure that the knowledge base of officers and committee members remains comprehensive and current.

Principle 2: Clear Objectives

An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be communicated to advisors and investment managers.

The fund is fully compliant with this principle. The fund will look to make additional progress by further consideration of the needs of the disparate employers within the fund and how their differing needs are reflected in the objectives of the fund as a whole.

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of the liabilities.

These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

The fund is fully compliant with this principle.

Principle 4: Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.

The fund is fully compliant with this principle with respect of measurement of investment performance and investment managers. The fund needs to consider more formal arrangements for the measurement of performance of other advisors and particularly formal assessment of the pensions committee's performance.

Principle 5: Responsible Ownership

Administering authorities should:

- **adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholder and agents**
- **include a statement of their policy on responsible ownership in the statement of investment principles**
- **report periodically to scheme members on the discharge of such responsibilities.**

The fund is fully compliant with this principle.

Principle 6: Transparency and Reporting

Administering authorities should:

- **act in a transparent manner, communicated with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives**
- **provide regular communication to scheme members in the form they consider most appropriate.**

The fund is fully compliant with this principle.

Governance Compliance Statement

Introduction

Under Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) an Administering Authority must, after consultation with such persons as it considers appropriate, prepare, publish and maintain a Governance Compliance Statement.

This statement is required to set out:

- (a) whether the Administering Authority delegates its function or part of its function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the administering authority;
- (b) if the authority does so:-
 - 1 the terms, structure and operational procedures of the delegation,
 - 2 the frequency of any committee or sub-committee meetings,
 - 3 whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

The statement must be revised and published by the Administering Authority following a material change in their policy on any of the matters referred to above.

Delegation of management of Pension Fund

All decision making responsibility of Somerset County Council as administering authority of the Somerset County Council Pension Fund is delegated to the Pensions Committee. The operation of the Pensions Committee is governed by the following Terms of Reference.

**PENSION COMMITTEE OF THE SOMERSET COUNTY COUNCIL
PENSION FUND**

TERMS OF REFERENCE

1. Introduction

- 1.1 This document sets out the terms of reference of the Pensions Committee of Somerset County Council. The Pensions Committee is a committee with delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.
- 1.2 The terms of reference will be formally approved by the Council as the Administering Authority and by the Committee itself thereafter.
- 1.3 These terms of reference shall be reviewed by the Council on the advice of the Committee and on an annual basis to ensure that they remain fit for purpose and in accordance with any regulations and guidance issued by the Secretary of State. Any revisions will be agreed by the Council and by the Committee.

2. Definitions

- the Fund - Somerset County Council Pension Fund.
- the Committee – The Pensions Committee of Somerset County Council.
- the Pensions Board – The Pensions Board of Somerset County Council.
- LGPS – The Local Government Pension Scheme

3. Purpose and functions of the Committee

- 3.1 The Committee discharges the functions of the Council in its role as the administering authority of the Somerset County Council Pension Fund as defined in the LGPS Regulations.

- 3.2 The Committee's principal duties are:
- (i) Ensure the fund is run in line with all relevant law, statutory guidance and industry codes of best practice.
 - (ii) Ensure all contributions due are collected from employers.
 - (iii) Ensure that all benefits due are paid correctly and in a timely manner.
 - (iv) Decide the aims of the investment policy.
 - (v) Make arrangements for managing the fund's investments.
 - (vi) Regularly monitor investment performance.
 - (vii) Make arrangements to publish the fund's annual report and accounts.
 - (viii) Consult stakeholders, and publish the funding strategy statement, statement of investment principles and other policies and documents as necessary.
 - (ix) Order actuarial valuations to be carried out in line with the Local Government Pension Scheme Regulations.
 - (x) Consider requests from organisations who want to join the fund as admitted bodies and consider any requests to change the terms of an existing admission agreement.
 - (xi) Make representations to the Government about any planned changes to the Local Government Pension Scheme and all aspects of managing benefits.

4. Membership of the Committee

4.1 The Committee shall consist of 8 members and be constituted as follows:

- (a) Seven employer representatives
 - (i) Four employer representative will be county councillors who are not a member of the Pension Board or Cabinet and will be selected by the Administering Authority having taken account of their relevant experience and their knowledge and understanding of the Local Government Pension Scheme;
 - (ii) One employer representative of the 5 district councils that are members of the Fund to be selected by the district councils collectively having taken account of their relevant experience and their knowledge and understanding of the Local Government Pension Scheme;
 - (iii) One employer representative of the Police and Crime Commissioner for Avon & Somerset to be selected by the Police and Crime Commissioner having taken account of their relevant experience and their knowledge and understanding of the Local Government Pension Scheme;
 - (iv) one employer representative to be nominated by the remaining employers within the Fund who are not represented by (i)-(iii) above having demonstrated their relevant experience, their capacity to represent other scheme employers and their knowledge and understanding of the LGPS. In the event of there being more than one nomination, the Administering Authority will arrange for a voting process of the qualifying employers.
- (b) One scheme member representative:
 - (i) To be nominated by the Unions.

4.2 The Chair will be appointed annually by the Council as Administering Authority.

4.3 Due to the specialist knowledge requirements of Committee members, substitutes to the appointed members of the Committee are not permitted.

4.4 The committee will also be attended by:

- an officer; and
- a specialist independent adviser. In this respect the term independent means:
 - (i) having no current employment, contractual, financial or other material interest in either Somerset County Council or any scheme employer in the Fund; and
 - (ii) not being a member of the LGPS in the Fund.

The independent advisor will be a remunerated position.

5. Responsibilities of the Chair

5.1 The Chair is responsible for:

- (a) ensuring the Board delivers its purpose as set out in the Committee's terms of reference;
- (b) the arrangements for meetings of the Committee;
- (c) ensuring that Committee meetings are productive and effective and that opportunity is provided for the views of all Committee members to be expressed and considered; and
- (d) seeking to achieve the consensus of all Committee members on the business presented to the Committee and ensure that decisions are properly put to a vote when that cannot be reached.

6. Conflicts of interest

6.1 All members of the Committee must declare on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Committee.

6.2 On appointment to the Committee and following any subsequent declaration of potential conflict the conflict must be managed in line with the, the internal procedures of Somerset County Council, the requirements of the Public Service Pensions Act 2013 and the requirements of the Pensions Regulator's codes of practice on conflict of interest for Committee members.

6.3 The Council's Monitoring Officer shall include interests registered by all members of the Committee in the published Members' and Co-opted Members' Register of Interests. All such interests are to be registered with the Monitoring Officer within 28 days of appointment to the Committee.

7. Knowledge and understanding including training

- 7.1 All new members must follow an induction training plan and all members of the Committee will be expected to attend the training provided to ensure that they have the requisite knowledge and understanding to fulfil their role.
- 7.2 The Committee has adopted a training policy and all members of the Committee are expected to meet the requirements of that policy.
- 7.3 Failure to attend training or participate in the processes referred to above may lead to removal from the Board.

8. Term of office and removal from office

- 8.1 The members of the Committee serve for a four year term, subject to the following:
- (a) the representatives of the administering authority shall be appointed annually by the Somerset County Council Annual Council Meeting, but with a view to maintaining stability of membership;
 - (b) the representatives of the district councils and the Police and Crime Commissioner for Avon and Somerset can be replaced by the relevant appointing group at their behest, but with a view to maintaining stability of membership;
 - (c) the members' representative may be replaced by the Unions, but with a view to maintaining stability of membership.
- 8.2 Members of the Committee will be expected to attend all meetings and training sessions. This will be recorded and published.
- 8.3 Other than by ceasing to be eligible for appointment to the Committee, Committee members may only be removed from office during their term of appointment by the unanimous agreement of all of the other members of the Committee at a meeting of the Committee where this is specified as an agenda item or with the agreement of the Council at a Full Council meeting.
- 8.4 Arrangements shall be made for the replacement of Committee members in line with the procedures for their original appointment.

9. Meetings

- 9.1 The frequency of meetings is to be determined by the Committee once it has agreed a workplan, with a minimum of four meetings annually. In addition to this, training sessions will be held as necessary to ensure that Committee members have sufficient knowledge and skills to undertake the role.
- 9.2 The Chair of the Committee may call additional meetings with the consent of other members of the Committee. Urgent business of the Committee between meetings may, in exceptional circumstances, be conducted via communications between members of the Committee including telephone conferencing and emails.
- 9.3 The Committee will meet at the Council's main offices, or another location to be agreed by the Chair. Meetings will be held during normal working hours at times to be agreed by the Chair.
- 9.4 As a committee of the Council, the Rules of Procedure in Section 6 of the Council's constitution apply to meetings of the Committee. Committee meetings will be held in open session with closed sessions where appropriate. The agenda papers will be circulated to members of the Committee and published in advance of meeting in line with Council policy. The minutes of meetings will be recorded and published in line with Council policy.

10. Quorum

- 10.1 The quorum of the Board shall be 3 elected members.

11. Voting rights

- 11.1 Each of the 8 members of the committee will have voting rights. In the event of a tied vote the Chair has the option of having a final casting vote.

12. Code of Conduct

- 12.1 All members of the Board will be required to formally sign up to comply with the Somerset County Council Code of Conduct set out at Part 2, Section C of the Council's constitution.

13. Allowances and Expenses

- 13.1 Any councillor of the Council appointed to the Committee will be entitled to receive allowances in accordance with Part 2, Section D of the Council's constitution (Scheme of Members' Allowances).
- 13.2 Reimbursement of expenses for all members of the Committee will be claimable in line with Somerset County Council's agreed expenses rates.

14. Budget

- 14.1 All costs arising from accommodation and administrative support to conduct its meetings and other business, and the training needs of the Committee will be met by the Fund.
- 14.2 The Council's Community Governance Team will provide the secretariat services to the Committee, the cost of which will be met by the Fund.

15. Accountability and reporting

- 15.1 The Committee is accountable solely to the County Council for the effective operation of its functions.
- 15.3 The Committee shall report annually to Full Council on its work.

16. Data protection and Freedom of Information

- 16.1 For legal purposes the Committee is considered a committee of and part of the administering authority legal entity. Therefore the Committee must comply with the Council's Data Protection and Freedom of Information policies.

Compliance with the guidance

The extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying are covered in the following tables.

Statutory Guidance Governance Standards and Principles	Our compliance status	Evidence of compliance and justification for non-compliance
A – Structure		
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	Somerset County Council has established the Somerset County Council Pensions Committee for this purpose. The specific terms of reference for the Committee are set within the fund’s Governance Policy Statement.
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	The Pensions Committee includes representation of all the participating employers. Scheme Members (active, pensioner and deferred) are represented through a Unison nominated representative on the Pensions Committee.
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Applicable	There are no secondary committees or panels in place.
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Applicable	There are no secondary committees or panels in place.

B – Representation		
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:		
i) employing authorities (including non-scheme employers, e.g., admitted bodies);	Compliant	The Pensions Committee includes representation of all the scheme employers, including the County Council, District Councils, the Police and the Admitted Bodies.
ii) scheme members (including deferred and pensioner scheme members);	Compliant	Scheme Members (active, pensioner and deferred) are represented through a Unison nominated representative on the Pensions Committee.
iii) where appropriate, independent professional observers;	Compliant	The independent investment advisor attends all Pensions Committee Meetings.
iv) expert advisors (on an ad-hoc basis).	Compliant	Our in-house officer expert advisors attend all Pension Committee meetings, including the Chief Financial Officer, investments manager and fund administration manager. The appointed actuary, external auditors and performance advisors also attend on an ad-hoc basis at least once per annum.

<p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p>Compliant</p>	<p>All members of the Pensions Committee receive equal access to the papers and training and have equal speaking rights in the consideration and discussion of all matters as part of the decision making processes.</p>
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C – Role of members

<p>a) That Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p>	<p>Compliant</p>	<p>All new members receive regular specific training and access to external training and seminars.</p> <p>On appointment this includes specific time with lead officers to provide an induction into the role and a background to the Fund. Copies of relevant Committee Reports and Annual Reports are also made available.</p> <p>Specific Terms of Reference are also in place as part of the Fund’s Governance Policy Statement and specific legal guidance as to the role of Members has been provided to the Committee by the County Council Monitoring Officer.</p> <p>All Committee Members also understand that they are not there to represent or promote their own personal or political interests, and that they must declare any self-interest or conflicts of interest of a financial or non-financial nature and abstain from participation in that item on the agenda if appropriate.</p>
<p>b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>	<p>Compliant</p>	<p>Since the inauguration of the Pension Committee the declaration of interests by members has been a standing item on the agenda.</p>

D – Voting		
a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	All members of the Pensions Committee have full voting rights.
E – Training, facility time and expenses		
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	<p>A formal training policy for members has been adopted by the Pensions Committee.</p> <p>The Committee forward work plan provides for specifically tailored training days, together with access to, and support for, external training provision and attendance at appropriate seminars.</p> <p>All members are encouraged to undertake regular training including attendance at the specific training days.</p> <p>All costs in relation to training, including expenses are met from, and reimbursed by, the Pension Fund as appropriate.</p>
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	All Pensions Committee members have equal access and rights to training and related support.

<p>c) That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken</p>	<p>Compliant</p>	<p>A training policy has been adopted by the Pensions Committee under which attendance at Committee meetings and training undertaken will be reported annually.</p>
<p>F – Meetings (frequency/quorum)</p>		
<p>a) That an administering authority's main committee or committees meet at least quarterly.</p>	<p>Compliant</p>	<p>The Pensions Committee meets on a quarterly basis and forward dates have been agreed for at least twelve months in advance. A forward meeting plan is also in place</p>
<p>b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</p>	<p>Not Applicable</p>	<p>There are no secondary committees or panels in place.</p>
<p>c) That an administering authorities who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</p>	<p>Compliant</p>	<p>The Pensions Committee does include lay members and this allows for the representation of all key stakeholders.</p>

G – Access		
a) That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	All members of the Pensions Committee receive the same agenda and papers containing advice for each meeting. All our Pensions Committee members can ask questions of our professional advisors who attend the Pensions Committee meetings.
H – Scope		
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Compliant	<p>Each meeting of the Pensions Committee receives a report on the performance of our pension fund, progress against the Forward Business Plan and key issues in respect of benefits administration.</p> <p>The Committee also receives regular reports and updates on approved policies including the communications policy statements.</p> <p>There are also annual reports from the appointed actuary, external auditor and performance advisors.</p>

I – Publicity

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Compliant

The Governance Arrangements of the Pensions Committee are formally reviewed every four years as part of the Forward Business Plan.

There are procedures in place for the re-appointment of individuals to the Pensions Committee at least every four years.

All of the policies adopted by the Pensions Committee on behalf of the administering authority including the Statement of Investment Principles, Funding Strategy Statement, Governance Policy Statement and Communications Policy Statement are published annually in the Fund’s annual report and financial statement and are available on the County Council’s website. All of the policies and the annual report are available in hard or electronic copy on request.

Local Pensions Board

The operations of the local pension board established under regulation 53(4) (Scheme managers) is governed by the Following Terms of Reference.

PENSION BOARD OF THE SOMERSET COUNTY COUNCIL PENSION FUND

TERMS OF REFERENCE

1. Introduction

- 1.4 This document sets out the terms of reference of the Pension Board of Somerset County Council. The Pension Board is established under Section 5 of the Public Service Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.5 The Board is established by Somerset County Council in its capacity as the Administering Authority of the Somerset County Council Pension Fund and operates independently of the Pensions Committee.
- 1.6 The terms of reference will be formally approved by the Council as the Administering Authority and by the Board itself at its first meeting.
- 1.7 These terms of reference shall be reviewed by the Council on the advice of the Board and on an annual basis to ensure that they remain fit for purpose and in accordance with any regulations and guidance issued by the Secretary of State. Any revisions will be agreed by the Council and by the Board.

2. Definitions

- the Fund - Somerset County Council Pension Fund.
- the Board – The Pensions Board of Somerset County Council.
- the Pensions Committee – The Pensions Committee of Somerset County Council.
- LGPS – The Local Government Pension Scheme

3. Purpose and functions of the Board

- 3.1 The regulations state that the role of the Board is to assist the Administration Authority to:
- (a) secure compliance with:
- the LGPS Regulations;
 - any other legislation relating to the governance and administration of the LGPS; and
 - the requirements imposed by the Pensions Regulator in relation to the LGPS, and
- (b) ensure the effective and efficient governance and administration of the LGPS.
- 3.2 The Board will assist the Administering Authority by making recommendations about compliance, process and governance. The Board does not have a decision making role with regard to strategy or policy and can only challenge decisions made by the Pensions Committee where the Board considers a decision to be in breach of the relevant Regulations (or overriding legislation). The Board's role is to have oversight of the governance process for making decisions and agreeing policy.
- 3.3 In discharging its role, the Board's remit shall cover all aspects of governance and administration of the LGPS, including funding and investments. The Board must have regard to advice issued by the Scheme Advisory Board in accordance with section 7(3) of the Public Service Pensions Act 2013.

- 3.4 The Board will exercise its duties in the following areas:
- (a) monitor compliance with the relevant legislation and Codes of Practice set by The Pensions Regulator;
 - (b) review and ensure compliance of the Fund's:
 - (i) governance compliance statement
 - (ii) funding strategy statement
 - (iii) pension administration strategy statement
 - (iv) discretionary policy statement
 - (v) communications policy statement
 - (vi) statement of investment principles
 - (vii) annual report and accounts
 - (c) review and scrutinise the performance of the Fund in relation to its governance and administration, policy objectives and performance targets;
 - (d) ensure policies and processes are in place so that employers comply with their obligations under the regulations;
 - (e) review the processes for setting strategy, policy and decision-making and ensure they are robust;
 - (f) agree the annual internal audit plan for the Fund;
 - (g) consider the output of any internal audit work carried out on the Fund;
 - (h) consider the external audit report on the Fund's Annual Report and Statement of Accounts;
 - (i) review the Fund's risk register;
 - (j) monitor the Fund's Internal Dispute Resolution Procedures;
 - (k) from time to time the administering authority may consult the Board or ask assistance on specific issues.
- 3.5 Under Regulation 106(8) the Board has the general power to do anything which is calculated to facilitate or is conducive or incidental to, the discharge of its functions.
- 3.6 The Board must always act within its Terms of Reference.

4. Membership of the Board

4.1 The Board shall consist of 6 members and be constituted as follows:

(a) Three employer representatives

- (i) one employer representative will be a county councillor who is not a member of the Pension Committee and will be selected by the Administering Authority having taken account of their relevant experience, their capacity to represent other scheme employers and their knowledge and understanding of the Local Government Pension Scheme;
- (ii) two employer representatives to be nominated by the employers having demonstrated their capacity to represent other scheme employers, their relevant experience and their knowledge and understanding of the LGPS. In the event of there being more than one nomination, the Administering Authority will carry out a selection process.

(b) Three scheme member representatives

- i) two members representatives will be nominated by the recognised trade unions having demonstrated their capacity to represent other scheme employers, their relevant experience and their knowledge and understanding of the LGPS;
- ii) one members representative will be open to all scheme members. The administering authority shall contact scheme members advising them of the role and seeking nominations and asking them to demonstrate their capacity to represent other scheme members, their relevant experience and their knowledge and understanding of the LGPS. In the event of there being more than one nomination, the Administering Authority will carry out a selection process.

4.2 Due to the specialist knowledge requirements of Board members, substitutes to the appointed members of the Board are not permitted.

5. Responsibilities of the Chair

5.1 The Chair is responsible for:

- (e) ensuring the Board delivers its purpose as set out in the Board's terms of reference;
- (f) the arrangements for meetings of the Board;
- (g) ensuring that Board meetings are productive and effective and that opportunity is provided for the views of all Board members to be expressed and considered;
- (h) seeking to achieve the consensus of all Board members on the business presented to the Board and ensure that decisions are properly put to a vote when that cannot be reached.

5.2 The Chair will be appointed annually by Board. The Chair will be rotated around the 6 members of the Board.

6. Conflicts of interest

6.1 All members of the Board must declare on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Board.

6.2 On appointment to the Board and following any subsequent declaration of potential conflict the conflict must be managed in line with the Board's policy on conflicts of interest, the internal procedures of Somerset County Council, the requirements of the Public Service Pensions Act 2013 and the requirements of the Pensions Regulator's codes of practice on conflict of interest for Board members.

6.3 The Council's Monitoring Officer shall include interests registered by all members of the Board in the published Members' and Co-opted Members' Register of Interests. All such interests are to be registered with the Monitoring Officer within 28 days of appointment to the Board.

7. Knowledge and understanding including training

- 7.1 All new members must follow an induction training plan and all members of the Board will be expected to attend the training provided to ensure that they have the requisite knowledge and understanding to fulfil their role.
- 7.2 All members must be prepared to participate in such regular personal training needs analysis or other processes as are put in place to ensure that they maintain the required level of knowledge and understanding to carry out their role.
- 7.3 Failure to attend training or participate in the processes referred to above may lead to removal from the Board.

8. Term of office and removal from office

- 8.1 The members of the Board serve for a four year term, subject to the following:
- (a) the representatives of the administering authority shall be appointed annually by the Somerset County Council Annual Council Meeting, but with a view to maintaining stability of membership;
 - (b) the two union nominated member representatives can be amended at any time by the unions, but with a view to maintaining stability of membership.
- 8.2 Members of the Board will be expected to attend all meetings and training sessions. This will be recorded and published. The membership of any member who fails to attend for two consecutive meetings or two consecutive training events shall be reviewed by the Board and shall be terminated in the absence of mitigating factors

- 8.3 Subject to 8.4 below, a Board member can be removed from the Board in the following circumstances (but not limited to):
- (a) A poor attendance record;
 - (b) if a member does not undertake training as requested by the administering authority;
 - (c) if a member is In breach of Council's Code of Conduct / Declarations policy;
 - (d) if a member has a conflict of interest that cannot be managed in accordance with the Board's conflicts policy;
 - (e) if a representative member ceases to represent his constituency e.g. leaves the employer so no longer has the capacity to represent the Fund's employers.
- 8.4 Other than by ceasing to be eligible for appointment to the Board, Board members may only be removed from office during their term of appointment by the unanimous agreement of all of the other members of the Board at a meeting of the Board where this is specified as an agenda item or with the agreement of the Council at a Full Council meeting.
- 8.5 Arrangements shall be made for the replacement of Board members in line with the procedures for their original appointment.

9. Meetings

- 9.1 The frequency of meetings is to be determined by the Board once it has agreed a workplan, with a minimum of two meetings annually. In addition to this, training sessions will be held as necessary to ensure that Board members have sufficient knowledge and skills to undertake the role.
- 9.2 The Chair of the Board may call additional meetings with the consent of other members of the Board. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and emails.
- 9.3 The Board will meet at the Council's main offices, or another location to be agreed by the Chair. Meetings will be held during normal working hours at times to be agreed by the Chair.
- 9.4 As a committee of the Council, the Rules of Procedure in Section 6 of the Council's constitution apply to meetings of the Board. Board meetings will be held in open session with closed sessions where appropriate. The agenda papers will be circulated to members of the Board and published in advance of meeting in line with Council policy. The minutes of meetings will be recorded and published in line with Council policy.

10. Quorum

- 10.1 The quorum of the Board shall be 3 to include the Chair. The quorum must include one employer representative and one member representative.

11. Voting rights

- 11.1 Each of the 6 members of the committee will have voting rights. In the event of a tied vote the Chair has the option of having a final casting vote.

12. Code of Conduct

- 12.1 All members of the Board will be required to formally sign up to comply with the Somerset County Council Code of Conduct set out at Part 2, Section C of the Council's constitution.

13. Allowances and Expenses

- 13.1 Any councillor of the Council appointed to the Board will be entitled to receive allowances in accordance with Part 2, Section D of the Council's constitution (Scheme of Members' Allowances).
- 13.2 Reimbursement of expenses for all members of the Board will be claimable in line with Somerset County Council's agreed expenses rates.

14. Budget

- 14.1 All costs arising from accommodation and administrative support to conduct its meetings and other business, and the training needs of the Board will be met by the Fund.
- 14.2 The Council's Community Governance Team will provide the secretariat services to the Board, the cost of which will be met by the Fund.
- 14.3 The Board will have open access to all officers involved in the running of the Fund and any advisors already employed by the Fund (e.g. the Fund's Actuary).
- 14.4 The Board may make requests to the Section 151 Officer to approve any additional expenditure required to fulfil its obligations which will then be charged to the Fund. This would include any officer resources not already employed by the Fund.

15. Accountability and reporting

- 15.1 The Board is accountable solely to the County Council for the effective operation of its functions.
- 15.2 The Board shall report to the Pensions Committee as often as the Board deems necessary and at least annually on:
- (a) a summary of the work undertaken;
 - (b) the work plan for the next 12 months;
 - (c) areas raised to the Board to be investigated and how they were dealt with;
 - (d) any risks or other areas of potential concern it wishes to raise;
 - (e) details of training received and planned; and
 - (f) details of any conflicts of interest and how they were dealt with.
- 15.3 The Board shall report annually to Full Council on its work. It will also and as necessary from time to time report to Full Council any breach in compliance, or other significant issue, which has not been resolved to the satisfaction of the Board within a reasonable time of being reported to the Pensions Committee.
- 15.4 The Board shall report to the Scheme Advisory Board:
- (a) any areas of persistent non-compliance;
 - (b) any areas of non-compliance with the LGPS Regulations that have been reported to the Pensions Committee and full council but persist to be of a material concern.
- 15.5 The Board shall report to the Pensions Regulator all material breaches of the Pensions Regulator regulatory guidance, following notification to full council and the Pensions Committee.

16. Data protection and Freedom of Information

- 16.1 For legal purposes the Board is considered a committee of and part of the administering authority legal entity. Therefore the Board must comply with the Council's Data Protection and Freedom of Information policies.

Arrangements for reviewing this policy

This policy statement will be regularly reviewed by the pensions committee. If we need to make any significant changes, we will consult all employers whose employees are members of the fund and publish the amended policy.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
June 2017**

Pensions Committee Scheme of Delegation

Introduction

In order to meet its obligations from time to time the Pensions Committee will find it necessary to delegate certain functions to officers. This document provides a clear framework around standard operating functions as to what decisions and operations have been delegated to officers and what has been retained by the Committee.

All references in this document to the Chief Financial Officer means the most senior finance officer and appointed Section 151 Officer of Somerset County Council, it does not refer to a job title for that individual. Where committee delegates tasks to the Chief Financial Officer they are then free to assign tasks to other officers at their discretion.

In practice the majority of tasks relating to benefits administration are delegated to Peninsula Pensions, a shared administration team with Devon County Council, and the majority of investment decisions are delegated to the internal Investments team.

When delegating the Chief Financial Officer must ensure that the officers undertaking the delegated tasks have sufficient knowledge and experience to undertake those tasks.

This scheme of delegation will refer in turn to each of the main responsibilities of the Committee as laid out in the Committee's terms of reference.

Ensure the fund is run in line with all relevant law, statutory guidance and industry codes of best practice.

The Chief Financial Officer is responsible for ensuring the legal operation of the fund and will bring matters of significance to the attention of the Committee.

The Chief Financial Officer will make arrangements for the completion of all necessary regulatory documents, statistical returns, tax documents and other documents as appropriate.

Ensure all contributions due are collected from employers.

The Chief Financial Officer will maintain procedures to ensure relevant employers pay contributions and that these contributions meet the requirements set by the fund's actuary.

Where relevant the Chief Financial Officer will decide if interest should be levied for late payment as permitted by the regulations.

Ensure that all benefits due are paid correctly and in a timely manner.

The Chief Financial Officer will maintain procedures to ensure the correct calculation and payment of benefits by the fund.

Decide the aims of the investment policy.

Committee agree the aims of the investment policy and publish this in the form of the funding strategy statement and investment strategy statement having regard to advice provided by officers and advisors as appropriate.

As part of agreeing the strategy the Committee will agree the Fund's strategic asset allocation and the investment mandates necessary to deliver the strategy. The Chief Financial Officer will make all necessary arrangements for the implementation of the agreed strategy.

The Committee will decide the fund's voting, engagement and socially responsible investment policies. The Chief Financial Officer will make arrangements for the implementation, monitoring and any necessary reporting against the agreed policies.

Make arrangements for managing the fund's investments.

The strategic asset allocation of the fund is set by the Committee. Once agreed by Committee the Chief Financial Officer is responsible for the implementation of the strategy and monitoring of the investment assets against the strategic asset allocation and periodically rebalancing of the fund to optimise the balancing of risk and return. All investment decisions regarding the precise timing and amounts of rebalancing are delegated to the Chief Financial Officer and there are no restrictions placed on this discretion. The Chief Financial Officer will report on all actions in this regard to the Committee at each formal meeting.

The Committee will advise the Chief Financial Officer of their preferences when appointing external fund managers, under County Council contract standing orders all contracts must be awarded and managed by officers. The Committee will advise the Chief Financial Officer if they wish a fund manager's contract to be terminated.

The Chief Financial Officer is responsible for the appointment of a global custodian for the fund, the management of this contract and any related investment decisions.

Where the Committee decide that assets will be managed in-house the Chief Financial Officer will make suitable arrangements for these assets in accordance with any guidelines provided by Committee. All investment decisions with respect to in-house managed funds are taken by officers.

The Chief Financial Officer is responsible for the day to day monitoring and recording of the investment assets.

Regularly monitor investment performance.

The Chief Financial Officer will put in place procedures for the calculation and monitoring of investment performance.

The Chief Financial Officer will review the performance of all fund managers and the fund as a whole monthly and officers will meet with external fund managers regularly, typically quarterly, to discuss performance.

The Committee will review the performance of all fund managers and the fund as a whole quarterly. The Committee will meet with external fund managers periodically at their discretion to discuss performance.

Make arrangements to publish the fund's annual report and accounts.

The Chief Financial Officer will make arrangements for the production and audit of the fund's annual report and accounts. The Committee will adopt the completed annual report.

Consult stakeholders, and publish the funding strategy statement, investment strategy statement and other policies and documents as necessary.

The Chief Financial Officer will make arrangements for the drafting of all policies and statements and undertake consultations as applicable. The Committee will be responsible for approving all policies and statements after receiving feedback from any consultations undertaken and advice from officers and advisors as appropriate.

Order actuarial valuations to be carried out in line with the Local Government Pension Scheme Regulations.

The Chief Financial Officer will appoint a suitable actuary for the fund and undertake all necessary tasks and discussions with the actuary in order to allow the actuary to complete the valuation.

The Committee will meet with the actuary at least annually to receive an update.

Consider requests from organisations who want to join the fund as admitted bodies and consider any requests to change the terms of an existing admission agreement.

The Chief Financial Officer will make all necessary arrangements for the consideration of requests for admitted body status and changes to any existing admission agreements including the negotiation and signing of the necessary admission agreements.

The Committee will receive an update at each formal meeting of all activity in this regard.

Make representations to the Government about any planned changes to the Local Government Pension Scheme and all aspects of managing benefits.

The Committee will instruct the Chief Financial Officer on what it wishes to be included in any representations, which they will then draft and send accordingly.

Contract Standing Orders

The Contract Standing Orders of Somerset County Council apply to the operation of the Somerset County Council Pension Fund, however the Contract Standing Orders contain the ability for the Pensions Committee to exempt the fund from clauses where it is deemed this is necessary by Pensions Committee. The following sections of Contract Standing Orders will not apply to Contracts relating to the Fund and will be replaced by the provisions given below.

General clarification:

Where Contract Standing Orders require authorisation or approval in accordance with the Council's Scheme of Delegation approval must be sought from the Chief Financial Officer, who will consult the Pensions Committee at their discretion.

Section 24.7

Exempt in full. The pension fund does not use purchase orders.

Section 43.1

Table to be amended such that contract values over £500,000 to be approved by the Chief Financial Officer and such decisions are Non-Key Decisions.

Section 44.2

Section to be amended to remove any reference to, or need for, a purchase order.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
December 2017**

Pensions Committee Training Policy

Introduction

The 2004 Pensions Act requires that trustees of occupational pension schemes should be trained and have knowledge and understanding of the law relating to pensions and role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits. Members of the Pensions Committee are not legally trustees and are not bound by this law, however they should aspire to reach a similar standard.

Within the Local Government Pension Scheme (LGPS) the statutorily required Governance Compliance Statement requires the fund to compare its practice to the following statement:

“That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.”

Pension Committee members will be expected to undertake regular training to ensure they have sufficient knowledge of the LGPS, pension benefits and investment issues to make informed decisions for the benefit of all stakeholders.

CIPFA Knowledge and Skills Framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) in 2010 published a Pensions Finance Knowledge and Skills Framework and accompanying guidance for elected representatives, non-executives and officers.

The fund has formally adopted the framework, will assess all relevant individuals against the suggested standards of knowledge and ensure relevant training is made available.

An assessment of competence against the framework and training undertaken by relevant individuals will be provided in the fund’s annual report as required by the framework.

Annual Training Commitment

Pension Committee members are encouraged to undertake training within the following guidelines:

Level 1 - New Pensions Committee members 1st year of office

New members should have 1-3 days training via:

- Receiving 1/2 day in-house induction training on the LGPS and its benefits, the membership and role of the Committee and the current investment structure of the fund.
- Reading the Pension Committee Members Handbook containing key documents such as the Fund Members guide, the Fund Annual Report and Financial Statement and background reading and knowledge building for 1/2 day.
- Attending at least one days external training on relevant topics.
- Attending the annual employers communications meeting.

Level 2 – Members 2nd and 3rd year of office

Should undergo 1 or 2 days a year personal training to build their knowledge and skills in specific topics in greater depth such as:

- Investing in specific asset classes
- Fund manager performance measurement
- SRI, corporate governance, and activism
- Actuarial valuation
- Fund accounting and taxation
- Third party pensions administration

Level 3 - Member serving longer than 3 years

Should seek to have at least 2 days a year of "updating and refreshment" personal training and/or more advanced training in specialist topics, on either fund investment or pensions administration.

The training undertaken by each member of the committee in each financial year will be reported annually in the fund's annual report and financial statement along with their attendance record at Committee Meetings.

Suitable Events

It is anticipated that at least 1 days annual training will be arranged and provided by officers to address specific training requirements to meet the Committee's forward business plan, all members will be encouraged to attend this event.

A number of specialist courses are run by bodies such as the Local Government Employers and existing fund manager partners, officers can provide details of these courses.

There are a number of suitable conferences run annually, officers will inform members of these conferences as details become available. Of particular relevance are the National Association of Pension Funds (NAPF) Local Authority Conference, usually held in May, the LGC Local Authority Conference, usually held in September, and the Local Authority Pension Fund Forum (LAPFF) annual conference, usually held in December.

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the fund.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
June 2017**

Pension Board Training Policy

Introduction

The 2004 Pensions Act requires that trustees of occupational pension schemes should be trained and have knowledge and understanding of the law relating to pensions and role of trustees, the principles of scheme funding and investment, and the management and administration of pension scheme benefits.

As a result a member of the pension board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a pension board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.

These legal responsibilities begin from the date that Pension Board members take up their role on the Board and as such they should immediately start to familiarise themselves with the relevant documents and the law relating to pensions.

In accordance with the Act, the knowledge and understanding requirement applies to every individual member of a Local Pension Board rather than to the members of a Local Pension Board as a collective group.

Key Documents

In accordance with the LGPS statutory guidance on the creation and operation of Pension Boards the following is a suggested list of the documents that Pension Board members should make themselves familiar:

- Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedures (including any separate AVC guides) including documents available on the Fund's website;
- Any relevant policies of the Administering Authority and/or Pension Committee, for example policies on:
 - conflicts of interests
 - record-keeping
 - data protection and freedom of information
 - internal dispute resolution procedure.
- The Administering Authority's governance compliance statement;
- The Administering Authority's funding strategy statement;
- The Administering Authority's pension administration statement;
- The Administering Authority's discretionary policy statement;
- The Administering Authority's communications policy statement;
- The Administering Authority's statement of investment principles;
- The Administering Authority's internal controls risk register;
- The Fund's actuarial valuation report and rates and adjustment certificate;
- The Fund's annual report and accounts;
- Any accounting requirements relevant to the Fund;
- Any third party contracts and service level agreements;
- Any internal control report produced by third party service providers and investment managers;
- The Fund's standard form of admission agreement and bond and related policies and guidance.

This list should be viewed as a suggestion and not a definitive list of all the relevant documents.

Wider Background Knowledge

In addition to the list of key documents the statutory guidance provides examples of the knowledge that is relevant to the role of Pension Board members. Again the list is not intended to be exhaustive. The examples are as follows:

Background and Understanding of the Legislative Framework of the LGPS

- Differences between public service pension schemes like the LGPS and private sector trust-based schemes;
- Role of the IPSPC and its recommendations;
- Key provisions of the 2013 Act;
- The structure of the LGPS and the main bodies involved including the Responsible Authority, the Administering Authority, the Scheme Advisory Board, the Local Pension Board and the LGPS employers;
- An overview of local authority law and how Administering Authorities are constituted and operate; and
- LGPS rules overview (including the Regulations, the Transitional Regulations and the Investment Regulations).

General pensions legislation applicable to the LGPS

An overview of wider legislation relevant to the LGPS including:

- Automatic Enrolment (Pensions Act 2008);
- Contracting out (Pension Schemes Act 1993);
- Data protection (Data Protection Act 1998);
- Employment legislation including anti-discrimination, equal treatment, family related leave and redundancy rights;
- Freedom of Information (Freedom of Information Act 2000);
- Pensions sharing on divorce (Welfare Reform and Pensions Act 1999);
- Tax (Finance Act 2004); and
- IORP Directive.

Role and responsibilities of the Local Pension Board

- Role of the Local Pension Board;
- Conduct and conflicts;
- Reporting of breaches;
- Knowledge and understanding; and
- Data protection.

Role and responsibilities of the Administering Authority

- Membership and eligibility;
- Benefits and the payment of benefits;
- Decisions and discretions;
- Disclosure of information;
- Record keeping;
- Internal controls;
- Internal dispute resolution;
- Reporting of breaches; and
- Statements, reports and accounts.

Funding and Investment

- Requirement for triennial and other valuations;
- Rates and adjustments certificate;
- Funding strategy statement;
- Bulk transfers;
- Permitted investments;
- Restrictions on investments;
- Statement of investment principles;
- CIPFA guidance;
- Appointment of investment managers; and
- Role of the custodian.

Role and responsibilities of Scheme Employers

- Explanation of different types of employers;
- Additional requirements for admission bodies;
- Automatic Enrolment;
- Deduction and payment of contributions;
- Special contributions;
- Employer decisions and discretions;
- Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006); and
- TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007).

Tax and Contracting Out

- Finance Act 2004
- Role of HMRC
- Registration
- Role of 'scheme administrator'
- Tax relief on contributions
- Taxation of benefits
- Annual and lifetime allowances
- Member protections
- National Insurance
- Contracting out (Pensions Scheme Act 1993)
- Impact of abolition of contracting out in 2016
- VAT and investments

Role of advisors and key persons

- Officers of the Administering Authority
- Fund actuary
- Auditor
- Lawyers
- Investment managers
- Custodians
- Administrators – in house v. third party
- Procurement of services
- Contracts with third parties

Key Bodies connected to the LGPS

An understanding of the roles and powers of:

- Courts
- Financial Services Authority
- HMRC
- Information Commissioner
- Pensions Advisory Service
- Pensions Ombudsman
- The Pensions Regulator (including powers in relation to Local Pension Boards)

Annual Training Commitment

Pension Committee members are encouraged to undertake training within the following guidelines:

Level 1 - New Pensions Committee members 1st year of office

New members should have 1-5 days training via:

- Receiving 1/2 day in-house induction training on the LGPS and its benefits, the membership and role of the Committee and the current investment structure of the fund.
- Reading the Pension Committee Members Handbook containing key documents such as the Fund Members guide, the Fund Annual Report and Financial Statement and background reading and knowledge building.
- Attending at least one day of training on relevant topics.
- Attending the annual employers communications meeting.

Level 2 – Members 2nd and 3rd year of office

Should undergo 1 or 2 days a year personal training to build their knowledge and skills in specific topics in greater depth

Level 3 - Member serving longer than 3 years

Should seek to have at least 2 days a year of "updating and refreshment" personal training and/or more advanced training in specialist topics, on either fund investment or pensions administration.

The training undertaken by each member of the Board in each financial year will be reported annually in the fund's annual report and financial statement along with their attendance record at Board Meetings.

Suitable Events

It is anticipated that at least 1 day of annual training will be arranged and provided by officers to address specific training requirements to meet the Board's requirements, all members will be encouraged to attend this event.

A number of specialist courses are run by bodies such as the Local Government Employers and existing fund manager partners, officers can provide details of these courses.

There are a number of suitable conferences run annually, officers will inform members of these conferences as details become available.

All direct costs and associated reasonable expenses for attendance of external courses and conferences will be met by the fund.

**Approved by the Pension Board
Somerset County Council Pension Fund
July 2015**

Communication policy statement

Introduction

Under the Local Government Pension Scheme Regulations 2013 [SI 2013/2356], each administering authority in England and Wales must prepare, maintain and publish a statement setting out their policy on communicating with members, members' representatives, future members and employers whose employees are members in the fund.

This document represents the communication policy based on good custom and practice that has developed over many years. This policy will be continually reviewed to make sure it provides for effective and efficient communication with the range of stakeholders in the Somerset County Council Pension Fund.

Peninsula Pensions is a shared service with Devon County Council and provides the administration of the LGPS on behalf of Somerset County Council Pension Fund. Communication may be from/with Peninsula Pensions or Somerset County Council as appropriate.

Scheme members

The fund will communicate with scheme members in the following ways.

- Peninsula Pensions issues statutory notifications to new scheme members on a monthly basis, including information about how to access a full scheme guide and other documents.
- Peninsula Pensions will issue annual benefit statements confirming the current value of benefits and estimated retirement benefits to all current scheme members and deferred members.
- Peninsula Pensions will send newsletters to current scheme members and pensioners once a year.
- Peninsula Pensions will run presentations for scheme members as and when requested by employers.
- Information about the scheme, including a full scheme guide, is available on the Peninsula Pensions website www.peninsulapensions.org.uk.
- Member self-service is available via the Peninsula Pensions website for current and deferred scheme members, allowing members to view their record, update their address and run simple estimates.

It is also important to recognise that not all individuals who are eligible to join the scheme will be aware of the benefits of being a member. The fund will on occasion contact people who are non-members to remind them of the benefits and the process for joining the scheme. Information about the scheme for prospective joiners is available on the Peninsula Pensions website.

Scheme employers

The employers whose employees are members of the Somerset County Council Pension Fund are key stakeholders. The fund needs to communicate with them effectively so we can build the partnerships needed to manage the scheme efficiently and effectively.

Communication provided will include:

- an annual meeting to give an update on the investment and administration of the fund, together with key developments affecting the LGPS (this will include details of the current actuarial position of the fund);
- a meeting twice a year for employers about administration;
- a quarterly e-zine covering updates and administrative matters;
- site visits to employers when requested;
- formal consultation on regulatory issues with employers;
- training seminars for employers; and
- employer forms and guides available on the Peninsula Pensions website.

Elected members

This includes communicating with the members of the pensions committee and the county council as administering authority.

- The pensions committee meeting is made up of elected members from both the county council and employing authorities. These meetings are open to all stakeholders and members of the public.
- The fund will provide specific technical training sessions.

Miscellaneous

The fund will communicate with a range of stakeholders in the following ways.

- The fund will issue an annual report and accounts to employing authorities, elected members and other interested stakeholders.
- The fund will review and maintain a funding strategy statement after consulting employing authorities.
- The fund will review and maintain the statement of investments principles after consulting employing authorities.
- Peninsula Pensions is working towards providing all communications electronically (including newsletters and annual benefit statements) and will contact all scheme members about this in due course. The option to continue to receive communications via post will remain available.

Arrangements for reviewing this policy

This policy statement will be regularly reviewed by the pensions committee. If we need to make any significant changes, we will consult all employers whose employees are members of the fund and publish the amended policy.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
June 2017**

Pension administration strategy

1. Introduction

Peninsula Pensions was formed in 2013 as a shared pension administration service, with Devon County Council acting as lead authority, for the provision of the Local Government Pension Scheme (LGPS) administration for the Devon County Council and Somerset County Council Administering Authorities.

The Devon County Council and Somerset County Council Administering Authorities, Investment and Pension Fund Committees and Pension Boards remain independent from each other with each Administering Authority retaining investment and governance responsibility for their respective pension fund.

Although not a statutory requirement, a Pension Administration Strategy (PAS) was introduced in April 2015, following approval by the Devon County Council and Somerset County Council Investment and Pension Fund Committees. Although there is a separate PAS in place for each Administering Authority, the content is identical in order to ensure that a fair and consistent approach is maintained for all stakeholders.

The legal context for this Strategy is [Regulation 59 of The Local Government Pension Scheme Regulations 2013](#) which permits Administering Authorities the opportunity to prepare and review a Pensions Administration Strategy. The PAS also has regard to [the Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013](#) and [The Pension Regulator Public Sector Code of Practice 14](#).

The PAS sets out the performance standards and expectations of the Administering Authority and employers, defining clear roles and responsibilities, and aims to ensure the delivery of a high-quality service for all stakeholders.

The revision to the PAS, effective from April 2020, reflects the growth in membership and demands of scheme members and employers, changes to LGPS regulations and advances in technology.

The PAS is linked to the following statutory documents of the Administering Authority which are located within the Somerset County Council Pension Fund Annual Report, which can be found on the Somerset County Council website:

- Governance Policy and Compliance Statement
- Communications Strategy
- Funding Strategy Statement
- Investment Strategy Statement

Under no circumstances does the PAS override any provision or requirement of the LGPS regulations nor is it intended to replace the more extensive commentary provided by the Employers' Guide and associated documentation for day-to-day operations, which can be found within the employer's area of the Peninsula Pensions website.

2. Key Administration Strategy focus

This strategy formulates the administrative arrangements between the Administering Authority and employers. It recognises that employers and the Administering Authority have a shared role in delivering an efficient and effective pension service to scheme members and that this can only be achieved by co-operation and working together.

The strategy document sets out in detail how we will achieve our key focus points stated below:

- setting out the quality and performance standards required of the Administering Authority and employers;
- promoting good working relationships and improving efficiency between the Administering Authority and employers for the benefit of scheme members;
- enhancing the flow of data by having clear channels of communication in place, so that each stakeholder is fully aware of its role and responsibilities within this process; and
- providing a framework to enable administration costs relating to significant employer underperformance to be met directly by the employer responsible, as opposed to sharing the costs across all employers in the Pension Fund*.

(* [Regulation 70 of the 2013 LGPS Regulations](#) permits the recovery of additional costs from an employer where unsatisfactory performance levels have incurred additional costs to the Administering Authority)

An annual report will be issued by Peninsula Pensions to illustrate the extent to which the performance standards established under this strategy have been achieved and such other matters arising from the strategy as appropriate.

3. Record keeping

Record-keeping is a fundamental part of managing a scheme such as the LGPS. Administering Authorities and employers have a legal obligation to collate and maintain accurate data records.

Peninsula Pensions must be able to demonstrate that records are accurate and up to date, within the parameters of data protection legislation, in order to govern and administer the pension scheme efficiently and effectively for scheme members.

Employers (and their delegated payroll providers) are responsible for providing the core data required by the Administering Authority. Employers need to ensure that legal obligations regarding the provision of timely and accurate information to the scheme are met.

The Administering Authority has a legal duty to provide scheme members with accurate and timely information regarding their benefits. The use of electronic processes aides all parties to do this in a timely and efficient manner. A strong working partnership between the Administering Authority and employers is key in delivering a successful administration service. This document describes how the Administering Authority provides support to employers in meeting their responsibilities.

Peninsula Pensions will notify employers in advance of any proposed changes in systems, processes, legislation and data requirements and will provide sufficient time, support and guidance for employers to implement any changes.

Full details covering the processes for employers, including the procedures for the escalation of outstanding requests for information, can be found within the employer's section of our website.

If employers have concerns about the data required, they should contact Peninsula Pensions without delay. This will allow Peninsula Pensions to work with employers to resolve any issues and enable both parties to meet their requirements for the benefit of scheme members.

Where an employer does not actively engage with Peninsula Pensions to resolve issues and/or consistently fails to meet its responsibilities under the LGPS Regulations, the Administering Authority (or stakeholders such as the Pension Board) has a statutory duty to report any breach to The Pensions Regulator. Similarly, stakeholders (such as the Pension Board) may report Peninsula Pensions to The Pensions Regulator if it is believed that a breach has occurred in respect of its duty as scheme administrator.

If deemed to be materially significant, The Pensions Regulator has the authority to take prompt and effective action to investigate and correct the breach and its causes, and, where appropriate, to notify any members whose benefits have been affected.

The Pensions' Regulator may impose a penalty under section 10 of the Pensions Act 1995. At the time of creating the PAS, the maximum amount of a penalty in relation to a breach is £5,000 in the case of an individual and up to £50,000 in any other case.

Penalties may be imposed on any party who has legal requirements or responsibilities relating to the management or administration of the scheme, and anyone else who could be subject to any of The Pensions' Regulator's statutory powers of investigation and enforcement, such as employers and professional advisers.

The Pensions' Regulator's compliance and enforcement policy for public service sector schemes can be accessed via the following link:

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/compliance-policy-public-service-pension.ashx>

More information about the work of The Pensions Regulator can be found via the following link:

<https://www.thepensionsregulator.gov.uk/en>

4. Roles and Responsibilities

The key focus of the strategy set out in Section 2 will be achieved by:

- clearly defining the respective roles of employers and the Administering Authority
- setting clear and achievable standards of service levels for the functions carried out by employers and the Administering Authority
- setting out clear procedural guidance for the secure and effective exchange of information between employers and the Administering Authority
- monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- continuous development of resources via the use of digital technology and staff training for both the Administering Authority and employers
- applying charges where an employer consistently fails to meet deadlines to ensure the resulting additional administrative strain is not a burden on all employers.

The Employer's Roles and Responsibilities

The key responsibilities for the employer are to:

- communicate the LGPS to eligible staff
- ensure the correct level of monthly pension contributions are collected and paid by the 7th of the following month, and no later than the 19th
- report information and data to the Peninsula Pensions as set out in this Strategy
- keep up to date with Peninsula Pension Communications
- provide a prompt response to information requests

The Administering Authority's Roles and Responsibilities

The key responsibilities for the Administering Authority are to:

- administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy
- maintain and review the Pension Fund's Statements, Policies and Reports and all other matters relating to the Governance of the scheme
- communicate and engage with employers on LGPS matters
- provide support/training to employers
- maintain and develop an effective web presence for the benefit of members and employers

A guide to the roles and responsibilities of employers and the Administering Authority are set out in Appendix A. The guides include a summary of duties, defining the main functions, which will facilitate the delivery of an efficient, accurate and high-quality pension service to scheme members.

Failure to comply with any of the duties listed in Appendix A will be considered as a reportable breach. The ultimate aim is to work together to ensure that any issues of concern are addressed before an issue reaches a breach status. Any affected party will be given sufficient warning and the opportunity to address any outstanding issues before a breach is recorded.

Any breaches of duty will be recorded on our breaches register, which will be reviewed by the Pension Board on a quarterly basis. Individual breaches will be reported to The Pensions Regulator as required.

5. Performance Monitoring

The strategy recognises that there is a shared responsibility for ensuring compliance with the LGPS regulations and the PAS. Below we have set out the ways in which performance and compliance will be monitored;

- the Administering Authority and employers must aim to ensure that all functions and tasks are carried out to the agreed quality standards set out in this Strategy
- the Administering Authority will regularly monitor, measure and report on compliance with the agreed service standards outlined in this document
- the Administering Authority will undertake a formal review of performance against this Strategy on an annual basis and liaise with employers in relation to any concerns on performance
- the Administering Authority monitors its own performance against internal key performance indicators and the Disclosure Regulations 2013. Formal monitoring is carried out on a monthly basis, and is reported to the Pension Board on a quarterly basis
- the performance of employers against the standards set out in this document will be reported to the Pensions Committee and Pension Board, as appropriate, and will include data quality
- the Administering Authority will also regularly report to employers regarding individual performance, identifying any areas for improvement including outstanding data items

Underperformance Fees

The LGPS regulations provide Administering Authorities with the authority to recover any administration costs incurred as a result of the underperformance of an employer, from the employer responsible for the underperformance.

To date the Administering Authority has not recovered these additional costs and has taken the decision to work with employers to improve service delivery. However, we reserve the right to pass on these costs to the employer concerned, as opposed to sharing such costs across all employers.

From April 2020 Peninsula Pensions will monitor any additional costs incurred in the administration of the scheme as a direct result of underperformance, with a view to recovering these costs from the responsible employer.

Where areas of underperformance are identified, and an employer fails to make improvements and/or is unwilling to engage with Peninsula Pensions to resolve performance issues, Peninsula Pensions will:

- write to the employer, setting out area(s) of non-compliance with performance standards, offer support and, where applicable, request attendance at a training/coaching session.
- where the underperformance is in respect of an Admitted Body, the originating employer will be informed and will be expected to work with Peninsula Pensions to resolve the issue(s).

If no improvement is seen within one month or the employer is unwilling to attend a meeting to resolve the issue, Peninsula Pensions will issue a formal written notice, setting out:

- the area(s) of non-compliance that have been identified
- the steps taken to resolve those area(s)
- how the underperformance has contributed to the additional costs of administration and the amount of the additional cost incurred
- provide notice that the additional costs incurred by Peninsula Pensions as a direct result of the employer's poor performance will now be reclaimed

A breaches report will be presented to the Pension Board on a quarterly basis. This report will include the nature of the breach, the party responsible for the breach and details of any action taken to address the breach. The report will also include a recommendation for the Board to consider whether a breach is significant enough to warrant reporting to The Pensions Regulator.

In the event of a levy being issued to the Administering Authority by The Pensions Regulator, the levy will be passed on to the relevant employer where it can be demonstrated that the employer's action or inaction are responsible for the levy. Any disagreement regarding the amount of the levy will be decided by the Secretary of State who will have regard to:

- the provisions of the pension administration strategy that are relevant to the case, and
- the extent to which the Administering Authority and the employer have complied with those provisions in carrying out their functions under these regulations.

Interest on late payments

In accordance with LGPS regulations, interest will be charged on any outstanding amount overdue from an employer by more than one month. Interest will be calculated at 1% above the base rate on a day-to-day basis from the payment due date and will be compounded with three-monthly rests.

The employer will be reported to The Pensions Regulator where contributions are received late in accordance with The Pensions Regulator Code of Practice.

Feedback from Employers

Peninsula Pensions is also accountable for its performance and we welcome feedback from our employers regarding the performance against the standards in this administration strategy, as set out in Appendix A.

Comments should be sent to peninsulaemployers@devon.gov.uk or to the Employer and Communications Manager. Any feedback received will be incorporated into the quarterly reports provided to the Pension Board.

Employers are also entitled to raise any performance related issues direct to the Pension Board, via one of the Board's Employer Representatives.

6.Liaison and Communication

The delivery of a high quality, cost-effective administration service is not only the responsibility of the Administering Authority but it also depends on the Administering Authority working with a number of individuals in different organisations to ensure that members and other interested parties receive the appropriate level of service and that statutory requirements are met.

Peninsula Pensions has a dedicated Employer & Communications Team who will work with employers to ensure they are equipped to meet their responsibilities in line with the LGPS Regulations.

Every employer will have access to a dedicated Member Services Team who will assist employers with queries relating to individual members.

Each employer will designate a named individual(s) to act as a Pension Liaison Officer, who will serve as the primary contact regarding any aspect of administering the LGPS. The Pension Liaison Officer(s) will be provided with a username and password to access the employer section of the Peninsula Pensions website

Peninsula Pensions will employ a multi-channel approach in liaising and communicating with employers to ensure that all requirements are consistently met.

The various channels of communication are set out below:

1. The Peninsula Pensions website is the main communication tool for both employers and scheme members.
 - Employers – a dedicated and secure employer section where employers can access procedure guides, information on courses run by the Fund, access back copies of the Pensions Line, access Employer Self Service and Interface information. All employers are required to provide data through the Employer Self Service Portal and/or Interfaces.
 - Scheme members – access to up-to-date information about all aspects of the LGPS and the Member Self Service area where members can update personal details, review annual benefit statements, complete their own pensions estimates and access online tutorials.
 - Contact Details – Peninsula Pension staff roles and contact information are available on the website, together with contact details for the Pensions Committee and Pension Board.
2. Scheme members who have chosen to opt out of the Member Self Service will continue to receive statutory communication by post. They will still be able to access up-to-date information about all aspects of the LGPS via our website.
3. Periodic newsletters are issued to scheme members and all employing authorities and published on the Peninsula Pensions website.
4. Induction and pre-retirement workshops undertaken upon request to develop both employer and scheme member understanding (minimum of attendees 10 required per workshop).
5. Pension surgeries held for scheme members upon employer request to resolve any individual or collective issues that members may have.
6. Regular E-zine sent directly to employer representatives to provide notification of any scheme / administrative updates and developments.
7. Employer seminars and training groups held at least annually to review scheme developments, and/or to resolve any training needs that employers may have.
8. Annual Consultative Meeting held to review investment and administrative performance during the preceding 12 months, and to consider future plans and challenges.
9. Employer representatives are responsible for ensuring that information supplied by Peninsula Pensions is communicated to scheme members within their organisation, such as scheme guides and factsheets.

For further information regarding our methods of communication, please see our Communications Policy which is located within the Statutory Statements section of our [website](#)

Note: Peninsula Pensions are not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme and the Discretionary Payments Regulations. This responsibility rests with the employer.

Payroll providers: For employers who have delegated the responsibility to a payroll provider, for the provision of information direct to Peninsula Pensions, a delegation form will need to be completed confirming the areas for which they are permitted to act on your behalf. If information received from the payroll provider results in incorrect information being issued or incorrect benefits being paid to scheme members, the responsibilities under the Local Government Pension Regulations lie with the employer.

7. Actuarial work

The Administering Authority will appoint an actuary, who will conduct a valuation of the pension fund, as appropriate. The actuary will determine the assets and liabilities in respect of each employer and will calculate the appropriate contribution rate to be applied for the subsequent three-year period.

The costs associated with the administration of the scheme are charged directly to the pension fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

In the event that an employer elects to outsource a service, the actuary is required to produce a report in respect of those scheme members involved in the outsourcing. The outsourcing employer will be liable for any actuarial costs arising from the outsourcing of a service, including the production of the report.

Guidance regarding the outsourcing of a service is located within the employer's section of our website.

An employer may also commission the actuary to undertake additional work, the costs of which will be charged to the employer. Please note that these costs will also include an element of the cost of any administration work involved in liaising with the actuary.

**Approved by the Pensions Committee
Somerset County Council Pension Fund
March 2020**

Performance Standards

The delivery of an efficient and cost-effective administration is dependent upon a successful joint working partnership between Peninsula Pensions and key individuals within or representing the employer.

Performance standards are expressed as targets (i.e. the level of performance expected in normal circumstances). It is accepted that there may be occasions where it may not be possible to achieve the target indicated and a pragmatic approach will be adopted, subject to employers using their best endeavours to meet expected standards wherever possible.

Employer Responsibilities

1. Communication

Function/Role	Performance Target
Primary contacts - Nominate and keep under review named contacts including main contact and HR and payroll links.	Within 1 month of employer joining the Pension Fund or change to nominated representative
Stage 1 Appeals (IDRP) Officer - Appoint a person to consider appeals under Stage 1 of the Applications for the Adjudication of Disagreements Procedure (AADP) and provide full, up to date contact details to Peninsula Pensions.	Within 1 month of employer joining the Pension Fund or 1 month of a change in Appeals Officer
Independent Registered Medical Practitioner (IRMP) - Appoint an IRMP qualified in occupational health medicine, or arrange with a third party, and seek approval of the appointment from Peninsula Pensions, for the consideration of all ill-health retirement applications from active and deferred members.	Within 1 month of employer joining the Pension Fund or within 1 month of a change in IRMP(s)
Employer Discretions - Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to Peninsula Pensions).	Initial policy and subsequent revisions to be provided within 1 month of publishing
LGPS content in Contracts – Ensure that Fund-approved LGPS content is included in all contract / appointment / adjustment communications for LGPS-eligible positions including direction to Peninsula Pensions website .	Review LGPS content annually or within 1 month following receipt of information regarding adjustment to Fund approved wording
Communicate any information provided by Peninsula Pensions to scheme members/potential scheme members.	Within 1 month unless an alternate timeframe is set by Peninsula Pensions

Refer new / prospective scheme members to Peninsula Pensions' website.	Within 1 month of commencement of employment or change in contractual conditions
Outsourcing – Notify Peninsula Pensions of contracting out of services which will involve a TUPE transfer of LGPS eligible staff to another organisation to enable LGPS information to be provided to potential contractors.	Within 1 week-following Committee approval
Work with Peninsula Pensions to arrange for the admission of a contractor as a new employer.	A minimum of 2 months in advance of the date of contract
Notify Peninsula Pensions of changes / extension / cessation of arrangements with a contractor.	Within 5 working days of decision being made
Assist Peninsula Pensions in ensuring that the terms of the contractor's admission as an employer (Admission Agreement) are complied with.	Notify Peninsula Pensions immediately if the terms of the Admission Agreement have been breached
Respond to enquiries from Peninsula Pensions and representatives from the Administering Authority.	Within 2 weeks from receipt of the enquiry
Respond to enquiries from Peninsula Pensions and representatives from the Administering Authority in respect of Breaches of the Law.	Within 1 week of the request

2. Payments to the Fund

Function/Role	Performance Target
The Employer's Rate - Apply the employer contribution rate and deficit sum agreed with the Administering Authority on becoming an employer and adjust as instructed by the Administering Authority from a date determined by the Administering Authority.	Within 5 working days of receipt of information from the Administering Authority effective from a date determined by the Administering Authority following advice from the scheme actuary
The Employee's Rate - Calculate and review the correct employee contribution rate for all members at commencement and on 1st April each year. Also, to be reviewed at intervals during the year at the employer's discretion.	Within 5 working days of commencement, on 1st April each year and as per the employer's discretionary policy on adjusting the employee's contribution rate at intervals during the year

Assumed Pensionable Pay (APP) - Ensure the correct application of APP during periods of reduced/nil pay in accordance with the LGA's HR & Payroll Guides.	Review of eligibility for APP immediately upon a member moving to reduced/nil pay
Monthly Payment to the Pension Fund - Remit employee, employer and any additional contributions and submit the online contributions form to the Administering Authority.	By the 19th of the month after deduction from pay or date specified by the Administering Authority.
Payment of AVCs - Remit Additional Voluntary Contributions (AVCs) to the AVC provider(s).	By the 19th of the month following the deduction from pay
Make strain/shortfall payments to the Administering Authority in respect of early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Remit recharge payments in respect of pension members – e.g. Discretionary Compensation/Enhancement.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Payments in respect of FRS102 and IAS19 work carried out on behalf of employers by the Administering Authority and the Actuary.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Payments in respect of all other work carried out on behalf of the employer by the Actuary and connected data quality assurance undertaken by the Administering Authority.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Prompt payment of invoices issued by the Administering Authority for specific services provided e.g. admission agreement work.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund
Make payment of additional costs to the Administering Authority associated with non-compliance with performance standards of the scheme employer.	Within 5 working days of receipt of invoice from Peninsula Pensions or the Pension Fund

3. Year-End Return

Function/Role	Performance Target
Completing the Year-End Return - Provide a fully reconciled and completed Year-End Return to Peninsula Pensions in the format stipulated in the instructions issued each February.	By 19th April following the year-end unless employers are notified of an alternative date by the Peninsula Pensions
To resolve all queries returned from the Year-End Return.	To respond fully to all queries from Peninsula Pensions within 3 weeks of receipt of the query. In circumstances where an employer submits a late year-end return, limiting the time that Peninsula Pensions has to complete its duties, the timescales may be reduced, as advised by the Peninsula Pensions

4. Scheme Members Information

Function/Role	Performance Target
To notify Peninsula Pensions of all new scheme members, changes in personal details, e.g. name, working hours via Interface or Employer Self Service.	1 month
On cessation of membership determine the reason for leaving, final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate. NB Where an employee is suffering from a Terminal Illness and limited life expectancy, employers should contact Peninsula Pensions for guidance without delay.	For members in receipt of regular pay, where the employer can accurately project pay to the date of retirement, up to 1 month prior, or within 1 week following final pay period. Leavers under age 55 within 1 month following final payday
Apply a scheme members election to opt out of the LGPS to the member's payroll record. Notify Peninsula Pensions in line with the process for leavers, as stated above.	Election applies from the 1st of the month for the next available payroll, except where an opt-out is made within 3 months of an employee joining the scheme. In such cases the opt-out is backdated to the joining date and all contributions refunded directly.
Where a member dies in service - determine final pay for calculating pre 2014 benefits and CARE pay for post 2014 benefits as appropriate.	Within 1 week of final pay period
Provide monthly CARE data within required format.	Within 2 weeks of pay run

Ensure members are notified of the option to pay Additional Pension Contributions following absences not covered by APP.	Within 2 weeks of the return to work, or as set out in the employer's discretion policy
Apply/adjust/cease the deduction of Additional Pension Contributions following an APC application from a scheme member and forward information via Interface or ESS to Peninsula Pensions.	In the month following receipt of election from scheme member
Notify Peninsula Pensions of periods of unpaid absence not covered by Assumed Pensionable Pay (APP).	Within 1 month
Arrange for the deduction of AVCs from scheme member's pay following election.	Commence deduction of AVCs in month following the month of election, as advised by AVC Provider
Provide end-of-year data within required format.	By date specified by Peninsula Pensions in January each year
In line with General Data Protection Regulations (GDPR) an employer will protect information relating to a member contained in any item issued by Peninsula Pensions from improper disclosure. They will only use information supplied or made available by Peninsula Pensions for the LGPS.	Ongoing requirement

Administering Authority Responsibilities

1. Peninsula Pensions

To complete cases in-line with the Disclosure Regulations, with at least 90% of cases completed within the internal targets.

Peninsula Pensions Responsibility	Disclosure regulations / Legal Requirement	Internal Targets
To accurately record and update member records on pension administration systems.	Within 3 months of effective date of change	2 weeks
To produce a statutory notification and forward to member's home address, together with information relating to the LGPS including how to request a transfer, inform us of previous service, and complete an expression of wish form.	Within 2 months of joining the scheme or within 2 months of request being made	1 month
To process employer year-end contribution returns and provide consolidated and grouped error reports for action by employers.	n/a	3 months

To produce annual benefit statements for all active members as at the preceding 31 st March and notify electronically or by post to member's home address.	31 st August	31 st July
To produce annual benefit statements for all preserved members, as at the preceding 31 st March, and notify electronically or by post to member's home address.	31 st August	30 th June
To provide information and quotations to scheme member about additional voluntary contribution (AVC) options.	Within 2 months of request being made	Within 10 working days
To provide information and quotations to a scheme member on the option of making Additional Pension Contributions (APCs).	Within 2 months of request being made	Within 10 working days
To produce retirement estimates for employers, once in receipt of all the necessary information.	Within 2 months of request being made	Within 10 working days
To accurately record and update member records on pension administration systems for those members leaving the scheme, without entitlement to immediate payment of benefits. Provide them with the options available and deferred benefit entitlement.	Within 2 months of receiving notification that pensionable service has ended or within 2 months of a request	Within 1 month
To accurately calculate and inform the member of the options available to them upon retirement.	Within 1 month following date benefit becomes payable (2 months if retiring before normal pension age)	10 working days from receiving all information from employer
Upon receipt of members completed retirement forms finalise pension records and authorise payment of lump sum and set up of payroll record.	n/a	Within 10 working days
Under the General Data Protection Regulations 2018 Peninsula Pensions will protect information relating to a member contained on any item issued by them or received by them from improper disclosure.	n/a	Ongoing requirement, online security within databases regularly reviewed
Each Administering Authority is responsible for exercising the discretionary powers given to it by		Peninsula Pensions will maintain links to

<p>the regulations. The Administering Authority is also responsible for publishing its policy to its members in respect of the key discretions as required by the regulations.</p>		<p>these discretions on their website</p>
<p>Notification of Pension Fund Triennial Valuation results including contribution rates.</p>		<p>Assuming information provided by Actuaries provisional results December following valuation, with final results the following March</p>

Director of Finance's report

Investment activity

During the 2019-2020 financial year, the planned-asset allocation of the fund was altered to reflect the pathway of transitioning assets to Brunel, this does not represent a major shift in the underlying exposures. We are continuing the process of transferring the management of the vast majority of our investment assets to our chosen LGPS pool, Brunel. During the year we have moved 2 mandates covering 15% of the assets to management by Brunel.

Further details regarding the investment objectives of the fund can be found in the Investment Strategy Statement, a copy of which can be found earlier in this annual report.

The current planned asset allocation is shown in the table below:

31 March 2020	Asset class	31 March 2021
Target %		Target %
30	Passive global equity	25
20	UK equity	20
10	Active global developed equity	10
0	Active global small cap. equity	5
5	Emerging market equity	5
65	Total listed equity	65
4	UK government gilts	4
4	UK government index-linked bonds	4
8	Sterling corporate bonds	8
3	High yield Corporate bonds	3
19	Total listed bonds	19
10	Property	10
5	Private Equity	5
15	Total alternatives	15
1	Cash	1
<hr/> 100 <hr/>		<hr/> 100 <hr/>

Further details are contained in the section earlier in this report describing the fund managers. The actual holdings of the fund at the start and end of the year are detailed as part of the financial statements, which can be found later in this annual report.

Investment market background

Interest rates

During the year the Bank of England maintained official UK base rate at 0.1% throughout the year.

Investment returns

Returns for the year were strongly positive for the whole fund over the whole year. Equities recovered quickly from the COVID-19 crisis falls seen in the year to March 2020 to post very strong returns. Bonds also performed well during the year.

Key market indicators

	Start of year	End of year	Percentage change for the year
Base rate	0.10%	0.10%	
Strength of sterling			
against US dollars	1.24	1.38	11%
euro	1.13	1.18	4%
yen	133.59	152.59	14%
Stock markets (quoted in local currency)			
FTSE 100 (UK)	5,672	6,714	18%
FTSE All Share (UK)	3,107	3,831	23%
Dow Jones (USA)	21,917	32,982	50%
S&P 500 (USA)	2,585	3,973	54%
FTSE Eurofirst 300 ex UK (Europe)	1,519	2,053	35%
Nikkei 225 (Japan)	18,917	29,179	54%
MSCI Emerging Market	849	1,316	55%

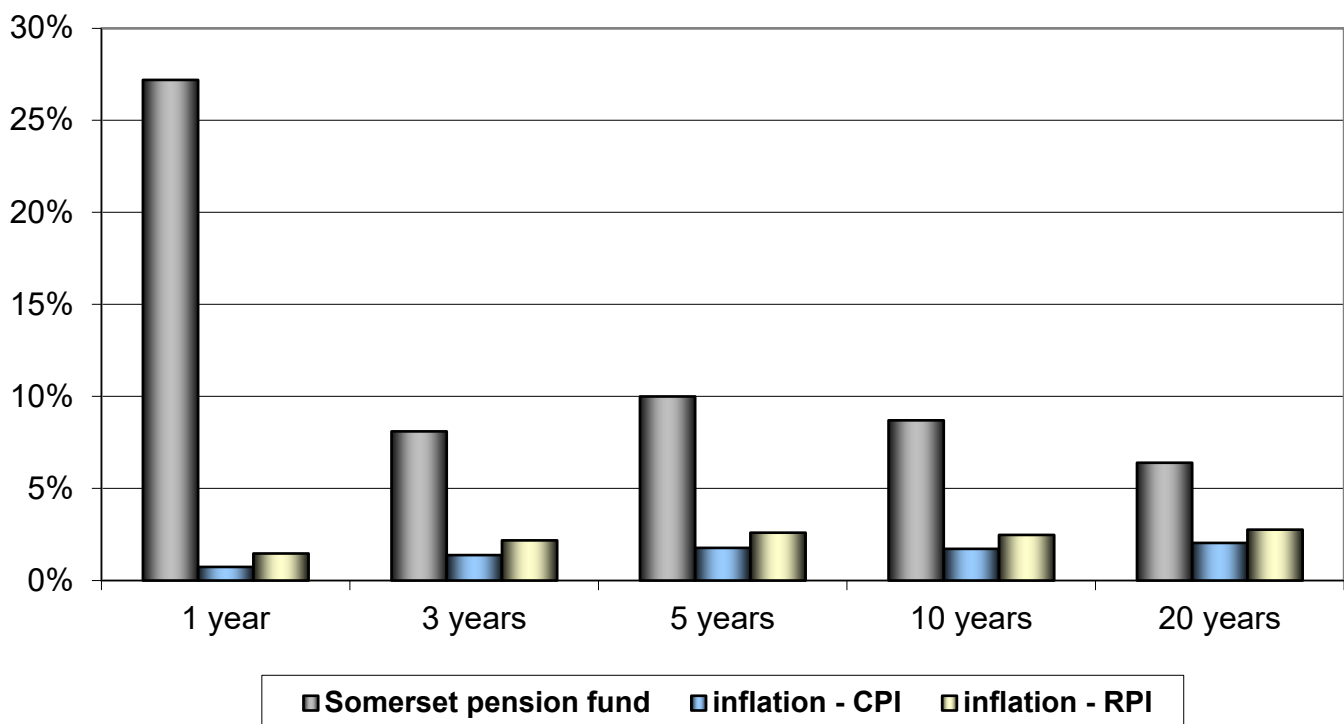
Source: Bank of England
Bloomberg

Investment performance

The success or failure of a pension fund depends largely on the performance of its investments. Benefits are worked out based on final salary for pre 2014 service and career average earnings for post 2014 service, and these benefits are 'index-linked' to protect their value over time. Taking the above into account, there is one simple but important comparison that can be made. This is to compare the growth in value of the fund with the rate of inflation.

For 2020/2021, the fund had a strongly positive return and this return was significantly above inflation. Looking back over five-, 10- and 20-year periods, we can see from the chart below that the fund has grown more strongly than inflation over the longer term.

Annualised fund investment performance in relation to inflation



Source: Somerset CC
Bloomberg

Overall fund performance

The fund's total return was positive for the financial year at a return of 27.2%. We measure how good we think this figure is against our scheme-specific benchmark. This benchmark is basically a combination of the benchmarks we give to the individual asset managers. The return on our scheme-specific benchmark was 24.7% and the fund outperformed against this by 2.5%. The performance of each of the fund managers and the whole fund is shown in the table below net of all fees and charges.

1 year fund performance

Manager	Asset class	Fund	Benchmark	Fund relative to benchmark
Somerset County Council	Passive global equity	35.8%	39.4%	-3.6%
Brunel	Passive global equity	39.4%	39.4%	0.0%
Brunel	Global high alpha equity	50.0%	39.1%	10.9%
Aberdeen Standard	UK equity	62.1%	26.7%	35.4%
Brunel	UK equity	27.5%	26.7%	0.8%
Brunel	Global small cap equity	Initial investment in September 2020		
Brunel	Emerging market equity	45.6%	42.3%	3.3%
Aberdeen Standard	Bonds	7.0%	6.2%	0.8%
LaSalle / Brunel	Property	-0.8%	2.5%	-3.3%
Neuberger Berman	Global private equity	21.5%	0.1%	21.4%
Brunel	Global private equity	Initial investment in January 2021		
Technology Venture Partners	Venture capital	0.0%	0.1%	-0.1%
Somerset County Council	Cash	0.6%	0.1%	0.5%
Whole Fund		27.2%	24.7%	2.5%

Source: Somerset CC

3 year (annualised) fund performance

Manager	Asset class	Fund	Benchmark	Fund relative to benchmark
Somerset County Council	Passive global equity	13.7%	13.8%	-0.1%
Brunel	Passive global equity	Initial investment in July 2018		
Brunel	Global high alpha equity	Initial investment in November 2019		
Aberdeen Standard	UK equity	11.3%	3.2%	8.1%
Brunel	UK equity	Initial investment in November 2018		
Brunel	Global small cap equity	Initial investment in September 2020		
Brunel	Emerging market equity	Initial investment in October 2019		
Aberdeen Standard	Bonds	4.6%	4.4%	0.2%
LaSalle / Brunel	Property	0.8%	2.4%	-1.6%
Neuberger Berman	Global private equity	16.9%	0.5%	16.4%
Brunel	Global private equity	Initial investment in January 2021		
Technology Venture Partners	Venture capital	0.0%	0.5%	-0.5%
Somerset County Council	Cash	0.8%	0.5%	0.3%
Whole Fund		8.1%	7.5%	0.6%

Source: Somerset CC

5 year (annualised) fund performance

Manager	Asset class	Fund	Benchmark	Fund relative to benchmark
Somerset County Council	Passive global equity	14.9%	14.9%	0.0%
Brunel	Passive global equity	Initial investment in July 2018		
Brunel	Global high alpha equity	Initial investment in November 2019		
Aberdeen Standard	UK equity	11.5%	6.3%	5.2%
Brunel	UK equity	Initial investment in November 2018		
Brunel	Global small cap equity	Initial investment in September 2020		
Brunel	Emerging market equity	Initial investment in October 2019		
Aberdeen Standard	Bonds	5.8%	5.5%	0.3%
LaSalle / Brunel	Property	2.9%	4.1%	-1.2%
Neuberger Berman	Global private equity	15.7%	0.4%	15.3%
Brunel	Global private equity	Initial investment in January 2021		
Technology Venture Partners	Venture capital	0.0%	0.4%	-0.4%
Somerset County Council	Cash	0.7%	0.4%	0.3%
Whole Fund		10.0%	9.4%	0.6%

Source: Somerset CC

10 year (annualised) fund performance

Manager	Asset class	Fund	Benchmark	Fund relative to benchmark
Somerset County Council	Passive global equity	12.0%	12.1%	-0.1%
Brunel	Passive global equity	Initial investment in July 2018		
Brunel	Global high alpha equity	Initial investment in November 2019		
Aberdeen Standard	UK equity	8.6%	6.0%	2.6%
Brunel	UK equity	Initial investment in November 2018		
Brunel	Global small cap equity	Initial investment in September 2020		
Brunel	Emerging market equity	Initial investment in October 2019		
Aberdeen Standard	Bonds	7.0%	6.9%	0.1%
LaSalle / Brunel	Property	5.1%	6.6%	-1.5%
Neuberger Berman	Global private equity	14.2%	0.4%	13.8%
Brunel	Global private equity	Initial investment in January 2021		
Technology Venture Partners	Venture capital	0.0%	0.4%	-0.4%
Somerset County Council	Cash	0.8%	0.4%	0.4%
Whole Fund		8.7%	8.3%	0.4%

Source: Somerset CC

Investment cost transparency

Direct investment management fees and transaction costs are included in note 8 of the Statement of Accounts. However, there has been an increasing focus on investment management costs, and a recognition that there are significant further costs that in the past have been hidden. The cost transparency agenda aims to ensure full disclosure of all costs involved in investment, as unless costs are identified they cannot be effectively managed. The effective management of investment costs should improve investment returns. The move toward investment fee transparency and consistency is seen by the LGPS Scheme Advisory Board as an important factor in the LGPS being perceived as a value led and innovative scheme.

The following table summarises investment management costs for 2020/21. It has been compiled from templates completed by each of the Fund's investment managers. The "Direct" costs column reconciles to the costs disclosed in note 8 within the Statement of Accounts, while "Indirect" costs are those costs that do not meet the criteria for inclusion in the accounts but do represent significant underlying costs to the Fund's investments.

The table below has been produced on a best efforts basis. Not all fund managers provided information to the same standard, it is likely that the total is understated because of this. Also, not all fund managers produced data for the correct time period, fund officers have aggregated time periods or done pro-rata calculations as applicable.

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	Brunel asset pool				Non-asset pool				Whole fund	
	Direct £ m	Indirect £ m	Total £ m	bps	Direct £ m	Indirect £ m	Total £ m	bps	Total £ m	bps
Management fees										
Ad valorem	4.229		4.229	26.5	1.468		1.468	18.9	5.697	24.0
Performance			0.000	0.0			0.000	0.0	0.000	0.0
Research			0.000	0.0			0.000	0.0	0.000	0.0
Other charges	0.223		0.223	1.4			0.000	0.0	0.223	0.9
Asset pool shared costs	0.991		0.991	6.2			0.000	0.0	0.991	4.2
Transaction costs										
Taxes and stamp duty		0.267	0.267	1.7	0.033		0.033	0.4	0.300	1.3
Broker commission		0.183	0.183	1.1	0.040		0.040	0.5	0.223	0.9
Implicit costs		1.587	1.587	9.9			0.000	0.0	1.587	6.7
Entry/exit charges			0.000	0.0			0.000	0.0	0.000	0.0
Indirect transaction costs		0.729	0.729	4.6			0.000	0.0	0.729	3.1
Custody	0.164		0.164	1.0	0.035		0.035	0.5	0.199	0.8
Other										
Stock lending			0.000	0.0	-0.059		-0.059	-0.8	-0.059	-0.2
Other costs		0.224	0.224	1.4			0.000	0.0	0.224	0.9
Total	<u>5.607</u>	<u>2.990</u>	<u>8.597</u>	<u>53.8</u>	<u>1.517</u>	<u>0.000</u>	<u>1.517</u>	<u>19.6</u>	<u>10.114</u>	<u>42.6</u>

The different types of costs itemised in the above table are defined below:

- **Ad valorem** Fees are the management fees charged by the external fund managers based on the value of funds under their management. These may be invoiced or encashed from units held in pooled funds. Those shown as indirect relate to where fees are taken from underlying funds. All of these fees appear in note 8.
- **Performance fees** are fees based on the fund manager having achieved a level of performance that warrants additional fees. These will be based on the manager having achieved performance above a hurdle rate, either an absolute return or relative to a benchmark, and then being entitled to a share of the profit from the return achieved above the hurdle rate.
- **Other charges** comprise all payments made to parties providing services to the pooled fund other than the manager such as, but not limited to, the depositary, custodian, auditor, property related expenses, to the extent these are not included under transaction costs, and any other fees or levies deducted from the pooled fund.
- **Asset pool shared costs** comprise the charges levied by the Brunel Pension Partnership to meet the costs of running the company.
- **Taxes and stamp duty** comprise any taxes charged on asset transaction.
- **Broker commission** comprises payments for execution of trades. Levies, such as exchange fees, settlement fees and clearing fees are included within broker commissions.
- **Implicit costs** represent the loss of value implied by the difference between the actual transaction price and the mid-market value of the asset. The precise methodologies for calculating implicit costs are still being deliberated by regulators. The costs included in the table are based on the recommendation that firms may calculate implicit costs by reference to appropriate measures of market spread and portfolio turnover.
- **Entry/exit charges** may arise when a holding in a pooled fund is bought or sold. The amount reported will be the actual amount incurred for each transaction and will include any dilution levies made in addition to the price and any amounts representing the difference between the transaction price and the net asset value per unit calculated by reference to the mid-market portfolio valuation.
- **Indirect transaction costs** are transaction costs incurred within pooled funds when they buy and sell their underlying investments.
- **Custody** – the costs levied by the Fund’s custodian.
- **Other costs** represent any additional charges that do not fit in any other category above.

As well as being transparent around costs the LGPS is striving to be more transparent about the effect of fund manager fees on investment performance. The following table shows, for each type of asset managed the performance gross of fund manager fees (the ad valorem fees and performance fees as per the definition above) and net of these fees. All of this performance is net of the transaction costs referred to above.

Asset class	1 year			3 year			5 year		
	Gross	Net	Benchmark	Gross	Net	Benchmark	Gross	Net	Benchmark
Brunel asset pool managed investments									
Passive global equity	39.4%	39.4%	39.4%						
UK equity	27.7%	27.5%	26.7%						
Global high alpha equity	50.4%	50.0%	39.1%						
Smaller companies equity*	24.6%	24.3%	27.0%						
Emerging market equity	46.1%	45.6%	42.3%						
Non-asset pool managed investments									
UK equity	62.6%	62.1%	26.7%	11.5%	11.3%	3.2%	11.7%	11.5%	6.3%
Bonds	7.1%	7.0%	6.2%	4.8%	4.6%	4.4%	5.9%	5.8%	5.5%
Property	-0.7%	-0.8%	2.5%	0.9%	0.8%	2.4%	3.1%	2.9%	4.1%
Global private equity	22.5%	21.5%	0.1%	17.9%	16.9%	0.5%	16.7%	15.7%	0.4%
Venture capital	1.4%	0.0%	0.1%	1.4%	0.0%	0.5%	1.4%	0.0%	0.4%
Cash	0.6%	0.6%	0.1%	0.8%	0.8%	0.5%	0.7%	0.7%	0.4%

The marked asset classes (*) have been managed for less than a year. Where the fund is invoiced for fees a full calculation has been done to remove the exact fees charged. Where the management fee has been deducted from a pooled fund the performance has been adjusted by adding back the percentage fee charged to the net performance.

Financial statements

Our responsibilities

As the administration authority of the fund, Somerset County Council must:

- appoint an officer to manage the fund's financial affairs – for us, that officer is the Director of Finance; and
- manage the fund's affairs to protect its assets and make sure resources are used economically, efficiently and effectively.

Responsibilities of the Director of Finance

The Director of Finance is responsible for preparing the pension fund's statement of accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the code'), must give a true and fair view on the financial position of the pension fund at the accounting date and its income and spending for the year ended 31 March 2021.

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and cautious; and
- followed the code.

The Director of Finance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps to prevent and detect fraud and other irregularities.

Fund Account

2019/2020		2020/2021		
£ millions	£ millions	£ millions	£ millions	Notes
		Contributions and other income		
21.186		Contributions from employees	22.585	4
82.132		Contributions from employers	88.932	4
3.301		Recoveries from member organisations	3.043	4
16.017		Transfer values received	8.408	5
122.636			122.968	
		Less benefits and other payments		
-81.657		Recurring pensions	-84.305	4
-15.654		Lump sum on retirement	-10.871	4
-2.515		Lump sum on death	-1.912	4
-11.386		Transfer values paid	-17.031	5
-0.304		Refund of contributions to leavers	-0.377	6
-111.516			-114.496	
11.120		Net additions from dealings with members		8.472
		Management Expenses		
-1.285		Administrative expenses	-1.270	7
-6.228		Investment management expenses	-7.183	8
-0.662		Oversight and governance expenses	-0.681	9
-8.175			-9.134	
2.945		Net additions including management expenses		-0.662
		Investment income		
29.629		Investment income received	15.109	10
4.173		Investment income accrued	4.037	10
-0.599		Less irrecoverable tax	-0.115	
33.203			19.031	
		Change in market value of investments		
161.409		Realised profit or loss	105.819	13
-321.123		Unrealised profit or loss	439.074	13
-159.714			544.893	
-126.511		Net return on investments		563.924
-123.566		Net increase/ (decrease) in the net assets available for benefits during the year		563.262

Table continued on next page

Net Asset Statement

On 31 March 2020 £ millions		On 31 March 2021 £ millions	Notes
	Investment assets and liabilities		
2,046.977	Investment assets	2,608.459	11
-0.271	Investment liabilities	-0.011	11
3.760	Other investment balances	3.937	15
	Current assets		
5.865	Contributions due from employers	4.432	
0.254	Cash at bank	0.501	
1.152	Other debtors	3.755	
	Current liabilities		
0.000	Unpaid benefits	0.000	
0.000	Bank overdraft	0.000	
-1.927	Other creditors	-2.001	
2,055.810	Net assets of the scheme available to fund benefits at end of year	2,619.072	
	Actuarial present value of promised retirement benefits		
-3,583.169	Vested benefits	-4,848.897	14
-87.958	Non-vested benefits	-83.739	14
-1,615.317	Net liabilities at end of year	-2,313.564	

Notes to the Accounts

Note 1: Description of the fund

The Somerset County Council pension fund is a defined benefit pension plan for the employees of the County Council and other employers in Somerset. The fund is part of the Local Government Pension Scheme (LGPS). The LGPS is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The fund receives contributions and investment income to meet pension benefits and other liabilities related to the majority of the County Council's employees. It does not cover teachers (whose pensions are managed through the Government's Department for Education). The fund also extends to cover employees of district councils, civilian employees of the Avon and Somerset Police (police officers have a separate scheme) and employees of other member bodies. A full list of employers who paid into the fund during the financial year is contained in note 4 of the accounts.

Contributions by employees are based on nine-tiered contribution bands dependent on the individual employee's pay, the nine contribution bands range from 5.5% to 12.5%. Nationally the Government estimate the average employee contribution is 6.3%.

All employers' contribution rates are decided by the fund's actuary every three years as part of this valuation of the fund. The rates for the 2020-2021 financial year were the first year covered by the valuation of the fund as at 31 March 2019. For Somerset County Council, for example, the employer's contribution rate for the three years covered by this valuation is 18.1% for each of the years from 2020 to 2023 plus a fixed sum of £9.33m for 2020/2021, £9.67m for 2021/2022 and £10.03m for 2022/2023. This compares with a rate of 15.5% and a lump sum of £12.81m for the 2019/2020 year set under the 2016 valuation. A common contribution rate will, in the long term, be enough to meet the liabilities of the fund assessed on a full-funding basis – this was 24.3% at the 2019 valuation (22.9% at the 2016 valuation). This common contribution rate can be split into amounts that meet new service and an amount needed to make up the deficit in the fund, the common rate of 24.3% is made up of a rate of 17.8% for new service and 6.5% for deficit funding. As part of the 2019 valuation all employers except academy schools have agreed to meet the deficit funding portion by paying a fixed monetary amount rather than a percentage of pensionable pay (as demonstrated by the example of Somerset County Council above). The aim of this is to remove the volatility caused by changing staff levels. At the valuation the actuary estimated that the fund's assets covered 86% of the fund's liabilities.

The pension and lump-sum payments that employees receive when they retire are linked to their final year's salary for pre-31 March 2014 service and to career average re-valued earnings (CARE) for service since 1st April 2014, along with how long they have worked for an employer within the fund. Increases in pension payments linked to inflation come out of the fund.

Note 2: Basis of preparation

The statement of accounts summarises the fund's transactions for the 2020/21 financial year and its financial position at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts have been prepared on a going concern basis.

Note 3: Accounting policies

The Fund account is prepared on a full accrual basis, with the exception of transfer values. As a result the following apply:

- investments and financial assets are included at fair value;
- the majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement;
- fixed interest securities are valued excluding accrued income;
- pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price (typically net asset value) where there are no bid/offer spreads, as provided by the investment manager of the respective pooled investment vehicle;
- forward foreign exchange contracts are valued using the foreign exchange rate at the date of the net asset statement;
- The Neuberger Berman Crossroads 2010 fund, Neuberger Berman Crossroads XX fund, Neuberger Berman Crossroads XXI fund and Neuberger Berman Crossroads XXII fund are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. Quarterly valuation statements for private equity investments are produced a significant length of time after the quarter end, and consequently the value we use for each unit of the private equity funds in the accounts is the audited value of the private equity funds at 31 December;
- the South West Regional Venture Fund is valued at cost;
- the fund's holding in the shares of Brunel Pension Partnership Ltd is valued at cost;
- contributions and benefits are accounted for in the period in which they fall due;
- interest on deposits and fixed interest securities are accrued if they are not received by the end of the financial year;

- interest on investments are accrued if they are not received by the end of the financial year;
- all dividends and interest on investments are accounted for on 'ex-dividend' dates;
- all settlements for buying and selling of investments are accrued on the day of trading;
- transfer values are accounted for when money is received or paid;
- the fund has significant investments overseas. The value of these investments in the net asset statement is converted into sterling at the exchange rates on 31 March. Income receipts, and purchases and sales of overseas investments, are normally converted into sterling at or about the date of each transaction and are accounted for using the actual exchange rate received. Where the transaction is not linked to a foreign exchange transaction to convert to sterling the exchange rate on the day of transaction is used to convert the transaction into sterling for accounting purposes; and
- Cash and cash equivalents on the Net Asset statement are restricted to 'cash at bank' and 'bank overdraft'. All cash (overdraft) not in the pensions fund's standard bank account with NatWest is treated as an Investment asset and is shown in note 11.

Note 4: Contributions and benefits

2020/2021	Somerset County Council £ millions	Other scheduled employers £ millions	Admitted employers £ millions	Total £ millions
Employees' contributions				
- Normal	7.625	13.329	1.421	22.375
- Additional	0.092	0.109	0.009	0.210
Total	<u>7.717</u>	<u>13.438</u>	<u>1.430</u>	22.585
Employers' contributions				
- Normal	22.004	36.250	3.968	62.222
- Augmentation	0.143	0.529	0.030	0.702
- Deficit funding	9.330	13.218	3.460	26.008
Total	<u>31.477</u>	<u>49.997</u>	<u>7.458</u>	88.932
Recurring pension and lump sum payments	-45.845	-41.203	-10.040	-97.088
Money recovered from member organisations	1.523	1.505	0.015	3.043
	<u>-5.128</u>	<u>23.737</u>	<u>-1.137</u>	<u>17.472</u>

2019/2020	Somerset County Council £ millions	Other scheduled employers £ millions	Admitted employers £ millions	Total £ millions
Employees' contributions				
- Normal	7.127	12.030	1.583	20.740
- Additional	0.198	0.226	0.022	0.446
Total	<u>7.325</u>	<u>12.256</u>	<u>1.605</u>	21.186
Employers' contributions				
- Normal	17.853	27.948	4.225	50.026
- Augmentation	0.635	1.020	0.610	2.265
- Deficit funding	12.806	14.295	2.740	29.841
Total	<u>31.294</u>	<u>43.263</u>	<u>7.575</u>	82.132
Recurring pension and lump sum payments	-47.493	-42.092	-10.241	-99.826
Money recovered from member organisations	1.848	1.385	0.068	3.301
	<u>-7.026</u>	<u>14.812</u>	<u>-0.993</u>	<u>6.793</u>

Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
County council			
Somerset	7.717	31.477	39.194
Police & Crime Commissioner			
Avon & Somerset	5.541	16.185	21.726
District councils			
Mendip	0.352	1.682	2.034
Sedgemoor	0.683	3.364	4.047
South Somerset	0.734	3.518	4.252
Somerset West & Taunton	1.165	5.309	6.474
Other bodies			
Avon and Somerset Magistrates Courts	0.000	1.123	1.123
Exmoor National Park	0.131	0.502	0.633

Table continued on next page

Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Parish and town councils			
Axbridge Town Council	0.001	0.006	0.007
Berrow Parish Council	0.001	0.003	0.004
Bishop Hull Parish Council	0.001	0.003	0.004
Bridgwater Town Council	0.009	0.034	0.043
Burnham & Highbridge Town Council	0.018	0.063	0.081
Castle Cary Town Council	0.002	0.009	0.011
Chard Town Council	0.017	0.060	0.077
Cheddar Parish Council	0.002	0.007	0.009
Coleford Parish Council	0.001	0.003	0.004
Comeytrove Parish Council	0.001	0.003	0.004
Creech St Michael Parish Council	0.001	0.003	0.004
Crewkerne Town Council & Burial Board	0.009	0.033	0.042
Frome Town Council	0.043	0.151	0.194
Glastonbury Town Council	0.013	0.048	0.061
Ilminster Town Council	0.007	0.022	0.029
Langport Town Council	0.004	0.007	0.011
Lower Brue Drainage Board	0.042	0.145	0.187
Minehead Town Council	0.008	0.031	0.039
Nether Stowey Parish Council	0.001	0.005	0.006
North Petherton Town Council	0.000	0.000	0.000
Parret Drainage Board	0.004	0.016	0.020
Shepton Mallet Town Council	0.009	0.029	0.038
Somerton Town Council	0.004	0.014	0.018
Street Parish Council	0.005	0.018	0.023
Watchet Town Council	0.004	0.006	0.010
Wellington Town Council	0.005	0.016	0.021
Wells Burial Board & Parish Council	0.022	0.075	0.097
West Coker Parish Council	0.001	0.002	0.003
Williton Parish Council	0.001	0.006	0.007
Wincanton Town Council	0.006	0.023	0.029
Yeovil Town Council	0.013	0.044	0.057

Table continued on next page

Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Further-education colleges			
Bridgwater College	0.793	2.601	3.394
Richard Huish Sixth Form College	0.151	0.474	0.625
Strode College	0.164	0.581	0.745
Yeovil College	0.205	0.576	0.781
Academies			
Ansford Academy	0.036	0.141	0.177
Ashill Primary Academy	0.003	0.012	0.015
Avishayes Academy	0.018	0.076	0.094
Axbridge Academy	0.013	0.056	0.069
Barwick and Stoford School	0.000	0.001	0.001
Bath & Wells Academy Trust	0.321	1.288	1.609
Bishop Fox's Academy	0.057	0.232	0.289
Blackbrook Primary School	0.015	0.062	0.077
Brent Knoll Primary School	0.008	0.034	0.042
Bridgwater College Academy	0.152	0.561	0.713
Brookside Academy	0.062	0.255	0.317
Bruton Sexseys Academy	0.054	0.212	0.266
Brymore Academy	0.062	0.250	0.312
Buckland St. Mary Church of England School	0.003	0.015	0.018
Buckler's Mead Academy	0.055	0.199	0.254
Castle Academy	0.078	0.304	0.382
Castle Primary School	0.009	0.040	0.049
Charlton Horethorn School	0.003	0.015	0.018
Cheddar First School	0.020	0.083	0.103
Chilton Trinity Academy	0.041	0.163	0.204
Countess Gytha Primary School	0.013	0.055	0.068
Courtfields Academy	0.048	0.195	0.243

Table continued on next page

Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Academies (continued)			
Crispin Academy	0.053	0.205	0.258
Critchill School	0.026	0.114	0.140
Danesfield Academy	0.022	0.091	0.113
Draycott and Rodney Stoke First School	0.006	0.022	0.028
East Brent School	0.007	0.030	0.037
Enmore Academy	0.006	0.027	0.033
Fairlands Middle School	0.022	0.094	0.116
Hambridge Primary School	0.011	0.045	0.056
Hamp Academy	0.021	0.089	0.110
Hatch Beauchamp Primary School	0.002	0.009	0.011
Hayesdown Academy	0.017	0.074	0.091
Haygrove Academy	0.064	0.248	0.312
Hemington Primary School	0.003	0.015	0.018
Holy Trinity Church of England School	0.029	0.124	0.153
Holyrood Academy	0.069	0.284	0.353
Horrington Primary School	0.008	0.032	0.040
Hugh Sexey's School	0.030	0.125	0.155
Huish Academy	0.028	0.119	0.147
Huish Episcopi Academy	0.086	0.341	0.427
Huish Episcopi Primary Academy	0.011	0.048	0.059
Isambard Kingdom Brunel School	0.003	0.013	0.016
King Alfred School	0.064	0.281	0.345
King Arthur's School	0.021	0.085	0.106
King Edward Road Nursery	0.009	0.038	0.047
King Ina (Monteclefe)	0.022	0.092	0.114
Kings of Wessex Academy	0.070	0.260	0.330
Kings of Wessex Leisure	0.020	0.042	0.062
Kingsmead Academy	0.062	0.249	0.311

Table continued on next page

Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Academies (continued)			
Leigh On Mendip First School	0.007	0.028	0.035
Lympsham School	0.009	0.038	0.047
Maiden Beech Academy	0.021	0.084	0.105
Manor Court Primary School	0.025	0.113	0.138
Mark Academy	0.012	0.053	0.065
Mendip School	0.046	0.194	0.240
Middlezoy Primary School	0.006	0.021	0.027
Milford Junior School	0.030	0.120	0.150
Minehead First School	0.030	0.127	0.157
Minehead Middle School	0.056	0.217	0.273
Minerva Primary School	0.020	0.084	0.104
Neroche Primary School	0.003	0.013	0.016
North Cadbury School	0.007	0.029	0.036
Northgate Primary School	0.020	0.085	0.105
Nunney First School	0.004	0.015	0.019
Oakfield Academy	0.040	0.161	0.201
Old Cleeve Academy	0.011	0.048	0.059
Othery Primary School	0.004	0.017	0.021
Otterhampton Primary School	0.009	0.037	0.046
Pawlett Primary School	0.004	0.016	0.020
Pen Mill Academy	0.013	0.055	0.068
Preston Academy	0.057	0.233	0.290
Preston C of E Primary School	0.059	0.219	0.278
Primrose Lane Primary School	0.017	0.073	0.090
Priorswood Academy	0.013	0.055	0.068
Puriton Primary School	0.009	0.038	0.047
Redstart Academy	0.039	0.155	0.194
Ruishton Primary School	0.015	0.065	0.080

Table continued on next page

Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Academies (continued)			
Selwood Academy	0.033	0.135	0.168
Selworthy School	0.071	0.305	0.376
Shipham Church of England First School	0.006	0.027	0.033
Spaxton Primary School	0.005	0.023	0.028
St. Dunstan's Academy	0.018	0.076	0.094
St. Cuthbert's Academy	0.012	0.048	0.060
St. Michael's Academy	0.025	0.105	0.130
St. Michael's Church of England School	0.010	0.044	0.054
St. Peter's Academy	0.011	0.047	0.058
St Peters Nursery	0.008	0.032	0.040
Stanchester Academy	0.042	0.167	0.209
Steiner Academy, Frome	0.022	0.093	0.115
Stogursey Primary School	0.006	0.027	0.033
Tatworth Academy	0.009	0.037	0.046
Taunton Academy	0.116	0.479	0.595
The Blue School, Wells	0.102	0.408	0.510
Weare Academy	0.012	0.051	0.063
Wedmore Academy	0.018	0.078	0.096
Wellesley Park Primary School	0.017	0.074	0.091
West Monkton Primary School	0.051	0.204	0.255
West Somerset Community College	0.040	0.169	0.209
Westfield Academy	0.065	0.249	0.314
Westover Green Academy	0.037	0.158	0.195
Whitstone Academy	0.037	0.148	0.185
Willowdown Academy	0.022	0.093	0.115
Winsham Primary School	0.005	0.019	0.024
Woolavington Academy	0.015	0.063	0.078
Total other scheduled employers	13.438	49.997	63.435

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Note 4: Contributions and benefits (continued)

	Employees' contributions £ millions	Employers' contributions £ millions	Total £ millions
Admitted bodies			
Aster Communities Ltd	0.032	2.295	2.327
BAM FM	0.004	0.015	0.019
Capita	0.004	0.015	0.019
Dimensions	0.428	1.027	1.455
Edward and Ward Ltd	0.005	0.004	0.009
Glen Cleaning Company Ltd	0.002	0.012	0.014
Homes in Sedgemoor	0.137	0.398	0.535
Idverde Ltd	0.012	0.047	0.059
Imperial Cleaning	0.001	0.003	0.004
KGB South West	0.012	0.058	0.070
Learning South West	0.000	0.000	0.000
Leisure East Devon	0.013	0.027	0.040
Magna West Somerset Housing Association	0.058	0.251	0.309
Mama Bear's	0.002	0.007	0.009
May Gurney Ltd	0.000	0.158	0.158
MD Building Services	0.025	0.078	0.103
MITIE	0.001	0.000	0.001
National Autistic Society	0.009	0.048	0.057
NSL Ltd	0.019	0.072	0.091
Pabulum	0.004	0.018	0.022
RM Education	0.002	0.004	0.006
SASP	0.010	0.006	0.016
Shared Lives South West	0.004	0.014	0.018
Society of Local Council Clerks	0.036	0.121	0.157
Somerset Care Ltd	0.024	0.265	0.289
Somerset Skills & Learning	0.073	0.222	0.295
South West Audit Partnership	0.126	0.528	0.654
South West Heritage	0.054	0.161	0.215
South West Provincial Councils	0.039	0.318	0.357
Suez Recycling	0.022	0.083	0.105
Yarlington Housing Group	0.272	1.203	1.475
Total admitted employers	1.430	7.458	8.888
Total	22.585	88.932	111.517

Note 5: Transfer values

2019/2020 £ millions		2020/2021 £ millions
9.000	Group transfer values received	0.000
7.017	Individual transfer values received	8.408
16.017		8.408
0.000	Group transfer values paid	-7.955
-11.386	Individual transfer values paid	-9.076
-11.386		-17.031

Note 6: Refunds

2019/2020 £ millions		2020/2021 £ millions
-0.294	Contributions refunded to members who leave service	-0.377
-0.017	Interest accumulated on refunds agreed in the past	-0.014
-0.311		-0.391
-0.003	Deductions from contributions equivalent premium	0.000
0.010	Less payments to Department for Work and Pensions contributions equivalent premium	0.014
-0.304		-0.377

Note 7: Administrative expenses

2019/2020 £ millions		2020/2021 £ millions
0.000	Benefits administration costs charged by Somerset CC	0.000
<u>-1.273</u>	Benefits administration costs charged by Devon CC	<u>-1.262</u>
-1.273		-1.262
0.000	Legal advice costs charged by Somerset CC	0.000
<u>-0.012</u>	External legal advice	<u>-0.008</u>
-0.012		-0.008
0.000	Other expenses	0.000
<u>-1.285</u>		<u>-1.270</u>

Note 8: Investment management expenses

2019/2020 £ millions		2020/2021 £ millions
	Fund manager fees	
-0.339	LaSalle	-0.184
-1.102	Jupiter*	0.000
-0.171	Maple-Brown Abbott*	-0.049
-0.135	Amundi	0.000
-0.041	Somerset County Council	-0.043
-0.590	Aberdeen Standard	-0.634
-0.855	Other fund managers	-0.558
-3.233		-1.468
	Other expenses	
-0.094	Transaction costs	-0.073
-0.039	Custody fees	-0.035
-0.402	Property unit trust managers' fees	0.000
-0.535		-0.108
	Pooling	
-0.979	Brunel Fees	-0.991
-1.429	3rd Party Fund Manager Fees	-3.143
0.000	Property unit trust managers' fees	-1.086
-0.048	Custody fees	-0.164
-0.004	Other costs	-0.223
-2.460		-5.607
-6.228		-7.183

The "other fund manager" fees identified above is an estimate of fund management fees that are deducted from within investments held by the pension fund but not invoiced to the fund.

*The fund manager fees for these managers may include performance related fees. The total performance related fees attributable to the 2020/2021 financial year are £0 (£739,000 in 2019/2020).

The pooling category above includes fees directly invoiced by Brunel as well as costs deducted directly from pooled investments provided by Brunel. Property unit trust manager fees has moved under Brunel's management during the year and the full year cost is shown here. The increase in costs in this respect is due to improvements in transparency achieved by Brunel rather than an increase in the actual amounts of fees deducted from pooled property funds.

The transaction costs shown above are broken down as follows:

2019/2020				2020/2021	
£ millions	£ millions			£ millions	£ millions
Broker				Broker	
comm-	Taxes and	Manager	Asset Class	comm-	Taxes and
issions	Fees			issions	Fees
Purchase Costs					
0.001	0.002	Somerset County Council	Passive global equity	0.002	0.002
0.000	0.000	Aberdeen Standard	UK equity	0.000	0.000
0.002	0.000	Somerset County Council	Passive US equity	0.000	0.000
0.005	0.007	Jupiter	European equity	0.000	0.000
0.017	0.004	Maple-Brown Abbott	Far East equity	0.005	0.002
0.000	0.000	Aberdeen Standard	Bonds	0.000	0.000
0.000	0.000	LaSalle	Property	0.000	0.000
0.000	0.000	Neuberger Berman	Global private equity	0.000	0.000
0.000	0.000	TVP	UK venture capital	0.000	0.000
0.000	0.000	Somerset County Council	Cash	0.000	0.000
<u>0.025</u>	<u>0.013</u>			<u>0.007</u>	<u>0.004</u>
Sales Costs					
0.002	0.001	Somerset County Council	Passive global equity	0.010	0.003
0.000	0.000	Aberdeen Standard	UK equity	0.000	0.000
0.002	0.000	Somerset County Council	Passive US equity	0.000	0.000
0.007	0.000	Jupiter	European equity	0.000	0.000
0.022	0.022	Maple-Brown Abbott	Far East equity	0.023	0.026
0.000	0.000	Aberdeen Standard	Bonds	0.000	0.000
0.000	0.000	LaSalle	Property	0.000	0.000
0.000	0.000	Neuberger Berman	Global private equity	0.000	0.000
0.000	0.000	TVP	UK venture capital	0.000	0.000
0.000	0.000	Somerset County Council	Cash	0.000	0.000
<u>0.033</u>	<u>0.023</u>			<u>0.033</u>	<u>0.029</u>
<u>0.058</u>	<u>0.036</u>			<u>0.040</u>	<u>0.033</u>
	<u>0.094</u>				<u>0.073</u>

In addition to these costs, indirect costs are incurred through bid/offer spread on investment purchases. No attempt has been made to quantify these amounts.

No attempt has been made to estimate transaction costs incurred within pooled funds.

Note 9: Oversight and governance expenses

2019/2020 £ millions		2020/2021 £ millions
-0.010	Committee services costs charged by Somerset CC	-0.010
-0.223	Investments administration costs charged by Somerset CC	-0.232
-0.233		-0.242
-0.177	Actuary's fees	-0.142
0.067	Recharge of Actuary's fees to employers	0.057
-0.110		-0.085
-0.027	External audit fees	-0.022
0.002	Refund	0.000
0.007	Recharge of audit fees to employers	0.000
-0.018		-0.022
0.000	Internal audit costs charged by South West Audit Partnership	0.000
-0.081	Professional services and subscriptions	-0.078
-0.171	IT systems	-0.209
0.000	Performance measurement fees	0.000
0.000	External legal advice	0.000
-0.026	Voting advice fees	-0.022
-0.018	Pooling costs	-0.018
-0.005	Other expenses	-0.005
-0.662		-0.681

The pooling costs referred to in this note are costs that are related to pooling but not paid to Brunel or regarding anything that Brunel provides. Typically this is legal and other consulting work regarding pooling.

The external audit fees disclosed in the auditor's formal audit plan to the Fund for the 2020/2021 financial year are £37,121. The discrepancy relates to an invoice that was not accrued for, which will appear in the 2021/2022 accounts, and an estimate of an additional fee that our auditors are yet to agree with the PSAA. Similar discrepancies appear in the 2020/2021 audit plan relating to the 2019/20 fee, shown as £35,521.

Note 10: Investment income

2019/2020		2020/2021
£ millions		£ millions
10.448	Bonds	10.106
0.473	Index linked bonds	0.382
0.879	UK equities	0.132
7.760	Overseas equities	2.062
12.942	Property unit trusts	5.753
1.163	Cash invested internally	0.651
0.000	Private equity	0.000
0.137	Stock lending	0.059
<u>33.802</u>		<u>19.145</u>

Note 11: Investment assets and liabilities

31 March 2020				31 March 2021			
£ millions	£ millions	%	%	£ millions	£ millions	%	%
				UK equities			
1.490		0.1		0.000		0.0	
353.367		17.2		450.502		17.3	
7.995		0.4		12.994		0.5	
	362.852		17.7		463.496		17.8
				Overseas equities			
91.714		4.5		0.000		0.0	
4.683		0.2		0.375		0.0	
2.321		0.1		0.000		0.0	
24.466		1.2		0.000		0.0	
2.331		0.1		0.000		0.0	
489.305		23.9		681.900		26.1	
240.564		11.7		360.872		13.8	
0.000		0.0		184.984		7.1	
69.184		3.4		122.078		4.7	
31.933		1.6		0.000		0.0	
	956.501		46.7		1,350.209		51.7
				Bonds			
58.398		2.9		67.294		2.6	
89.507		4.4		108.801		4.2	
7.828		0.4		9.003		0.4	
1.193		0.1		0.557		0.0	
80.741		3.9		86.920		3.3	
26.239		1.3		39.441		1.5	
70.027		3.4		74.302		2.9	
0.798		0.0		0.795		0.0	
4.530		0.2		3.314		0.1	
	339.261		16.6		390.427		15.0
				Property			
194.042		9.5		174.870		6.7	
0.023		0.0		0.020		0.0	
	194.065		9.5		174.890		6.7
				Private equity			
6.219		0.3		10.399		0.4	
15.483		0.7		14.982		0.6	
22.145		1.1		22.313		0.9	
13.614		0.7		21.711		0.8	
0.000		0.0		0.574		0.0	
1.640		0.1		1.640		0.1	
0.840		0.0		0.840		0.0	
	59.941		2.9		72.459		2.8

Table continued on next page

Note 11: Investment assets and liabilities (continued)

31 March 2020				31 March 2021			
£ millions	£ millions	%	%	£ millions	£ millions	%	%
				Derivatives			
1.415		0.1		0.529		0.0	
0.000		0.0		0.000		0.0	
0.000		0.0		0.000		0.0	
	1.415		0.1		0.529		0.0
				Cash and others			
132.942		6.5		156.449		6.0	
	132.942		6.5		156.449		6.0
	<u>2,046.977</u>		<u>100.0</u>		<u>2,608.459</u>		<u>100.0</u>
				Investment assets			
				Derivatives			
-0.271		0.0		-0.011		0.0	
0.000		0.0		0.000		0.0	
0.000		0.0		0.000		0.0	
	-0.271		0.0		-0.011		0.0
	<u>-0.271</u>		<u>0.0</u>		<u>-0.011</u>		<u>0.0</u>
	<u>-0.271</u>		<u>0.0</u>		<u>-0.011</u>		<u>0.0</u>
	<u>2,046.706</u>		<u>100.0</u>		<u>2,608.448</u>		<u>100.0</u>
				Investment liabilities			
				Net investment assets			
				Made up of			
	2,051.729				2,174.397		
	-5.023				434.051		
	<u>2,046.706</u>				<u>2,608.448</u>		

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (BPP Ltd) has been formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds. Each of the ten funds own an equal share of Brunel Ltd, with share capital invested by each fund of £840,000. The £840,000 investment shown as Brunel within private equity above refers to this value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). As disclosed in the accounting policies section of these accounts this investment is valued at cost. This value is not the value of assets managed by BPP Ltd, which as at 31 March 2021 was £1,975,780,000. This investment is also disclosed separately from any other investment in note 13, note 16 and note 30 and a written disclosure is made in note 24 with regard to related parties.

Note 12: Analysis of pooled fund investments

31 March 2020 £ millions		31 March 2021 £ millions
	Unit trusts	
128.341	UK property funds	128.972
	Unitised insurance policies	
489.305	Brunel passive global equity fund	681.900
7.995	Standard Life smaller companies fund	12.994
497.300		694.894
	Limited liability partnerships	
0.000	UK property funds	0.000
0.000	Overseas property funds	0.000
6.219	Neuberger Berman Crossroads 2010 fund	10.399
15.483	Neuberger Berman Crossroads XX fund	14.982
22.145	Neuberger Berman Crossroads XXI fund	22.313
13.614	Neuberger Berman Crossroads XXII fund	21.711
0.000	Brunel private equity funds	0.574
1.640	South West regional venture fund	1.640
59.101		71.619
	UK authorised contractual scheme	
353.367	Brunel UK equity fund	450.502
240.564	Brunel global high alpha equity fund	360.872
0.000	Brunel global smaller companies fund	184.984
69.184	Brunel emerging market equity fund	122.078
663.115		1,118.436
	Other managed funds	
31.933	Nomura Japan fund	0.000
65.701	UK property funds	45.898
0.023	Overseas property funds	0.020
97.657		45.918
1,445.514	Total	2,059.839

Note 13: Movement in investment assets

Manager	Asset class	Investment assets as at 1 April £ millions	Change in cash invested internally £ millions	Purchases £ millions	Sales proceeds £ millions	Realised profit or loss £ millions	Unrealised profit or loss £ millions	Investment assets as at 31 March £ millions
2019/2020	Total	2,168.202	-69.939	1,610.774	-1,502.618	161.409	-321.122	2,046.706
Somerset County Council	Global equity	28.552	0.000	7.022	-43.689	15.465	-6.975	0.375
Aberdeen Standard	UK equity	7.995	0.000	0.000	0.000	0.000	4.999	12.994
Somerset County Council	US equity	73.111	0.000	0.414	-92.374	49.076	-30.227	0.000
Nomura	Japanese equity	31.933	0.000	0.000	-37.828	19.312	-13.417	0.000
Maple-Brown Abbott	Far East equity	25.342	0.000	3.295	-33.795	-0.735	5.893	0.000
Aberdeen Standard	Bonds	339.261	0.000	220.386	-174.032	3.993	0.819	390.427
Aberdeen Standard	Derivatives	1.144	0.000	1,315.804	-1,316.405	0.377	-0.402	0.518
LaSalle / Brunel	Property	194.065	0.000	8.120	-20.470	2.606	-9.431	174.890
Neuberger Berman	Global private equity	57.461	0.000	5.436	-6.104	1.608	11.004	69.405
TVP	UK venture capital	1.640	0.000	0.000	0.000	0.000	0.000	1.640
Brunel	Company	0.840	0.000	0.000	0.000	0.000	0.000	0.840
Brunel	UK Equity	353.367	0.000	0.000	0.000	0.000	97.135	450.502
Brunel	Pasive global equity	489.305	0.000	0.000	0.000	-0.038	192.633	681.900
Brunel	Global high alpha equity	240.564	0.000	0.000	0.000	0.000	120.308	360.872
Brunel	Global smaller co.'s	0.000	0.000	151.041	0.000	-0.034	33.977	184.984
Brunel	Emerging market equity	69.184	0.000	20.000	0.000	0.000	32.894	122.078
Brunel	Global private equity	0.000	0.000	0.374	0.000	0.000	0.200	0.574
Somerset County Council	Cash	132.942	9.654	0.000	0.000	14.189	-0.336	156.449
2020/2021	Total	2,046.706	9.654	1,731.892	-1,724.697	105.819	439.074	2,608.448

The £840,000 investment shown as Brunel above refers to the value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). As disclosed in the accounting policies section of these accounts this investment is valued at cost. This value is not the value of assets managed by BPP Ltd, which as at 31 March 2021 was £1,975,780,000. This investment is also disclosed separately from any other investment in note 11, note 16 and note 30 and a written disclosure is made in note 24 with regard to related parties.

Note 14: Actuarial present value of promised retirement benefits

The present value of promised retirement benefits is an estimate of the value of the lump sums and pensions that the fund will pay in the future. The estimate has been calculated by the fund's actuary and has been prepared in accordance with International Accounting Standard (IAS) 26. In calculating the disclosed numbers the actuary has adopted methods and assumptions that are consistent with IAS19.

To assess the value of the Fund's liabilities at 31 March 2021, the actuary has rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2019

The estimation of the present value of promised retirement benefits is subject to significant variances based on changes to the underlying assumptions. In accordance with IAS 19 the assumptions used to make the calculations are set with reference to market conditions at the net asset statement date. The assumptions used are as follows:

31 March 2020		31 March 2021
	Financial assumptions	
2.65%	RPI increases	3.20%
1.85%	CPI increases	2.85%
2.85%	Salary increases	3.85%
1.85%	Pension increases	2.85%
2.35%	Discount Rate	2.00%
	Life expectancy (from age 65)	
23.3	Retiring today - Males	23.1
24.7	- Females	24.6
24.7	Retiring in 20 years - Males	24.4
26.2	- Females	26.0

The Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. The Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30-year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40-year point. This is consistent with the approach used at the last accounting date.

CPI is assumed to be 0.35% below RPI. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Fund's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue.

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration of 22 years. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30-year point). This is consistent with the approach used at the last accounting date.

A sensitivity analysis of the present value of promised retirement benefits to changes in these assumptions is provided in the table below.

	£ millions	£ millions
Actuarial present value of promised retirement benefits	4,932.636	
Sensitivity to	+0.1%	-0.1%
Discount rate	4,827.676	5,039.984
Salary increase	4,941.436	4,923.916
Pension increases and deferred revaluation	5,030.183	4,837.154
Sensitivity to	+ 1 year	- 1 year
Life expectancy assumptions	5,148.857	4,725.757

The table below shows a breakdown of the change in the present value of promised retirement benefits that occurred during the year.

The change in financial assumptions item includes the change in derivation of future assumed RPI and CPI inflation as noted above. These changes have resulted in a loss of £199,109,000 on the defined benefit obligation; comprising a gain of £236,844,000 from the change in assumed RPI and a loss of £435,953,000 from the change in the assumed gap between RPI and CPI inflation.

The change in demographic assumptions figure in the table above reflects the update to use the CMI_2020 Model. The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 90% for males and 100% for females. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. The CMI_2020 Model with a 2020 weight parameter of 25% has been used. At the last accounting date, the CMI_2018 Model was adopted. The effect on the Employer's liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure in the table below.

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

The valuation assumption for GMP was that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the calculations assume that the Fund will be required to pay the entire inflationary increase. This assumption is consistent with the consultation outcome and does not make any adjustments to the value placed on the liabilities as a result of the above outcome.

The calculations were adjusted for the outcome of the McCloud case in last year's accounts and this year's figures have been calculated in the same way.

2019/2020		2020/2021
£ millions		£ millions
118.814	Current service cost	125.726
93.137	Interest cost	85.430
-451.719	Change in financial assumptions	1,208.548
2.810	Change in demographic assumptions	-38.980
63.652	Experience loss/(gain) on defined benefit obligations	-47.028
0.000	Liabilities assumed/(extinguished) on settlements	0.000
-92.766	Estimated benefits paid net of transfers in	-95.258
7.057	Past service costs, including curtailments	0.472
19.550	Contributions by scheme members	22.599
-239.465		1,261.509

Note 15: Other investment balances

31 March 2020 £ millions		31 March 2021 £ millions
Assets		
4.173	- Accrued income	4.037
1.184	- Payments due on investments sold	8.316
0.945	- Cash collateral provided	1.063
<u>6.302</u>		<u>13.416</u>
Liabilities		
-2.345	- Payments not made on purchases and losses due on sales	-9.479
-0.197	- Cash collateral held	0.000
<u>-2.542</u>		<u>-9.479</u>
<u>3.760</u>		<u>3.937</u>

Note 16: Management structure

31 March 2020		Manager	Asset class	31 March 2021	
£ millions	%			£ millions	%
28.552	1	Somerset County Council	Passive global equity	0.375	0
7.995	0	Aberdeen Standard	UK equity	12.994	0
73.111	4	Somerset County Council	Passive US equity	0.000	0
31.933	2	Nomura	Japanese equity	0.000	0
25.342	1	Maple-Brown Abbott	Far East equity	0.000	0
340.405	17	Aberdeen Standard	Bonds	390.945	15
194.065	9	LaSalle	Property	0.020	0
57.461	3	Neuberger Berman	Global private equity	69.405	3
1.640	0	Technology Venture Partners	UK venture capital	1.640	0
0.840	0	Brunel	UK venture capital	0.840	0
132.942	7	Somerset County Council	Cash	156.449	6
894.286	44	Not-pooled sub total		632.668	24
353.367	17	Brunel	UK Equity	450.502	17
489.305	24	Brunel	Passive global equity	681.900	26
240.564	12	Brunel	Global high alpha equity	360.872	14
0.000	0	Brunel	Global smaller companies	184.984	7
69.184	3	Brunel	Emerging market equity	122.078	5
0.000	0	Brunel	Property	174.870	7
0.000	0	Brunel	Global private equity	0.574	0
1,152.420	56	Pooled sub total		1,975.780	76
2,046.706	100	Net investment assets		2,608.448	100

The £840,000 investment shown as Brunel above refers to the value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). As disclosed in the accounting policies section of these accounts this investment is valued at cost. This value is not the value of assets managed by BPP Ltd, which as at 31 March 2021 was £1,975,780,000. This investment is also disclosed separately from any other investment in note 11, note 13 and note 30 and a written disclosure is made in note 24 with regard to related parties.

Note 18: Net gains and losses on financial instruments

2019/2020		2020/2021
£ millions		£ millions
-159.714	Fair value through profit and loss	544.893
0.000	Amortised cost - realised gains (losses) on derecognition	0.000
0.000	Amortised cost - unrealised gains (losses)	0.000
<u>-159.714</u>		<u>544.893</u>

Note 19: Major holdings

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31 March 2020				31 March 2021		% of net investments
Rank	£ millions	Stock	Description	Rank	£ millions	
1	489.305	Brunel passive global equity fund	Pooled fund of developed market equities	1	681.900	26.1
2	353.367	Brunel UK equity fund	Pooled fund of UK equities	2	450.502	17.3
3	240.564	Brunel global high alpha equity fund	Pooled fund of developed market equities	3	360.872	13.8
-	0.000	Brunel global smaller companies fund	Pooled fund of developed market equities	4	184.984	7.1
4	69.184	Brunel emerging market equity fund	Pooled fund of emerging market equities	5	122.078	4.7
6	22.145	Neuberger Berman Crossroads XXI fund	Private equity fund	6	22.313	0.9
16	13.614	Neuberger Berman Crossroads XXII fund	Private equity fund	7	21.711	0.8
8	20.696	CBRE UK Property Fund	Pooled fund of UK property	8	20.464	0.8
9	19.865	Nuveen UK Property Fund	Pooled fund of UK property	9	20.027	0.8
11	16.583	IPIF	Pooled fund of UK property	10	18.762	0.7
10	17.943	Blackrock UK PUT	Pooled fund of UK property	11	17.592	0.7
12	16.085	Nuveen Central London Office fund	Pooled fund of UK property	12	15.946	0.6
13	15.781	AEW Real Return Fund	Pooled fund of UK property	13	15.057	0.6
14	15.483	Neuberger Berman Crossroads XX fund	Private equity fund	14	14.982	0.6
15	14.593	Octopus Healthcare fund	Pooled fund of UK property	15	14.935	0.6
20	7.995	Standard Life smaller companies fund	Pooled fund of UK equities	16	12.994	0.5
17	12.366	Lothbury	Pooled fund of UK property	17	12.287	0.5
22	6.219	Neuberger Berman Crossroads 2010 fund	Private equity fund	18	10.399	0.4
18	10.004	UNITE UK Student Accomodation fund	Pooled fund of UK property	19	9.800	0.4
19	8.591	Hermes Property fund	Pooled fund of UK property	20	8.354	0.3

The largest four holdings of the fund each make up more than 5% of the net investment assets. The percentage of net investment assets that each holding makes up is shown in the final column of the table above.

Note 20: Derivatives

Investment in derivative instruments may only be made if they contribute to a reduction of risk or they facilitate more efficient portfolio management.

During the year the fund used forward foreign exchange contracts, bond futures, interest rate swaps and inflation rate swaps.

The year end value of derivatives is as follows:

31 March 2020 £ millions				31 March 2021 £ millions		
Asset	Liability	Net value		Asset	Liability	Net value
Forward foreign-exchange contracts						
1.415	-0.271	1.144	Aberdeen Standard fixed Interest	0.529	-0.011	0.518
1.415	-0.271	1.144		0.529	-0.011	0.518
Government bond futures						
0.000	0.000	0.000	UK gilt future	0.000	0.000	0.000
0.000	0.000	0.000	European bond future	0.000	0.000	0.000
0.000	0.000	0.000	Australian bond future	0.000	0.000	0.000
0.000	0.000	0.000	Canadian bond future	0.000	0.000	0.000
0.000	0.000	0.000	US treasury future	0.000	0.000	0.000
0.000	0.000	0.000		0.000	0.000	0.000
Swaps						
0.000	0.000	0.000	Inflation swaps	0.000	0.000	0.000
0.000	0.000	0.000	Interest rate swaps	0.000	0.000	0.000
0.000	0.000	0.000		0.000	0.000	0.000
1.415	-0.271	1.144		0.529	-0.011	0.518

Aberdeen Standard hold forward foreign exchange contracts to hedge the foreign exchange risk of holding investments that are not valued in sterling in their fixed income portfolio. The non-sterling bonds are either government bonds or corporate bonds. Typically Aberdeen Standard chose to hedge 100% of their currency risk.

The fair value of these contracts at year end is based on market foreign exchange rates at the year end date. All forward foreign exchange contracts are over the counter trades.

The bond futures are used by Aberdeen Standard to gain exposure to overseas government bonds with lower trading costs and better liquidity than trading the underlying bonds themselves. There are significant restrictions in how Aberdeen Standard may use bond futures to ensure they do not increase the overall risk of the portfolio they are managing. The bond futures are exchange traded contracts.

Swaps are used by Aberdeen Standard to gain exposure to various interest rates and inflation exposures with lower trading costs and better liquidity than trading bonds with similar exposures. There are significant restrictions in how Aberdeen Standard may use swaps to ensure they do not increase the overall risk of the portfolio they are managing. The swaps are over the counter trades.

The gross exposure values (the value of the assets bought and sold within the derivatives contracts) are shown in the following table.

31 March 2020 £ millions				31 March 2021 £ millions		
Asset exposure value	Liability exposure value	Net value		Asset exposure value	Liability exposure value	Net value
Forward foreign-exchange contracts						
59.534	-58.390	1.144	Aberdeen Standard fixed Interest	57.552	-57.034	0.518
59.534	-58.390	1.144		57.552	-57.034	0.518
Government bond futures						
1.226	-1.226	0.000	UK gilt future	13.595	-13.595	0.000
0.000	0.000	0.000	European bond future	5.051	-5.051	0.000
0.668	-0.668	0.000	Australian bond future	6.876	-6.876	0.000
0.250	-0.250	0.000	Canadian bond future	0.000	0.000	0.000
6.904	-6.904	0.000	US treasury future	6.934	-6.934	0.000
9.048	-9.048	0.000		32.456	-32.456	0.000
Swaps						
0.212	-0.212	0.000	Inflation swaps	0.095	-0.095	0.000
0.450	-0.450	0.000	Interest rate swaps	0.734	-0.734	0.000
0.662	-0.662	0.000		0.829	-0.829	0.000
69.244	-68.100	1.144		90.837	-90.319	0.518

The exposure currencies of the forward foreign exchange contracts held by Aberdeen Standard are shown in the table below.

31 March 2020 £ millions			31 March 2021 £ millions		
Asset exposure value	Liability exposure value	Net value	Asset exposure value	Liability exposure value	Net value
Aberdeen Standard fixed Interest					
49.702	-10.007	39.695	57.288	-0.264	57.024
0.290	-2.419	-2.129	0.000	-3.215	-3.215
7.904	-37.630	-29.726	0.264	-43.981	-43.717
1.638	-8.334	-6.696	0.000	-9.574	-9.574
59.534	-58.390	1.144	57.552	-57.034	0.518

Note 21: Capital commitments (investments)

As at 31 March 2021 the fund had outstanding capital commitments (investments) totalling £71.287m (31 March 2020 - £48.943m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled private equity and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

31 March 2020 £ millions		31 March 2021 £ millions	
Total commitment	Outstanding commitment	Total commitment	Outstanding commitment
92.746	36.332	83.351	27.651
48.500	12.611	68.500	24.490
0.000	0.000	19.523	19.146
141.246	48.943	171.374	71.287

Note 22: Stock lending

The fund's investment strategy sets the parameters for its stock-lending programme. The value of investments on loan as at 31 March 2021 is shown in the table below. These assets continue to be recognised in the fund's financial statements. No liabilities are associated with the loaned assets.

Counterparty risk is managed through holding collateral at the fund's custodian bank. Collateral consists of acceptable securities and government debt. Stock-lending commissions are remitted to the fund via the custodian. The value and type of collateral held at year end is shown in the table below.

During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

31 March 2020 £ millions		31 March 2021 £ millions
34.058	Value of stock on loan	33.907
35.949	Value of collateral held against loaned stock	35.301

31 March 2020 %		31 March 2021 %
	Form of collateral provided	
46.5	UK Government debt	46.2
10.6	US Government debt	3.9
27.1	Euro area Governments debt	49.9
0.3	UK equities	0.0
15.5	Overseas equities	0.0
0.0	Other	0.0
100.0		100.0

Note 23: Membership statistics

As at 31 March	2015	2016	2017	2018	2019	2020	2021
Active scheme members	22,020	22,649	21,550	21,151	20,485	20,877	20,605
Pensioners							
Current (in payment)	13,871	14,779	15,421	16,322	17,326	18,289	18,921
Deferred (future liability)	17,280	20,452	22,268	25,119	26,741	26,449	26,543
Undecided leavers	3,754	2,507	3,778	2,617	2,337	1,808	1,838
Total (active plus pensioners)	56,925	60,387	63,017	65,209	66,889	67,423	67,907
Active members for each current pensioner	1.59	1.53	1.40	1.30	1.18	1.14	1.09

Note 24: Additional voluntary contributions

During the year some members of the fund paid additional voluntary contributions (AVCs) to Utmost Life and Pensions (formally Equitable Life) and Prudential to buy extra pension benefits when they retire. The pension fund accounts, in accordance with regulation 5 (2)(C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include AVC transactions. The contributions for the year and the outstanding value of assets invested via AVCs at 31 March are shown in the following table.

31 March 2020 £ millions	31 March 2021 £ millions
Value of additional voluntary contributions	
4.074 Prudential*	
0.218 Utmost (formally Equitable Life)	0.201
<u>4.292</u>	<u>0.201</u>

2019/2020 £ millions	2020/2021 £ millions
Additional voluntary contributions paid during the year	
0.388 Prudential*	
0.000 Utmost (formally Equitable Life)	0.000
<u>0.388</u>	<u>0.000</u>

* Prudential have not provided AVC data regarding contributions in 2020/21 or the total value of assets as at 31 March 2021.

Note 25: Related parties

Committee members Gordon Bryant, Paul Butler and Mark Simmonds were active members of the scheme during the year and Committee member Sarah Payne was a deferred member of the scheme during the year.

Pension Board member Nigel Behan was an active members of the scheme during the year.

The fund holds shares in a number of companies that Somerset County Council and the other member bodies have commercial dealings with. Decisions about the suitability of companies for the fund to invest in are taken by Aberdeen Standard, Jupiter Asset Management, Nomura Asset Management, Amundi Asset Management and LaSalle for their parts of the fund, without referring to the county council, its officers or other member bodies. This is also the case for the fund managers that Brunel employee within the pooled funds we invest in. Decisions about suitable investments for the in-house funds are made based only on the recommendations of a quantitative analysis system, so officers do not have the power to include or exclude specific companies.

Payments made to Somerset County Council by the fund for administration and related services are disclosed in notes 7, 8 and 9.

Brunel Pension Partnership Ltd (Company number 10429110)

Brunel Pensions Partnership Ltd (BPP Ltd) was formed on the 14th October 2016 and oversees the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds.

Each of the 10 local authorities, including Somerset County Council own 10% of BPP Ltd.

The fund paid BPP Ltd £991,000 in fees for services in the 2020-2021 financial year as disclosed in note 8. The fund paid for fees in the 2020-2021 financial year before the end of the current year and as such £223,000 is within the other debtors amount of £3,755,000 shown on the Net Asset Statement.

During the year the fund did not add to the £840,000 paid for its shares in BPP Ltd during the 2017-2018 financial year. These accounts show this investment valued at cost and is disclosed separately from any other investment in note 11, note 13, note 16 and note 30.

No other related party transactions other than normal contributions, benefits and transfers occurred during the year. In note 4 we analyse the total contributions we were due to receive and benefits the fund paid for scheduled and admitted bodies.

Note 26: Remuneration

No staff are directly employed by Somerset County Council Pension Fund. All officers who undertake work on behalf of the fund are employed by Somerset County Council and then costs, including pay where appropriate, are charged to the fund. The total cost of these charges is shown in notes 7, 8 and 9 of these accounts.

The total actual salary and benefits paid for the financial year ended 31 March 2021 of any officer who undertake work for the fund and receives salary of greater than £60,000 is shown in the table below. This represents their full salary and benefits from Somerset County Council and does not represent the costs of the work this officer undertakes for the pension fund.

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Year to 31 March 2021						
Post title	Salary (including fees and allowances) £	Compensation for loss of office £	Benefits in kind £	Total wages and benefits but not including pensions contributions 2020/21 £	Employer's pension contributions £	Total wages and benefits including pensions contributions 2020/21 £
Director of Finance and Performance	119,000	-	-	119,000	21,500	140,500

For comparison purposes the equivalent disclosure for the financial year ended 31 March 2019 is shown in the table below.

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Year to 31 March 2020							Total wages and benefits but not including pensions contributions	Total wages and benefits including pensions contributions
Post title	Salary (including fees and allowances)	Compensation for loss of office	Benefits in kind	2019/20	Employer's pension contributions	2019/20	2019/20	
	£	£	£	£	£	£	£	
Director of Finance and Performance	9,200	-	-	9,200	1,400	10,600		
Interim Finance Director	176,400	-	-	176,400	-	176,400		

The Director of Finance and Performance was appointed as a permanent post with effect from 1st March 2020. The annualised salary for this post is £110,000. Somerset County Council appointed an Interim Director of Finance on a consultancy basis for the period April 2019 to February 2020. The amount shown was the full cost for 2019/20

Note 27: Investment Strategy Statement

We have prepared an Investment Strategy Statement, which explains the strategies and policies that we use in the administration of the pension fund's investments. The full statement is published in the Pension Fund Annual Report and Financial Statement and is also available on the County Council website.

Note 28: Contingent liabilities

There were no contingent liabilities as at 31 March 2021.

Note 29: Post balance sheet events

There were no post balance sheet events as at 30 November 2021.

Note 30: Nature and extent of risks arising from financial instruments

As a result of the adoption of IFRS the fund is required to make disclosures of the risks arising from holding Financial Instruments. For the purpose of this disclosure, financial instruments means all of the fund's investment assets and investment liabilities as shown in note 11 of these accounts, the approximation of the fair value of the net of these assets and liabilities at 31 March 2021 being £2,608m.

The main risks from the fund's holding of financial instruments are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and currency risk.

The fund's assets are managed by a mixture of officers and external fund managers as described in note 16 of these accounts. A management agreement is put in place with each external fund manager which clearly states the type of investments they are allowed to make for the fund, asset allocation ranges and any further restrictions we believe are necessary.

To make investments as secure as they can be, where possible, external investments are maintained under the control of a safe custodian. Only cash holdings and a small number of pooled funds stay under the control of officers.

Because the fund adopts a long term investment strategy, the high level risks described below will not alter significantly during the year unless there are significant strategic or tactical changes in the portfolio.

Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices of assets or currencies where the assets are priced in currencies other than British pounds.

The fund is exposed to market risk on all of its investment assets with the exception of the cash holdings in British pounds. The aim of the investment strategy is to manage and control market risk within acceptable parameters, while optimising the return from the investment portfolio over the long term.

The fund holds a diversified portfolio of different assets, which are managed by a variety of fund managers which have a variety of investment styles. This diversification is the most effective way of managing market risk.

The fund particularly manages the effect of market movements on exchange rates by hedging a portion of its foreign currency exposure using currency forwards. Details of this are given in note 20 of these accounts.

The sensitivity of the fund's investments to changes in market prices have been analysed using the volatility of returns experienced by asset classes. The volatility data used is broadly consistent with a one-standard deviation movement. The volatility is measured by the (annualised) estimated standard deviation of the returns of the assets relative to the liability returns. Such a measure is appropriate for measuring "typical" variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues.

Movements in market prices would have increased or decreased the investment assets valued at 31 March 2021 by the amounts shown below.

Asset class	Value of Assets £ millions	Volatility	Increase in Assets £ millions	Decrease in Assets £ millions
UK equities	463.496	17.90%	82.966	-82.966
Overseas equities	1350.209	15.30%	206.582	-206.582
UK bonds	185.098	7.70%	14.253	-14.253
Overseas bonds	130.232	13.20%	17.191	-17.191
UK index-linked bonds	75.097	7.20%	5.407	-5.407
Property	174.89	6.20%	10.843	-10.843
Private equity*	72.459	15.30%	11.086	-11.086
Derivatives	0.518	7.50%	0.039	-0.039
Cash	156.449	0.00%	0.000	0.000
Net investment assets	<u>2,608.448</u>		<u>348.366</u>	<u>-348.366</u>

* Includes level 3 assets, further details can be found in note 30 of these accounts.

Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the fund to incur a financial loss. This is often referred to as counterparty risk.

The fund is subject to credit risk within its general debtors although none of these would represent a material risk to the fund.

The fund has credit risk to each of its employer bodies in that they could become insolvent and default on a pension deficit owed to the fund. The majority of the employers in the fund are statutory bodies backed to a greater or lesser extent by the UK government. For the admitted bodies the credit risk is mitigated and managed by the holding of guarantee bonds or having their deficit guaranteed by one of the statutory bodies within the fund.

Bankruptcy or insolvency of the custodian may affect the fund's access to its assets. However, all assets held by a custodian are ring-fenced as "client assets" and therefore cannot be claimed by creditors of the custodian. The fund manages its risk by monitoring the credit quality and financial position of custodians.

A source of credit risk is the cash balances held to meet operational requirements or by the managers at their discretion and cash deposits with various institutions. Internally held cash is managed on the fund's behalf by the Council's Treasury Management Team in line with the fund's Counterparty Policy which sets out the permitted counterparties and limits. The exposure within the cash management part of the portfolio to a single entity is limited to £10m and all counterparties must be rated at least "A-" or higher by the three major rating agencies. In this context the fund's cash balances (including the cash held at bank or net of bank overdraft) of £156.4m is subject to credit risk.

Through its securities lending activities, the fund is exposed to the counterparty risk of the collateral provided by borrowers against the securities lent. This risk is managed by restricting the collateral permitted to high grade sovereign debt and baskets of liquid equities. Details of the collateral held are provided within note 21 of these accounts.

Forward foreign exchange contracts are subject to credit risk in relation to the counterparties of the contracts, which are primarily banks. The maximum credit exposure on foreign currency contracts is the full amount of the contractual settlement should the counterparty fail to meet its obligations to the fund when it falls due. The fair value and full exposure levels of the forward foreign exchange contracts held are provided in note 20 of these accounts. During the year the exposure on some forward foreign exchange contracts moved to having collateral provided against this exposure. As at 31 March 2021 we held £0 of cash collateral and £1,063,000 has been provided to counterparties as collateral by the fund and these are included within the investment balances in note 11. As it is collateral we have a liability to pay this sum back unless the counterparty fails or receive it back where we have provided the collateral, as a result we have declared an equal liability or asset in other investment balances in note 15.

It is arguable that the fund has significant exposure to credit risk within its bond holdings, the reality is that as the perception of the credit quality of the bond issuer varies through time the market price of the bond varies accordingly, this means that the market risk of these holdings effectively encompasses the counterparty risk.

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund mitigates this risk by monitoring and projecting its cash flow to enable it to have cash resources as they are required and maintains a cash balance to meet working requirements.

A substantial portion of the fund's investments consist of cash and readily realisable securities, in particular equities and fixed income investments that are listed on exchanges. This gives the fund access to in excess of £450m of assets which could be realistically liquidated into cash in less than a week. The majority of the Brunel provided pooled funds provide weekly dealing, providing access to further liquidity should it be required.

The main liability of the fund is the benefits payable, which fall due over a long period and the investment strategy reflects the long term nature of these liabilities. The estimated present value of these obligations is shown on the net asset statement of these accounts and the value of these benefits that fell due in the past financial year is shown on the fund account of these accounts.

The forward foreign exchange contracts held by the fund do give rise to a liquidity risk as they must be settled at a prescribed date agreed at the time of placing the contract. The exact size of this liability varies in line with foreign exchange prices on an on-going basis. The furthest date at which some of these contracts expire is never more than 6 months and the cash flows involved are regularly monitored to ensure we can meet these liabilities as they fall due. The fair value and full exposure levels of the forward foreign exchange contracts held are provided in note 20 of these accounts.

The bond futures and swaps have daily margin calls and no cash liability beyond these. The size of the daily margin calls are typically around £20,000 and on occasion as large as £75,000 and therefore do not pose a significant liquidity risk to the fund.

Note 31: Fair value hierarchy

The fund measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Unadjusted quoted prices in an active market for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the assets or liability used to measure fair value that rely on the fund's own assumptions concerning the assumptions that market participants would use in pricing an asset or liability.

The basis for the valuation of each class of investment asset is set out below.

Description of Asset	Fair Value Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Market quoted equities and bonds	Level 1	Published closing bid prices ruling at year end	Not required	Not required
Exchange traded futures and forward foreign exchange contracts	Level 1	Published exchange prices at the year end	Not required	Not required

Table continued on next page

Description of Asset	Fair Value Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Pooled equity funds	Level 2	Published single price ruling at year end	Quoted prices of underlying holdings of the assets held within the pooled fund	Not required
Brunel pooled funds	Level 2	Closing bid price where bid and offer prices are available Closing single price where single price available	Quoted prices of underlying holdings of the assets held within the pooled fund	Not required
Pooled property funds	Level 2	Closing bid price where bid and offer prices are available Closing single price where single price available	Prices of the underlying property assets assessed by an independent valuer.	Not required
Private equity limited liability partnerships	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transaction prices	Market transactions, market outlook, cash flow projections, last financings and multiple projections	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equity	Level 3	Brunel share capital is valued at book cost	Earnings and revenue multiples, discount for lack of marketability, control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

The table below analyses the fund's investment assets at 31 March 2021 into the 3 levels of the fair value hierarchy.

Asset Class	Level 1 £ millions	Level 2 £ millions	Level 3 £ millions	Total £ millions
UK equities		12.994		12.994
Overseas equities	0.375			0.375
Brunel pooled equity funds		1,800.336		1,800.336
Bonds	390.427			390.427
Property funds		174.890		174.890
Private Equity funds			72.459	72.459
Derivatives	0.518			0.518
Cash	156.449			156.449
Net investment assets	<u>547.769</u>	<u>1,988.220</u>	<u>72.459</u>	<u>2,608.448</u>

For comparison purposes the equivalent disclosure for the financial year ended 31 March 2020 is shown in the table below.

Asset Class	Level 1 £ millions	Level 2 £ millions	Level 3 £ millions	Total £ millions
UK equities		11.472		11.472
Overseas equities	503.503			503.503
Brunel pooled equity funds		958.643		958.643
Bonds	321.663			321.663
Property funds		184.347		184.347
Private Equity funds			49.993	49.993
Derivatives	-0.362			-0.362
Cash	138.943			138.943
Net investment assets	<u>963.747</u>	<u>1,154.462</u>	<u>49.993</u>	<u>2,168.202</u>

There have been no transfers of assets between levels within the fair value hierarchy during the financial year ended 31 March 2021.

The following table shows a reconciliation of the movement in level 3 investments during the financial year ended 31 March 2021.

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Asset class	Fair Value as at 31 March 2020 £ millions	Transfers into Level 3 £ millions	Transfers out of Level 3 £ millions	Purchases £ millions	Sales proceeds £ millions	Realised profit or loss £ millions	Unrealised profit or loss £ millions	Fair Value as at 31 March 2021 £ millions
Global private equity	57.461	0.000	0.000	5.810	-6.104	1.608	11.204	69.979
UK venture capital	1.640	0.000	0.000	0.000	0.000	0.000	0.000	1.640
Brunel	0.840	0.000	0.000	0.000	0.000	0.000	0.000	0.840
Total	59.941	0.000	0.000	5.810	-6.104	1.608	11.204	72.459

The £840,000 investment shown as Brunel above refers to the value of the shares the fund holds in Brunel Pension Partnership Ltd. (BPP Ltd.). As disclosed in the accounting policies section of these accounts this investment is valued at cost. This value is not the value of assets managed by BPP Ltd, which as at 31 March 2020 was £1,152,420,000. This investment is also disclosed separately from any other investment in note 11, note 13 and note 16 and a written disclosure is made in note 24 with regard to related parties.

Note 32: Accounting standards that have been issued but have not yet been adopted

Under IFRS the fund must disclose what consideration it has given to accounting standards that have not been adopted. For the 2019-20 accounts the Fund has yet to adopt the following accounting standards.

Definition of a Business: Amendments to IFRS 3 Business Combinations

The International Accounting Standards Board (IASB) issued Definition of a business (Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. We do not expect these amendments to have a material impact on our accounts when they are applied from 1st April 2021.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

The IASB published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), in response to the ongoing reform of interest rate benchmarks around the world. The amendments aim to provide relief for hedging relationships.

The amendments are effective for annual periods beginning on or after 1 January 2020. We do not expect these amendments to have a material impact on our accounts when they are applied retrospectively from 1st April 2021.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The IASB published Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 representing the finalisation of Phase II of the project on 27 August 2020 to address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate.

The amendments are effective for annual periods beginning on or after 1 January 2021. We do not expect these amendments to have a material impact on our accounts when they are applied retrospectively from 1st April 2022.



Jason Vaughan
Director of Finance and Governance
30 November 2021

Actuary's statement as at 31 March 2021

Introduction

The last full triennial valuation of the Somerset County Council Pension Fund was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The smoothed market value of the Fund's assets as at 31 March 2019 for valuation purposes was £2,167m.
- The Fund had a funding level of 86% i.e. the assets were 86% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £362m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- any difference between each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 17.8% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2019 are summarised below:

Assumptions	Assumptions used for the 2019 valuation
Financial assumptions	
Market date	31 March 2019
CPI inflation	2.6% p.a.
Salary increases	3.6% p.a.
Discount rate	4.9% p.a.
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increases. For members that reach SPA after this date, we have assumed that Funds are required to pay the entire inflationary increases
Demographic assumptions	
Post-retirement mortality	Male / Female
<i>Member base tables</i>	S3PA
<i>Member mortality multiplier</i>	90% / 100%
<i>Dependant base tables</i>	S3DA
<i>Dependant mortality multiplier</i>	95% / 85%
<i>Projection model</i>	CMI 2018
<i>Long-term rate of improvement</i>	1.25% p.a.
<i>Smoothing parameter</i>	7.5
<i>Initial addition to improvements</i>	0.5% p.a.

The mortality assumptions translate to life expectancies as follows:

Assumed life expectancies at age 65:	
Average life expectancy for current pensioners - men currently age 65	23.2 years
Average life expectancy for current pensioners - women currently age 65	24.7 years
Average life expectancy for future pensioners - men currently age 45	24.6 years
Average life expectancy for future pensioners - women currently age 45	26.1 years

Further details of assumptions used can be found in the relevant actuarial valuation report.

Updated position since the 2019 valuation

Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation assumptions.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

We have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

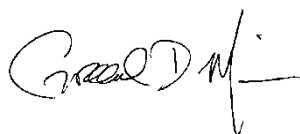
Overall position

On balance, we estimate that the funding position has weakened slightly when compared on a consistent basis to 31 March 2019 (but allowing for the update to the CPI inflation assumption).

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. Deficit contributions would also be slightly higher as a result of the worsening in the funding position.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equities due to recent reductions and suspensions of dividends. There are also uncertainties around future benefits, relating to the McCloud & Sargeant cases and the ongoing cost cap management process.

We will continue to monitor the funding level on a quarterly basis as requested by the administering authority.



Graeme D Muir FFA
Partner, Barnett Waddingham LLP
5th August 2021

Independent auditor's report to the members of Somerset County Council on the pension fund financial statements

Opinion

We have audited the financial statements of Somerset Pension Fund (the 'Pension Fund') administered by Somerset County Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements, or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations.
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, accounting estimates and critical judgements made by management.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
 - journal entry testing, with a focus on management override of control;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments and IAS 26 pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Barrie Morris

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

Date: 30 November 2021

Independent auditor's report to the members of Somerset County Council on the consistency of the Somerset County Council Pension Fund financial statements included in the Pension Fund annual report

Opinion

The pension fund financial statements of Somerset Pension Fund (the 'pension fund') administered by Somerset County Council (the "Authority") for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2021 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 30 November 2021.

Director of Finance's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Director of Finance of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 20120/21.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Barrie Morris

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

30 November 2021

Glossary of terms

Absolute annual investment return

An investment return that is an exact amount, for example 7%, rather than a return compared to a benchmark.

Accrual (to accrue)

An amount to cover income or spending that has not yet been paid but which belongs to that accounting period.

Active members

Members of the pension fund who are currently working and contributing to the fund.

Actuary

An independent consultant who advises the fund and reviews the financial position of the fund every three years.

Actuarial present value of promised retirement benefits

A calculated value for the amount of money needed today to meet the pension payments the fund will make in the future. In calculating this value the actuary takes account of factors such as investment returns, inflation and life expectancy.

Actuarial valuation

A valuation to check that the funding is on track to cover liabilities and review employers' contributions.

Administering authority

The organisation that runs the pension fund.

Admitted organisations

An organisation that takes part in the pension scheme under an 'admission agreement' (that is, an agreement and terms under which they are allowed to join our scheme).

Annualised return

The average yearly return over a period of more than one year.

Asset allocation

The percentage of the fund set aside for each type of investment.

Augmentation

Payments to provide new benefits or improved benefits such as early retirement.

Benchmark

An index (for example, the FTSE 100) or peer group that the fund, or a section of the fund, is measured against to work out whether the fund has performed well.

Bid price

The price at which investments can be sold.

Bid-offer spread

The difference between the bid price and the offer price.

CIPFA

Chartered Institute of Public Finance and Accountancy

Co-investment

Investing alongside someone else in the same investment.

Collateral

Assets placed with a lender as security against a borrower failing to make agreed payments. For example, in the case of a mortgage, the house would usually be the collateral against which the bank lent money to an individual.

Common contribution rate

The normal contributions of member authorities and organisations must meet 100% of benefits. The common contribution rate is the future service cost of members' contributions, including an allowance for expenses.

Corporate governance

The system by which companies are controlled and directed, and the way they respond to their shareholders, employees and society.

Currency hedges

Assets that are owned to reduce the effects of foreign-exchange movements on the fund.

Deferred benefits

Built-up pension rights, for ex-employees, that are kept in the pension fund.

Deferred pension

The pension benefit that is paid from the normal retirement date to a member of the fund who no longer pays contributions as a result of leaving employment or opting out of (leaving) the pension scheme before their retirement age.

Derivatives

A type of investment that is linked to another asset. Examples of derivatives are options, forwards and futures.

Developed markets

Countries that index providers (such as FTSE or MSCI) have decided have strong regulation and large investment markets that are well developed.

Dividend

The distributed profits of a company.

Emerging markets

Countries that index providers (such as FTSE or MSCI) have decided have weak regulation and new or small investment markets.

Employer of sound covenant

An employer who is unlikely to become insolvent (unable to pay its debts).

Engagement

Discussions between investors or their fund managers and companies about corporate governance or socially responsible investment.

Equities

Ordinary shares in a company.

Ethical investments

Investments that are moral and are not linked to companies that, for example, are involved in trading weapons, exploiting developing countries or contributing to climate change.

Ex-dividend

A share is 'ex-dividend' on a date set by a company when current shareholders are entitled to a dividend on their holding. Even if the holding is sold, the previous owner will receive the income. On that date, the market price of a share will be adjusted to reflect the income due to the holder. (For example, a share which goes ex-dividend with a dividend of 10p will see the market price reduce by that amount.) Stock may be sold ex-dividend (without dividend entitlement) or 'cum-div' (with dividend entitlement).

Full-funding basis

When the future value of assets matches the future value of liabilities. At the last actuarial valuation, which was carried out as at 31 March 2007, the fund was 95% funded. This means that the value of the assets was 95% of the estimated value of the liabilities.

Futures or forwards

Buying or selling a package of shares, currency or commodities (for example, coffee or metal) at a specific point in the future at a price agreed when the contract is taken out.

Hedging

A process of reducing or removing the risk of a portfolio by buying or selling assets that act in an opposite way to those already owned.

Historical cost

The amount paid for an investment when it was bought.

Index-linking

When pension benefits are updated in line with inflation.

Liquid assets

Assets that can be sold to provide cash very quickly.

Mandate

An agreement with an investment manager to manage a particular type of asset.

Mid price

The price halfway between the bid price and the offer price.

Myners

Paul Myners was commissioned by the Government to review and report on UK institutional investment.

Option

The right to buy or sell shares within a set timescale at a price confirmed at the time the option is bought.

Over-the-counter trades

A trade for an investment that has not taken place on a stock exchange and has been made to meet the particular needs of the investor.

Passive management or passive investment

Tracking an index and not taking active investment decisions.

Peer group

Other local-authority pension funds.

Pooled investments

Investments where the assets are not held directly by the investors, but are held in a 'pool'. Examples of pooled investments are unit trusts, life funds, open-ended investment companies and limited liability partnerships.

Portfolio

A collection of stocks, shares and other securities.

Preserved benefits

The benefits to which members would be entitled if they left service, based on the service they had completed up to the date they left. As long as members had enough service, the benefits they had earned up to the date they left would be held (preserved) in the fund for them and would be paid when they retired. Between leaving service and retirement, the benefits would be increased broadly in line with price inflation.

Projected unit method

One of the common methods actuaries use to estimate the cost of future benefits from a pension scheme. The method works out the cost of the benefits members are expected to earn over a period (often one year) following the valuation date, allowing for predicted future increases in pay until members retire or leave service. The cost is set out as a percentage of members' contributions. As long as the distribution of members remains stable (that is, new members join the scheme to replace scheme members who have left), the cost is expected to remain stable.

Quantitative analysis system

A computer model to help analyse share holdings and make investment decisions.

Quoted investment

A company listed on a stock exchange.

Realised profit

A realised profit is the profit (or loss) when an investment is sold and is the difference between what it was sold for and what was paid for it.

Recoverable tax

Tax that has been paid but can be claimed back.

Recurring pension

A pension that is paid regularly, usually every month.

Real discount rate

The discount rate is the return that the actuary uses to work out how much money needs to be saved today to pay future liabilities. For example, if the discount rate is 5.25% then you need to save £95 today to have £100 in a year's time. The real discount rate is a discount rate where the effects of inflation have been removed.

Safe custody

The responsibility for keeping the fund's financial assets safe, settling transactions, collecting income, and other procedures relating to investments.

Scheduled organisations

Local-government organisations which have the automatic right to take part in the pension scheme.

Secondary investments

A private equity fund that is bought from an existing investor, rather than being an investor when the fund was first created.

Settle transactions

Swapping money for assets when you buy or sell shares or bonds. Financial assets usually settle two or three days after the trade is agreed.

Shareholder engagement

Where the owners of shares try to influence a company's behaviour by campaigning in the press, voting at company meetings or talking to company managers. Typical issues that might be raised are the company's effect on the environment, their labour standards and pay for the board of managers.

Smoothed market value, smoothing mechanism

Most shares and bonds that the fund owns change value every few minutes and the price can vary quite a lot. The fund's actuary will make an adjustment for this when valuing the fund so that extreme highs and lows are ignored.

Solvency

Whether the assets of the fund are greater than the liabilities.

Specific ethical investment

Investing in companies that do not invest in, for example, the arms trade, third-world exploitation, animal testing or tobacco, or in companies which promote environmentally-friendly products, education and training, waste management and so on.

S&P 500

A broad-based equity index made up of the 500 largest equity stocks quoted in the US.

Statutory instrument

Secondary legislation made by government ministers.

Statutory pension scheme

A pension scheme established by an Act of Parliament and run in line with statutory instruments.

Stock lending or securities lending

Shares owned are lent on the stock market to generate income. The owner keeps all benefits, except for the voting rights.

Tender

A process of assessing and choosing a business to do work on your behalf.

Time-weighted return

Estimating the performance of a fund, taking into account the effect of money coming into, or leaving the fund, during the period of time you are looking at, so those money movements don't give an inaccurate return.

Transfer value

The capital payment made from one pension fund to another when the person paying contributions changes to another pension scheme.

Transition management

Organising the complex movements of assets that happen when a scheme changes its investments or its asset managers.

Unlisted shares

Shares for companies not listed on the stock exchange.

Unrealised loss

An unrealised loss is the loss suggested when an asset was bought for more than it is currently worth, but the loss is not 'available' (or 'realised') until the asset is sold.

Unrealised profit

An unrealised profit is the profit suggested when an asset was bought for less than it is currently worth, but the profit is not 'available' (or 'realised') until the asset is sold.

Venture capital

Investments in small companies that are not listed on a stock exchange.

Vested benefits

Benefits due now and in the future to members of the fund that are already drawing their pension.

WM Company

The company appointed by most local authorities to collect performance statistics.

Yield

The yearly interest paid by a bond divided by its price. When we refer to yields, this usually means the yield on UK government bonds.

Contacts

If you would like more information, please contact one of the following people.

- About the pensions or benefits
Peninsula Pensions
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- About the investments or accounts
Anton Sweet
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Web Links

The following web links provide further information and documents related to the Fund.

Further details relating to member administration, including details of the scheme can be found on Peninsula Pensions website.

www.peninsulapensions.org.uk

Further details relating to Brunel Ltd and how it is helping the Fund achieve its pooling obligations can be found on Brunel's website.

<https://www.brunelpensionpartnership.org/>

The pensions committee page of the Somerset County Council website is available using the following link. You will find all of the committee's papers and minutes on this page.

<http://democracy.somerset.gov.uk/mgCommitteeDetails.aspx?ID=200>

The pension board page of the Somerset County Council website is available using the following link. You will find all of the committee's papers and minutes on this page.

<http://democracy.somerset.gov.uk/mgCommitteeDetails.aspx?ID=226>

These accounts are also available on the internet at.

<https://www.somerset.gov.uk/our-information/pensions/>

These accounts are also available in Braille, in large print, on tape and on CD and we can translate them into different languages.



Annual Report

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Governance Lead Officer – Neil Milne

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<p>Summary:</p>	<p>Health and Wellbeing Boards are an important feature of the reforms introduced by the Health and Social Care Act (2012). These Boards are constituted as formal committees of all upper tier local authorities and form part of the role that local authorities now have to improve the health of their population. The Health and Wellbeing Board has the following five statutory duties:</p> <ul style="list-style-type: none"> • The Board must have a Health and Wellbeing Strategy for its population in place • The Board must produce a Joint Strategic Needs Assessment (JSNA) to inform planning and commissioning • The Board must produce a Pharmaceutical Needs Assessment (PNA) for the area • The Board must oversee the Better Care Fund (BCF) and promote the integration of health, public health and social care where appropriate • The Board must oversee the implementation of the statutory requirement within the Children and Families Act 2014, for local services to work together providing care and support for children and young people with special educational needs and disabilities (SEND), ensuring that local services are fulfilling their role and that children are getting the care they need. <p>In addition to fulfilling its statutory duties, the Somerset Health and Wellbeing Board undertakes to progress health improvement through a number of specific workstreams each year, as well as taking an oversight and influencing role across the whole health and wellbeing system. The Board has 20 Members from SCC, CCG, District Councils, NHS England and Avon and Somerset Police.</p> <p>Details below give further information on the topics discussed at each of the Boards.</p>
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	<p>A standard agenda item at each Board is an update on the development of the Integrated Care System for Somerset and, in line with the statutory functions of the Board reports for the last year, included SEND, safeguarding for both adults and children, the JSNA, and the Better Care Fund.</p>
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1. Health and Wellbeing Board Meetings 2021/2022 (since the last Full Council Meeting in July 2021)

1.1. 27 September 2021

Community Adult Mental Health

The main discussion centred on the Open Mental Health initiative, an alliance of voluntary organisations, the NHS, social care, Somerset County Council, and individuals who have lived experiences of mental health. The emphasis is on prevention, flexibility, inclusion, with access to specialist services including NHS support, housing advice, debt and employment advice, volunteering advice, and peer support. Key achievements include more people accessing support (3800 per month), lower waiting times, a recovery rate significantly higher than the national average, no patients placed out of area, training, assistance from physical health support workers, and no waiting time for care coordinators in the majority of localities. Somerset’s Open Mental Health model has been cited as an exemplar nationally.

Somerset Integrated Care System (ICS)

The new Integrated Care Board (ICB) is a standard agenda item at the Board and reports on progress since the last Board meeting. Resources are being allocated to deliver the plan and establish governance arrangements. The Integrated Care Partnership (ICP) is also being constructed; it will bring together partners to deliver the actions required through joint working, with input from Directors of Public Health, clinical and professional experts, representatives of adults’ and children’s social services, health and care services, the VCSE sector, Healthwatch, and volunteer organisations. The ICS is also working together with Adult Social Care regarding Intermediate Care, which manages the flow of persons into and out of hospitals.

Governance Arrangements for Health & Wellbeing in Somerset

New legislation calls for Integrated Care Partnerships (ICPs), which are designed to cover large geographical areas with multiple authorities and boards. As Somerset has a single Health and Wellbeing Board and a single Integrated Care Board, there is the potential for some duplication between the ICP and the Health and Wellbeing Board in Somerset. The ICP will be a statutory body of the ICS. The decision made to hold a workshop to discuss further.

1.2. 22 November 2021

JSNA Update

This report is a statutory requirement for the Health and Wellbeing Board and enables understanding of the health and care needs in Somerset, which are very different now after the onset of the pandemic. The first focus of this year's JSNA was on the highest 10% of deprived areas in Somerset, where some changes occurred quickly, others more slowly; A&E attendance, unemployment claims, domestic abuse, anti-social behaviour, hunger, stress and anxiety, volunteering, rural vs urban poverty, and other topics were examined. In summary, significant need in the poorer communities of Somerset was reported, and the impact of Covid on the welfare, wellbeing, and mental health of residents has also been significant, albeit slow to develop. On the positive side, the pandemic generated stronger community interaction. A development session on those issues was later held using updated figures on the pandemic and its effects.

Children and Young People Mental Health

A report on "Somerset's Children and Young People's Mental Health and Emotional Wellbeing" was presented, which focused on the situation beginning two years ago, where matters now stand, and hopes for the future. The report involved input from Somerset CCG, Children's Services at SCC, Somerset NHS Foundation Trust, and Young Somerset/Somerset Big Tent. The report discussed the NHS long-term plan and funding, the continued operation during the pandemic of Somerset's statutory and VCSE providers, the differing experiences of families, the system's response to the pandemic including increased joint working, challenges for young people in Somerset, emotional wellbeing services, intensive support for young people with complex needs, and development of a local transformation plan for children's and young people's mental health including working with families.

Healthwatch Update

Healthwatch exists to speak up for local people on issues of health and social care; an example of this is the Young Listeners project, which aims to give young people a chance to speak up about services that they use, including mental health, eating disorders, GP access, and cancer support. Feedback reflected the belief that there is a lack of communication between the different services and with the young users, that there is not enough information about health and social care in schools, and that there is a lack of advertised access to the services. Other areas of work for Healthwatch include projects for determining how people access primary care, evaluation of the NHS 111 service, community care and care homes, the district nursing service, referrals to treatment and the effects of long delays, and the reasons for increased pressure on emergency departments.

Better Care Fund Report

The BCF has focused on joined-up working and joined-up funding; one aspect

of this involves the NHS and CCG with respect to funding for social care and out-of-hospital care and support. Other work involves the flexible use of the BCF to support Healthy Neighbourhoods and Healthy Housing, entailing the sourcing and securing of accommodation, supporting tenants and landlords, etc. Another sector of involvement is Somerset Independence Plus, which sees NHS England, local authorities, and ICS working with the BCF on housing and health matters. Moving forward, the focus will be on out-of-hospital care and keeping people in their own homes, so collaboration and integration will need to be improved. The BCF is already a very complicated endeavour with a complex framework involving the collaboration of many different services; they would like to move towards a larger, more comprehensive schedule of health and care that is jointly managed via engagement with the Health and Wellbeing Board. The Director of Public Health expressed her hope that in future there would be more emphasis on prevention rather than care, with a focus on keeping people out of care and living independent lives, as well as effort put into tackling inequalities; this may become more feasible under a reformed ICS.

Integrated Care Services (ICS) Update

ICS has now appointed a new Chair and new CEO effective from April [delayed to July] of 2022; they will be working with partners, including the Health and Wellbeing Board, to put into place an Integrated Care Partnership (ICP) underneath the ICS. A workshop was held in October on how membership and governance arrangements will proceed, where it was decided that four main issues will be taken into consideration: clarity between the boards and understanding their remit, the need to keep the structure simple, limited membership with possibly some common members, and the desire to maintain the Improving Lives agenda. The workshop's recommendations for the Health and Wellbeing board were to establish a close working relationship with the future ICP, align the agendas and work programmes of both boards, and establish committees in common. The arrangements may continue to develop and morph even after formal establishment of the ICP.

1.3. 17 January 2022 (Advisory)

Somerset Safeguarding Adults Board Annual Report

Within the statutory duties of the Board, the overarching purpose is to work with local boards and partners to develop safeguarding arrangement for adults with care and support needs, and to seek assurance of these arrangements. This includes three core duties, which include developing a strategic plan, publishing an annual report on the effectiveness of their work, and commissioning Safeguarding Adults Reviews (SARs) for those cases meeting the criteria. Two recent important pieces of work include the Southwest Audit Partnership, from which the recommendations have now been completed, and the 2020-21 self-audit, which revealed that Covid has led to an increase in the complexity of cases requiring a higher level of managerial support, greater engagement and support between agencies, and challenges regarding staffing.

They are now in the last year of the current three-year plan, and highlights of their progress this year include the development of a new self-audit process, public information on "mate crime", a new performance dashboard, supporting national work, and working with other regional boards on a series of webinars during National Safeguarding Adults Review Week. Work has begun on the next three-year plan, which will focus on adults with learning disabilities, transitional safeguarding, and self-neglect. A lengthy discussion was held which touched on retaining the learning gained during the pandemic, addressing inequalities, impacts on older people, preventative measures, etc.

Safeguarding Children Partnership Twelve-Monthly Report 2020-21

The lead for the Partnership is shared between three statutory partners: SCC, Avon and Somerset Constabulary, and Somerset CCG. Work has been done on child exploitation, strengthening links between partners, supporting vulnerable families, lessons learned from Covid, hearing from young people, children's safeguarding training for GPs, early help, and consultation on the next Children and Young People's Plan. The Director of Public Health opined that quantifying the impact of certain types of services like early help will be a challenge, as it is difficult to measure what has been prevented, but traditional way of measuring (like cause and effect) may have to change.

Integrated Care Services (ICS) Update

It was reported that there had been a delay nationally with respect to commencement of the Integrated Care Board (ICB) and Integrated Care Partnership (ICP), which will now take place on 1st July 2022 rather than 1st April. In the meantime, the designated Somerset ICB Chair and the designated NHS Somerset ICB Chief Executive are involved with the development of the agenda and governance arrangements, while the ICS continues with its current arrangements. It is important to determine how the ICP will function, with prevention and methods of measurement being key. The Improving Lives strategy also needs to be a focus.

Annual Public Health Report

This year's annual report focused on the specific impact of Covid on children; this information was gained from the school survey involving 8000 children from 92 schools, and from focus groups involving children aged 11-18 across Somerset. The key findings were that there was a wide diversity of reactions to Covid measures and the pandemic; that children's worries included missing out, mental health, digital exclusion, lack of services, not seeing family for long periods or being with them too much, overeating, too much time online, etc. Positive reactions regarded receiving support from peers, spending more time outdoors, and doing more schoolwork and reading. The most important issue was to keep children in schools and not close them if at all possible. Recommendations included addressing more the impact of health and social inequalities in all policies and commissioning, engaging more in a collaborative fashion, extending more help and support to children and young people to remedy the effects of the pandemic, developing and extending the wellbeing

framework, and continuing the vaccine programme and infection control measures. Other issues to note are the rapid change in the social context in which everyone operates since the pandemic, the move toward online tuition, and the long-lasting effects on children and young people of these changes.

1.4. 21 March 2022 (Advisory)

Integrated Care System (ICS) Update

The Health and Care Act continues to progress through the Parliament, with 1st July 2022 now being the date for institution of the new Integrated Care Board (ICB), which is the successor organisation to the Somerset CCG. Planning for the Integrated Care Partnership (ICP) is less advanced but still progressing. The Integrated Care System (ICS), it has four key aims: to improve outcomes in the population's health and healthcare, to tackle inequalities, to enhance productivity and value for money, and to help the NHS support broader social and economic development. Improving Lives is the statutory health and wellbeing strategy for Somerset, while Fit for My Future is the statutory health and care strategy by which the Somerset ICS will effect the vision of people living healthy independent lives supported by thriving communities with easy access to high-quality public services. The principles of system-working and the structure of the ICS was discussed; the latter has the ICS and the Health and Wellbeing board sitting above the ICB, the Local Authority, and the ICS "engine room", which is a way of working where partners come together to work as a single system. Other aspects of the ICS and ICB include development of professional and clinical leadership and the recruitment of a Chief Medical Director and Nursing Director. The year-one priorities include continuing to lead the pandemic response and recovery, creating the ICS engine room, establishing the ICP and its health care strategies, developing and implementing a strategy for primary care, and developing the five-year financial and workforce strategies as well as the Board and system as a whole. The five-year programme will focus on transforming local health and care services to become more prevention driven rather than demand drive, with the national guidance and policy supporting this approach. It was also reassured that specific issues will not be lost in the transition, as there are six delivery boards focusing on primary care, urgent care, mental health, etc. that will transition into the ICB.

SEND Update

It was noted that 27% of the Somerset population is under 25, and that one in six of those young people will have some kind of disability or special educational need. SEND entails children and young people with mental health needs, physical and sensory difficulties, learning disabilities such as autism, speech/language/communication issues, and difficulties requiring additional support in school; and the 2014 Children and Families Act set out the framework for new ways of working together across health care and education. In March 2022, the Care Quality Commission undertook an inspection of SEND services across Somerset and found 10 weaknesses; in response, Somerset

SEND produced nine Written Statements of Action to address those deficiencies, along with a plan to implement them involving school leaders, parent carers, the CCG, and DfE/NHS programmes. Somerset SEND is also promoting a culture of inclusion and collaboration, with families involved in the service design. DfE and NHS monitoring in January 2022 found that the local area has maintained good progress in implementing the Written Statements of Action, while those actions that are behind schedule have been identified and corrective measures put into place. A needs analysis will be paramount for the new strategy moving forward from 2023, for which a focused development session with the Health and Wellbeing Board will be held.

Homelessness Reduction Board Report

The Board was established in April 2021 and has been monitoring the progress of their initiatives with the Better Futures programme action plan, which covers six themes, including early help and prevention, commissioning homes and support, appropriate use of short-term supported accommodation, access to permanent homes, sustainable tenancies, and leadership/learning/governance. The Board has also delivered Covid vaccinations to the wider homeless cohort in Somerset, has introduced the Homeless Nursing Team pilot, and is developing other initiatives that adhere to the Improving Lives priorities and outcomes.

Health Protection Annual Report

The Health Protection Forum Assurance Report for 2021 was produced to provide assurance to the Health and Wellbeing Board that they are protecting the community from communicable diseases and environmental hazards. The Forum includes District Councils, NHS Somerset, UK Health Security Agency, Somerset County Council, and other bodies. Although in 2021 the principal activity involved responding to the Covid pandemic, there were many other issues including blood-borne diseases, avian influenza, tuberculosis, environmental hazards including fuel poverty, testing the Offsite Emergency Plan, and screening and immunisations. The priorities for 2022 include collaboration with the Somerset ICS, moving the Musgrove and Yeovil hospitals under one NHS trust, the Local Health Resilience Partnership coming within ICS boundaries, and the transition to the new Somerset Council.

Somerset Moves Physical Activity Strategy

The aim of the strategy is to improve public health via physical activity, as it is known that society has become less active, while the more active anyone is, the better their quality of life. There needs to be an integrated system shaped through engagement with people and through evidence that produces a comprehensive message to increase physical activity. This strategy is overseen by steering groups involving the CCG, Foundation Trust, SCC, SASP and independent expert consultants. There are six focus areas of work and the "Five Asks" to help mobilise the strategy; it was endorsed by the CCG Clinical Executive Committee for Somerset in February 2022. The Physical Activity Strategy is linked to the Improving Lives strategy, while the Five Asks entail

leading by example, empowering people in your care, promoting physical activity within your workforce and in communications, and system-level funding. It is recommended that the Health and Wellbeing Board support the implementation of the strategy through the Five Asks and that all system partners commit to reducing inequality and inactivity for the prevention of ill health, while supporting funding opportunities to achieve this.

1.5. 13 June 2022

Integrated Care System (ICS) Update

The Health and Care Act has now been formally approved, meaning that the CCG will close down on 30th June and the ICB (Integrated Care Board), supported by the ICP (Integrated Care Partnership), will commence on 1st July. The ICB and ICP together form the ICS (Integrated Care System); the ICB will have a close working relationship with the Health and Wellbeing Board. Everything is currently on track for the new system to be ready in time, with almost all executive and non-executive directors now confirmed; the Somerset ICS Chair/ICB Chair Designate will soon be meeting with the new HWBB Chair.

Somerset People Plan

The ICS People Board is a group with representation from primary care, secondary care, acute care, and the community and voluntary care sectors that deals with workforce initiatives. A presentation was made touching on the definition and responsibilities of the People Board, their achievements in 2021-2022, their priorities for 2022-2023, their focus on the ICS Colleague Health and Wellbeing Programme, their purpose/vision/key objectives, their 10-point plan, and their focus on social care. The Board discussed recruitment and retention initiatives, the perception of social care, and degree programmes for nursing and social workers. It was agreed that future reports from the People Board will be made through the Integrated Care Partnership (ICP).

Living with Covid-19

A presentation by officers of Public Health in Somerset covered the background and context of the Covid-19 pandemic (declared on 11 March 2020) and the response in Somerset, which as a system functioned very well. The last meeting of the Somerset Covid-19 Engagement Board was held on 14 March as the response transfers into the 'Living with Covid-19 Plan' which will be administered by the Health and Wellbeing Board. Other topics covered were the aims of the plan, the ADPH (Association of Directors of Public Health) framework, the prevention of negative outcomes, risk mitigation by and for individuals (including behavioural insights via focus groups), management of local outbreaks (including surveillance), risk mitigations for high-risk settings (including care homes and SEND schools), emergency response, and governance (the Health and Wellbeing Board oversees the Health Protection Board and its Health Protection Team). The Board discuss testing availability in care homes and schools and continued national surveillance of the of the prevalence and variation of Covid, as well as other communicable diseases. It was noted that the Board will in future only receive exception reports on this topic if the situation changes.

Pharmaceutical Needs Assessment (PNA)

As a supplement to his report contained within the agenda, Pip Tucker, Service Manager-Public Health, made a presentation on the Pharmaceutical Needs Assessment 2022-25. In explaining what the PNA is, it was noted that it is part of the 'market entry system' for pharmacies and that the Health and Wellbeing board is required to provide this independent, factual view (due for September 2022) because the NHSE has a conflict of interests. From April 2023, pharmacy commissioning will be the responsibility of the Integrated Care Board. The PNA does not review the quality of pharmacies regarding service or hours or assessment locational conditions. The PNA was written by a working group delegated by the Health and Wellbeing Board in October 2021, which is made up of the principal stakeholders (medical and pharmaceutical committees, Healthwatch, NHS England, Public Health, etc). The findings were also presented, with it noted that the steering group is consulting on two improvements (wider commissioning of Hepatitis C antibody testing and the commissioning of an existing pharmacy in Chard to provide Sunday opening); there were also findings outside the scope of the PNA, which noted a considerable reduction in opening hours currently (largely caused by staffing difficulties) that is affecting prompt service. Within the Board discussion, important points were that 20% of medications are now provided digitally, that there has been a significant reduction in NHS funding to pharmacies, and pharmacies make up part of primary care along with GP surgeries and therefore play a significant role in patient care when GP visits drop off.

2. HWBB Work Programme

- 2.1.** The Executive Group will continue to be used to make suggestions for areas to be covered in future Board meetings, in addition to our need to monitor those bodies for which we have a constitutional responsibility. Suggestions for Work Programme topics are also accepted from Board members via meetings or email.

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County Council
– 20 July 2022

Annual Report of the Scrutiny for Policies, Adults and Health Committee

Chairman: Cllr Hazel Prior-Sankey

Division and Local Member: All

Lead Officer: Scott Woodridge – Monitoring Officer

Author: Jennie Murphy – Senior Democratic Services Officer

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1. Summary

- 1.1** The Scrutiny for Policies, Adults and Health Committee is required by the Constitution to provide Full Council with a summary progress report and outcomes of scrutiny. This report covers meetings since July 2021. It has been a source of frustration that the Scrutiny Committee has faced some resistance from parts of the Council to submit reports and deliver workshops with sufficient commitment to allow the Scrutiny Committee to undertake a comprehensive scrutiny role.
- 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 Programme.
 - any Member can be asked by the Committee to contribute information and evidence and to participate in specific scrutiny reviews.

The Committee has 8 elected Members.

2. Background

2.1 Scrutiny Work Programme

Each of our meetings had specific agenda items to consider the work programme and allow members and officers to suggest items we should scrutinise in more depth. We also frequently review how we monitor our suggested outcomes and/or recommended actions so we can understand the impact of our work so we can learn how to better focus our scrutiny work to ensure we have made a difference.

Scrutiny Members have endeavoured through the Committee meetings to make suggestions and express opinions to Directors and Cabinet Members

after discussion and debate. We have constructive relationships with our sister Scrutiny Committees, particularly the Scrutiny for Policies, Children and Families Committee.

2.2 Meeting 07 July 2021

Out of Hours – Report

We had a presentation and report from Devon Doctors who run the Out of Hours Service for Somerset. This report was requested as the CQC had rated the service as Requires Improvement and the Committee requested an update on the progress towards bringing the service up to standard.

CCG Performance and Quality Report

We had a presentation and report on the current position and a comparison of February 2020 and March 2021. We heard of the impact of Coronavirus on all services ranging from the closure of an operating theatre at Musgrove Park Hospital to allow for infection control. We also discussed the temporary closure of the Minor Injuries Unit overnight at Minehead as a result of safety concerns. We had updates on all the current areas of focus for all area of performance. We challenged some of the figures seeking further clarification and requested further information on the Mental Health provision for Children and Young People in Somerset.

SCC Business Plan Report

We had a tailored presentation on the Somerset Business plan for next year; this brought the County Vision to reality. This report had already been shared with members and that consultation had resulted in some revisions to ensure it was transparent and had a clear measure of outcomes.

Learning Disabilities Report

We had a presentation that began with a tribute to all those working in the Learning Disability arena as the last year had been most challenging for this group of people. We welcomed the proposed capital spend in improving housing. We welcomed the flexible and individual support packages being made available. We had an overview of the Discovery contract and the steps being taken to fully embed the Dimensions Standards.

2.3 Meeting 08 September 2021

Stroke Services Consultation

We had a report that set out the proposals to improve Stroke care in Bristol, North Somerset and South Gloucestershire (BNSSG) and were invited to consider the impact on Somerset residents.

Adult Social Care Performance Report

We had a report that set out the challenges the pandemic has placed on Adult Social Care over the past year. The pandemic has reminded us of the importance of collaboration, communities, and of the care, support and protection of those who need some help the most. It has served to demonstrate why adult social care work is both vital and valuable.

Supporting Unpaid Carers in Somerset

We had a report and presentation on unpaid carers in Somerset. There are 58,000 people who have identified themselves as carers, there are many more who are not known to the Council. Somerset County Council commissions a broad range of support services for carers. We welcomed the follow up to the workshop in 2019 and commended the positive outcome from a productive event.

2.4 Workshop 06 October 2021

We had a very productive and interactive Workshop on Neighbourhoods and Communities setting out the Localities model of health and care. Good news stories were shared, and we looked at future opportunities.

2.5 Meeting 03 November 2021

Integrated Quality, Safety and Performance Report

We had a report that provided an update on the Somerset Clinical Commissioning Group (CCG) Integrated Quality, Safety and Performance and an overview of performance against the constitutional and other standards to the period ending July 2021. It was a retrospective report which compared the reported month (July 2021) to the same period in 2019/20 to provide a comparative view of performance.

Somerset Safeguarding Adults Board (SSAB) Report

We had presented the Annual Report of the Somerset Safeguarding Adults Board (SSAB). The Somerset Safeguarding Adults Board (SSAB) operates as an independently chaired, multi-agency body under The Care Act 2014. It became statutory from April 2015. The SSAB's role is to have an oversight of safeguarding arrangements within the County, not to deliver services or become involved in the day-to-day operations of individual organisations, including those of Somerset County Council.

Adult Social Care Reform

We had a report and presentation on recent developments in relation to national plans relating to Adult Social Care reform and assurance. It was made clear that at this stage these represented directions of travel as the full details are not yet available.

2.6 Meeting 26 January 2022

Fit for My Future – Update

We discussed a report on the Fit For my Future strategy. The purpose of the strategy is to set out how to support the health and wellbeing of the people of Somerset by changing the commissioning and delivery of health and care services. We had a further wider consultation meeting after the meeting during which many views were shared.

NHS Dental Services

This was a substantive discussion that covered the concerns expressed by many regarding access to NHS dental Services before and during the

pandemic. We concluded that it was appropriate to ask the Leader Of Council to support pressure for a Dental Reform Bill to be brought to Parliament as soon as possible.

Adult Social Care (ASC) Performance Report

We had a report provided an up-to-date information on key developments in relation to demand and performance activity across adult social care both nationally and locally, as well as associated risks, mitigation activity and reform plans. We welcomed the report and positive performance over a very challenging period.

Adult Social Care (ASC) Budget Report

We had a report setting out the Medium term Financial Plan setting out a 12.8% increase to the overall budget. This increase was welcomed by the Committee.

2.7 Meeting 03 March 2022

Integrated Care Board

The Board had an update on the proposed governance of the Somerset Integrated Care System(ICS) Board. Integrated care systems are partnerships that bring together providers, commissioners and the voluntary, community and social enterprise sector across a geographical area ('system') to collectively plan health and care services to meet the needs of their local population. We supported the proposed high level plans and were keen for the scrutiny process to be developed further and that representation on the Integrated Care Board should not be dominated by 'health' but should include a wide representation of the community in Somerset.

CCG Performance

We had a comprehensive report from the Somerset Clinical Commissioning Group (CCG). The CCG had evoked Opel 4 for the first time due to the escalating pressure on the service. Musgrove Park Hospital recorded an occupancy rate of 108% . This was because they were having to open beds in areas not usually used for this. This was as a result of the Omicron variant and staff being redeployed for the vaccination programme.

Fit for My Future – Update

We had a report covering the Fit for My Future Strategy. This report covered Stroke Services, Minehead Minor Injuries Unit (MIU) and Victoria Park Medical Centre in Bridgwater. These were discussed at length with many local concerns raised. It was agreed that Scrutiny wanted an evaluation of these discussions to be brought back to the Committee later in the year.

Musgrove Park Hospital Redevelopment

The Board had a report and presentation on the New Hospital Programme for Musgrove Park Hospital in Taunton. Somerset Foundation Trust is developing outline proposals for the redevelopment of Musgrove Park Hospital site between 2026-2030. These proposals are in response to Musgrove Park Hospital site being designated one of the schemes in the New Hospital Programme. We discussed the proposals and agreed that a wider public consultation would be appropriate in the future.

3 Consultations:

We have during the year shared and commented on a number of papers that were circulated to the Committee as we have not been able to meet as frequently as usual. These have covered: -

Musgrove Park Hospital Redevelopment

Dental Services

Stroke Services

Weston Hospital

Annual report for Hospital and Ambulance Trusts

4 Meetings Overview for 2021-22

We have considered a number of reports on a range of topics and these have included:

- Fit for My Future
- Access to Dental services
- Waiting lists post Covid 19
- Changes to Stroke Services
- Improvements to Out of Hours Service
- Care Homes and Nursing Home Support Service (LARCH/CCG)
- Regular clinical quality review reports from Somerset Clinical Commission Group (CCG)
- Dementia Report
- Regular updates regarding Adult Social Care Performance
- Somerset Safeguarding Annual Report and strategic plan
- Somerset CCG finance and performance issues
- Community Hospitals
- Council performance reports
- Learning Disability Service Contract
- NHS waiting times for Somerset patients.
- Somerset suicide prevention
- Mental health and wellbeing
- Medium Term Financial Plan
-

4.1 Suggestions for the Future

We look forward to an interesting and informative year ahead.

We have always endeavoured to approach our task as a 'critical friend' by trying to be supportive to officers and encouraging them to highlight areas of concern to us, whilst hopefully providing a suitably robust challenge to question poor performance and seek reassurance that appropriate action is taken to achieve improvement. We feel the Council would benefit from Scrutiny being asked to undertake more pre-Cabinet decision work to help the transition from policy development to implementation.

5. Consultations Undertaken

The Committee invites all County councillors to attend and contribute to its meetings.

6. 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.

7. 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.

County Council
– 20 July 2022

Annual Report of the Scrutiny for Policies, Children and Families Scrutiny Committee

Chair: Cllr Leigh Redman

Division and Local Member: All

Lead Officer: Neil Milne – Governance Specialist

Author: Fiona Abbott – Senior Democratic Services Officer

Contact Details: 01823 357337 fabbott@somerset.gov.uk

1. Summary

- 1.1** The Scrutiny for Policies, Children and Families Committee is required by the Constitution to provide Full Council with a summary progress report and outcomes of scrutiny. This is our final annual report and covers our meetings from July 2021 to the end of the Municipal Year.
- 1.2** We continue to focus on the outcomes arising from the Ofsted Inspection, including the Written Statement of Action (WSOA), which prioritises the areas work on Special Educational Needs and Disabilities (SEND) in the forthcoming 18 – 24 months; and on ensuring the delivery of the Children and Young Peoples Plan (CYPP).
- 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 on it and has up to seven co-opted members appointed, as follows - two church representatives (one vacancy), two School Governor representatives, one representative from the Somerset Schools Forum (vacant) and two parent governor representatives (both vacant). The co-opted members have voting rights on education matters only.

2. Background

2.1 Scrutiny Work Programme

Each of our meetings had specific agenda items to consider the work programme and allow members and officers to suggest items we should scrutinise in more depth. This has led to items being added to the work programme and has helped to guide our future work.

At each meeting we review how we monitor how our suggested outcomes and/or recommended actions have been progressed so we can understand the impact of our work and learn how we can better focus our scrutiny work to ensure we have made a difference.

Scrutiny Members have endeavoured through the Committee meetings to make suggestions and express opinions to Directors and Cabinet Members after discussion and debate.

2.2 Informal meeting on 9 June 2021 and meeting on 7 July 2021

The items considered at the informal meeting held in June were reported to Council in July 2021 and covered the following - Homes for children in Somerset; Education performance data.

The items considered at the meeting held in July were reported to Council in July 2021 and covered the following: - 6 months on - learning from the voice of children & young people in the later stages of the pandemic; School Exclusions; SCC Business Plan 2021 – 2023; Unitary Transition Task and Finish Group; information item – briefing paper on children’s oral health.

2.3 Meetings on 9 September 2021, 4 October 2021 and 8 November 2021

The items considered at the meeting held in September were reported to Council in November 2021 and covered the following: - SCC response to Afghan refugee position; Social Care – the experience of younger children in care; update on the task and finish group; information item – briefing paper on the HMIP inspection.

The items considered at the meeting held in October 2021 were reported to Council in November 2021 and covered the following: - Changes to education governance arrangements; ECHP – deep dive.

The items considered at the meeting held in November were reported to Council in November 2021 and covered the following: - Somerset Safeguarding Children Partnership Child Safeguarding Practice Reviews; West Somerset Opportunity Area; Trauma Informed Approach workshop; information item – Tribunal summary report.

2.4 Meeting on 1 December 2021 and Advisory Board meeting on 25 January 2022

The items considered at the meeting held in December were reported to Council in February 2022 and covered the following: - Progress update on the Written Statement of Action; Analysis to support development of an Education Strategy for Somerset; Supporting eco-friendly schools; information item – CAMHS service delivery update.

The items considered at the Advisory Board meeting held in January 2022 were reported to Council in February 2022 and covered the following: - Partnership Children & Young People's Plan 2022 – 2025; Children's Services Business Plan and resourcing through the Medium-Term Financial Plan for 2022 – 2023; Task and Finish Group – update; information item – Family safeguarding in Somerset interim evaluation presentation.

2.5 **Advisory Board meeting on 28 February 2022**

The main points from the advisory board meeting were: -

Inclusion Inquiry – the Council's Assistant Director Inclusion, Dr Rob Hart and Mr Brian Walton, Head Teacher Brookside Academy provided a comprehensive update on the Inclusion Inquiry which is being led by school leaders as part of the Written Statement of Action and developing an evidence-based understanding of what good inclusive practice looks like and suggestions for improvement. Mr Walton outlined the key recommendations from the inquiry and the next steps, to ensure the 'recommendations become reality'.

I was particularly pleased to hear about the involvement of young people in the inquiry work. I also asked to visit Brookside Academy to see the work being done there.

Inclusion and engagement in education – linked to the above item, we then had a presentation from the Council's Assistant Director, Inclusion, Dr Rob Hart, Mr Phil Curd, Strategic Manager, Access & Additional Learning Needs and Ms Emily Walters, Head Virtual School & Learning Support. on inclusion and engagement in education. This covered - school attendance, exclusions and suspensions and elective home education, and the role of the Inclusion Partnership Boards; details on key priorities of supporting inclusion and ensuring a consistent and inclusive offer for all children and young people; information on supporting the most vulnerable and role of the Virtual School which can offer support to schools and settings across a broad range of needs.

We had a good discussion and asked that the following matters be followed up – how best to share best practice and being open and transparent (data offer), signposting, how bring everyone together.

Homes for children – we then had an update from the Council's Assistant Director Commissioning & Performance, Ms Helen Price on the homes for children, high needs fostering and therapeutic education, which followed on from the presentation to members in June 2021.

The Council has now appointed Homes 2 Inspire, Fostering2Inspire and Shaw Education Trust (all part of the Shaw Trust) as the strategic partner to deliver the service and have almost secured home one and are looking for home two. The Council has also been successful in its bid to the DfE for additional capital

funding (£1.026m). The Institute of Public Care (Oxford Brooks) are conducting an evaluation, including what worked well and lessons to be learnt.

We agreed that a 6-month update would be added to the Committee work programme.

Information item - we were advised that this update on Trauma informed Somerset would be circulated following the meeting.

AOB –as this was the last Committee meeting of the 5-year period I asked to place on record my thanks to Committee members, Cabinet members and support officers. I thanked my Vice Chair, Cllr Rod Williams for his help and support and that it had been an honour to be Chair of the Committee.

I also said that it had been disappointing that more Committee members and senior leaders had not attended the meeting, which was echoed by other Committee members.

2.6 Joint Informal meeting with Adults and Health Scrutiny Committee

The meeting scheduled for 4 April was postponed so Committee members could join with the Adults and Health Scrutiny Committee at a joint informal workshop on 6 April, to consider (a) feedback from transition arrangements – preparing for adulthood; (b) mental health support in the community / response time.

Despite this being on our work plan for many months, we agreed to cancel the workshop as there appeared to be little appetite for our joint meeting to go ahead. We were disappointed by this as this had been scheduled in the work programme for many months and concerns about this were raised late in the day. We had agreed that this would have been an appropriate end to the quinquennium given that it was the current scrutiny members who asked for the joint workshop to cover the many issues that cross over both our committees, whilst recognising the work of officers. Our Children and Families Scrutiny members had already agreed to cancel one of our scheduled meetings to enable this workshop to happen - an example of when good communication could have prevented frustration.

3 Meetings Overview 2021 – 2022

We have again considered a broad number of issues at our meetings during the course of the Municipal Year, and these have included: -

- Homes for children
- Education performance data
- Development of the Partnership Children & Young People's Plan 2022 - 2025
- Update on our Task and Finish group on School Exclusions
- SCC business plan

- Task and Finish Group on the continuity of Children’s Services through LGR
- SCC response to Afghan refugee position
- Experience of younger children in care
- Changes to education governance arrangements in Somerset; development of education strategy for Somerset
- Education, Health and Care – assessments and plans
- Somerset Safeguarding Children Partnership
- West Somerset Opportunity Area
- Update on the Written Statement of Action
- Supporting Eco- friendly schools
- Children’s Services Business Plan and resourcing through MTFP
- Inclusion Inquiry and inclusion and engagement in education
- Several items for information

4. Suggestions for the Future

We have updated our work plan and suggested items to be taken forward in the next Municipal Year. I am sure that the new Committee will want to continue focussing on the WSoA, preventative agenda and the CYPP 2022 – 2025 and continue to refine how information can be best shared, to support members ability to participate and grow.

The Committee and I have always endeavoured to approach our task as a ‘critical friend’ by trying to be supportive to officers and encouraging them to highlight areas of concern to us, whilst hopefully providing a suitably robust challenge to question poor performance and seek reassurance that appropriate action is taken to achieve improvement.

We still feel the Council would benefit from Scrutiny being asked to undertake more pre-Cabinet decision work to help the transition from policy development to implementation. Before the last Ofsted inspection there was a marked improvement regarding engagement for Officers in the Directorate but since that time there has been a drop off in the support the Committee has received. This can be demonstrated most clearly when we had no dedicated officer support for our Task & Finish review (despite it being a suggestion originally from the DCS).

I still believe a dedicated Service/Scrutiny link officer would help ensure Committee, Cabinet members and Service leaders are driving in the same direction and have aligned agendas to better focus our work. The more the service embraces the Scrutiny function and capability this will help to ensure a better service is provided to the young people and families we serve.

So it leaves me to thank all who have worked to make this Committee function, special shout out to Fiona Abbott, Neil Milne and Jamie Jackson, extra special

shout to our co-opted members who have in some cases proved why they are here with their extensive knowledge.

I hope the new chair of this Committee and new members use the first period of Council to learn and understand the importance of good scrutiny, we need to ensure the voice of the child is in every action we take as a Council, regardless of service.

5. Consultations Undertaken

The Committee invites all County 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.

6. 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 about the reports considered by the Committee, please contact the author of this report.

7. 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

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Somerset County Council
County Council
- 20 July 2022

Report of the Scrutiny Committee for Policies and Place

Cabinet Member: N/A

Division and Local Member: All

Lead Officer: Scott Wooldridge – Monitoring Officer, Democratic Services

Author: Jamie Jackson – Deputy Strategic Manager, Democratic Services

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 regular report covers the work of our meeting held from 7th September 2021 to 15th March 2022.
- 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 person at 10.00am on 14 June 2022.

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. 7 September 2021

Corporate Property Asset Management Plan and Strategy

The first item the Committee considered the report of the Corporate Property Asset Management Plan and Strategy.

The Chair welcomed the Cabinet Member for Resources, Councillor Mandy Chilcott and the Council's Head of Property, Oliver Woodhams, to the meeting for this agenda item.

Mr Woodhams gave a PowerPoint presentation on the Corporate Property Asset Management Plan & Asset Strategy and provided background information about the Council's property estate and about the disposal of assets; outlined proposed principles and objectives for the County Council's Corporate Property Asset Management Plan; the proposed approach to asset strategy and policy review during the transition to new Unitary arrangements.

The Committee asked detailed questions and commented on the following – (a) the proposed objectives and principles for the Corporate Property Asset Management Plan refresh which will be brought to the November 2021 Council meeting for adoption and will cover the period 2021 – 2023 for SCC; (b) the proposed pausing of further County Council policy updates; (c) what future property items the Committee would like to see brought forward.

The Committee noted the update on the refresh of the Corporate Property Asset Management Plan and Asset Strategy.

2021/22 Budget Monitoring Report – Month 3 – End of June

The second item considered was the 2021/22 Budget Monitoring Report – Month 3.

The Chair invited the Cabinet Member for Resources, Councillor Mandy Chilcott and the Council's Strategic Manager, Finance, Christian Evans to introduce and present the report. The report provided an overview of the Council's financial position from the Director of Finance as the Council's S151 Officer with detail from each service and commentary from the responsible Director set out in the body of the report.

The forecast outturn for service expenditure as at the end of June 2021 (month 3) was £354m against a budget of £349.7m which represented an overspend of £4.4m for the year if no further actions were taken. The significant variances were set out with further detail and actions being taken by the responsible Director outlined in the report

The Scrutiny for Policies and Place Committee then discussed the report and a number of points and questions were raised covering – Cabinet would consider the month four position at its next meeting; the funding of the pay award; the Park and Ride service in Taunton and clarification would be provided on 'paid seats'; the monitoring of savings and risks.

The Scrutiny Committee for Policy and Place Committee noted:-

a) The forecast underspend of £3.8m. Made up of service overspends of £4.4m,

offset by £6m of unallocated Corporate Contingency and £2m of unallocated Covid-19 Emergency Fund (section 12).

b) The current estimated position and funding of the Capital Programme (section 27)

c) The allocation of £0.2m of the Covid-19 Emergency Fund to support free travel from the Park and Ride sites for the remainder of 2021/22, the remaining costs will come from ECI budgets and reserves (section 24).

d) The allocation of £0.08m from the Workforce Reserve to support the implementation of hybrid home/office working (section 17).

e) The estimated reserves position, key risks, future issues and opportunities detailed in the report, which will be closely monitored throughout the year with forecasts updated as appropriate.

30 September 2021

Review of Cabinet Decision regarding disposal of Land in Ash

An extraordinary meeting was convened to consider Call-in submissions following the Call-in of a Cabinet Member Decision. Statements were presented to the Committee by Councillor Bloomfield and Councillors Munt and Rigby who also provided 37 questions for response by the Cabinet Member and Head of Property.

During the discussion the committee discussed, the criteria and terms of asset transfer for land owned by the Council and how land is valued. The option of progressing planning applications in advance of an asset disposal to increase the opportunities of the sale of a site. The details and background of the land disposal at Ash were given full consideration by the committee along with alternative options for the site and proposals discussed.

The Scrutiny for Polices and Place Committee unanimously agreed, proposed by Cllr Groskop and seconded by Cllr Filmer that in future reports, information is drafted in a more open and clear manner in the future to include information relating to policy, law, risks and opportunity. A further request was made that Councillors elected to the New Authority receive extensive training in how land and property is purchased and sold by the Council.

12 October 2021

Somerset's Bus Service Improvement Plan (BSIP)

The first item considered was the Somerset Bus Service Improvement Plan. The Chair welcomed the Cabinet Member for Public Transport and Highways, Councillor John Woodman and the Council's Strategic Manager for Highways and Transport, Mike O'Dowd-Jones to the meeting.

In March 2021, the government launched the new National Bus Strategy – 'Bus Back Better' with the overall aim of transforming local bus services and increasing bus patronage. Under this new strategy the expectation was that Local

Transport Authority's (LTA's) would enter Enhanced Partnership (EP) Agreements with local bus operators across the LTA to develop and deliver improvements across local bus services and enhance the experience for passengers.

LTAs had to publish a statutory Notice of Intent by the end of June 2021, committing to forming an EP with local bus operators. The EP will come into effect from April 2022. The BSIP would be instrumental in informing the government's future allocation of the £3 billion transformation fund for public transport.

The Committee then discussed, the opportunity for free bus passes for the over 60 age group and encouraging a pass for the under 25 age group, increased real time information at bus stops, the success of the free park and ride service in reducing traffic in Taunton and the potential for a similar service in Glastonbury, rural bus routes and maximising use in rural areas. Reliability of services and issues encountered with the shortage of drivers and the impact of the pandemic. Provision of electric buses as part of the future service and safety of passengers using the evening services to access the night-time economy.

The Scrutiny for Policies and Place Committee:-

1. Considered the emerging principles of the Bus Service Improvement Plan (BSIP) as set out in the initial draft (Appendix A) and outlined in the accompanying presentation (Appendix B), which will inform the final BSIP due to be considered at Cabinet on 20th October 2021.
2. Considered on the outline Terms of Reference for a Bus Advisory Board (Appendix C).

Trading Standards Update

The second item considered was the Trading Standards Update. The Chair invited the Cabinet Member for Economic Development, Planning and Community Infrastructure, Councillor David Hall to introduce the item, praising the work of the staff in the service throughout the pandemic, the Council's Strategic Manager for the Economy and Planning Paul Hickson and the Trading Standards Service Manager Paul Thomas to introduce and provide a Powerpoint presentation setting out the service update and its achievements.

The Committee discussed monitoring social media, action fraud reporting, and work alongside the Citizens Advice in reporting fraudulent activity.

The Scrutiny for Policies and Place Committee noted the Trading Standards Update.

2021/22 Revenue Budget Monitoring Report – Month 4 – End of July

The third item considered was the 2021/22 Revenue Budget Monitoring Report – Month 4. The Chair invited the Cabinet Member for Resources, Councillor Mandy Chilcott and the Council's Strategic Manager for Finance, Christian Evans to introduce and present the report. The report provided an overview of the

Council's financial position from the Director of Finance as the Council's S151 Officer with detail from each service and commentary from the responsible Director set out in the body of the report. The forecast outturn for service expenditure as at the end of July set out an underspend of £0.7m for the year if no further actions were taken.

The significant variances were set out with further detail and actions being taken by the responsible Director outlined in the report. There remained £1.9m of the Covid-19 Emergency budget unallocated but this would be fully utilised in the financial year to cover Covid-19 costs. When setting the 2021/22 budget it was clear that there were a significant number of uncertainties and to mitigate against this £6m was set aside in the Corporate Contingency. The significant variances and expectations in relation to the National pay award were set out.

The committee discussed the staff pay award, assurance was provided that the budget would be adjusted accordingly following any announcement. Costs incurred due to flooding in Chard were being claimed through the Bellwin scheme, the claim was currently being progressed with an update to be provided in due course. Further pressure and requests were expected from the ECI budget. Further details were requested in relation to costs incurred from Ash dieback treatment.

The Scrutiny for Policies and Place Committee:-

1. Noted the overall forecast underspend of £0.7m (section 12) and the key risks, future issues and opportunities detailed in the report which will be closely monitored and updated throughout the year.
2. Noted the request to use £1.167m from Funding Volatility Reserve to support additional maintenance activities on the County Highways network in 2021/22 as set in the Executive Summary of this report.

Asset Transfer Policy Update

The fourth item considered was the Asset Transfer Policy Update. The Chair welcomed the Cabinet Member for Resources and the Head of Property to introduce and provide an update in relation to the Asset Transfer Policy Update

The Head of Property provided a PowerPoint presentation relating to the Corporate Property Asset Management Plan & Asset Strategy and provided background to the asset transfer policy, setting out the purpose, qualifying criteria, and underpinning principles of Community Asset Transfers. The process of Community Asset Transfers was outlined with recent CAT Applications.

The committee discussed openness and transparency as part of future asset transactions. A full list of transactions at less than consideration since 2014 was requested. The effectiveness of the asset transfer policy was considered, which set a high bar but also allowed for the various circumstances encountered in respect of its assets.

The Scrutiny for Policies and Place Committee noted the Asset Transfer Policy Update.

2 November 2021

Phosphates Update

The first item considered was a Phosphates Update.

The Chair welcomed the Service Manager for Development and Planning who provided a PowerPoint presentation updating the Committee on work undertaken by Somerset County Council and partners in mitigating phosphate levels in watercourses across the County.

The committee discussed mitigation measures and working alongside partners such as District Councils, DEFRA and the Environment Agency. The impact on housing and land supply was considered alongside how mitigation measures compared with other Counties. Phosphate mitigation measures would be considered in the same sense as any other mitigation measures alongside developments to ensure that water quality would be improved across the Ramsar site.

The Scrutiny for Policies and Place Committee recommended that:-

1. Somerset County Council wait for the Somerset Wide Phosphate Strategy, before taking action, so that efforts are focused where they will have maximum impact.
2. Once the strategy work is concluded, it was recommended that SCC look at land holdings and assess land that could be used to assist with the offsetting of Phosphorous, possibly through the creation of credits that can be sold.

Rights of Way Update

The second item considered was a Rights of Way Update

The Chair welcomed the Cabinet Member for Highways and Transport and the Rights of Way Service Manager introduced the item and provided a Powerpoint presentation on the Service. There had been an increase in appetite in applications and service requests over the pandemic. The officer resource had been increased to help enable consideration of a greater number of applications. The service had received a record number of volunteers which were welcomed due to an increase in pressures felt in the maintenance team due to elevated levels of usage and reporting of issues. There had been a 200% increase in paths being adopted by volunteers in the last two years. Two meetings had been conducted with the bridleway association which had been useful.

The Committee discussed the applicants opportunity for appeal, the average time to consider applications, the growth in the numbers of people using rights of way and walking during the pandemic and the increase in volunteers, the

resourcing of the team and backlog in applications which was expected to decrease after 2026. Rights of Way officers were commended for their hard work and swift responses to Councillors queries. Further and continued work was welcomed with the Parish and Town Councils alongside a contribution from the health and wellbeing budget to recognise the benefits from rights of way access to the community.

The Scrutiny for Policies and Place Committee noted the Rights of Way Update.

2021/22 Budget Monitoring Report – Month 5

The third item considered was a 2022/22 Budget Monitoring Report – Month 5.

The Cabinet Member for Resources and Strategic Manager for Finance and Business partnering introduced the item.

The forecast outturn for the year was a reported overspend of £0.4m after taking into account the Corporate Contingency and unallocated Covid-19 funding. Although the overall position set out was broadly on budget, there were service overspends which were highlighted to the committee.

It was further reported that £2m of the Covid-19 Emergency budget remained unallocated, this would be fully utilised in the financial year to cover Covid-19 costs. When setting the 2021/22 budget it was clear that there were a significant number of uncertainties and to mitigate against this £6m was set aside in the Corporate Contingency. It would be prudent to assume use of this contingency stood at £3m given the potential need highlighted in the month four report, in relation to pay award negotiations and the Chard flooding event.

The Committee discussed pressures around Adult and Children's services and how these services could be sustained. Further information was requested from the committee in relation to attracting business investment to Somerset. The impact of the pandemic would be felt in the budget for many years to come, adults services had been compounded by the pressures from the NHS, and mental health impacts from the pandemic continued to be experienced. It was recognised that these were unprecedented pressures and complex picture with little control over pressures from these areas.

The Scrutiny for Policies and Place Committee noted the overall forecast overspend of £0.4m (section 12) and the key risks, future issues and opportunities detailed in the report which will be closely monitored and updated throughout the year.

7 December 2021

Local Government Reorganisation (LGR) in Somerset Update

The Programme Director presented the report. The first item the Committee considered the Local Government Reorganisation in Somerset Update

The report set out the Local Government Reorganisation update and reported that the government had confirmed that the Council would be a Continuing Authority, 110 members would be elected in May 2022. The estimated savings of the new Council were in the region of £18,000,000.

The Programme Director provided a presentation with details of the key points which included that there would be a joint local, County and Town/Parish election in May 2022 for a 5-year term, to oversee the start of the Unitary Council in April 2023, running for 4 years to May 2027. Within the LGR programme there were 6 workstreams led by two senior officers (one County and One District) looking at how services would be managed and these had over 40 sub-groups supporting them.

The committee discussed council tax and budget setting in advance of April 2023 in the first full year of the New Council. Communication with Town and Parish Councils was a concern in relation to LGR and their continuing roles. Parish and Town Councils were encouraged to be part of the twice monthly consultation meetings. Reassurance was provided that communications would be made once the Act of Parliament for the election had been approved for all Councils.

The committee considered and noted the update.

2021/22 Budget Monitoring Report – Month 6 – End of September.

The second item the committee considered was the 2021/22 Budget Monitoring Report.

The report set out a comprehensive view of the Council's Financial position. At the end of September 2021 the outturn revenue forecast expenditure position was reported at £354.4 million, which represented a £3 million underspend against the budget of £357.4 million and was an improved picture from month 5. Overspends were predicted in some services, especially with the continuing COVID impact and placement issues, as encountered in other Councils.

There remained £5million reserves unallocated, and £3million Corporate Contingencies, however Winter Pressures could require some of this funding. Details of the Capital Programme was detailed in the report and set out a year end estimated budget of £171.3 million against a budget of £217.1 million, reporting an estimated underspend of £7.6 million over the life of the programme.

The committee discussed delays and shortages in supplies impacting on the Council in 2022. This was a recognised risk alongside a shortage in recruitment in the workforce in some services.

The committee noted the forecast underspend of £3million.

12 January 2022

Climate Change Update

The first item considered was the Climate Change Update.

The Climate Change Programme Manager introduced the update which set out Climate Change activities at the Council. The key Actions of the County Council included the Climate Emergency Community Fund which had funded 44 projects, Carbon Literacy Training, Energy Assessor and Community Engagement Officer. The Public Sector Decarbonisation Scheme had provided improvements to 12 Buildings including County Hall and Taunton and Yeovil Libraries which had led to a carbon reduction of up to 27% across the non-schools estate.

The committee discussed EV charging provision, housing retrofitting, Climate Change funding, building standards for new council buildings and schools, reductions in car travel alongside better provision in low carbon public transport and the Saltlands Energy Park and a similar project in Glastonbury. Funding for projects across the county set out that 9 had been completed and 35 underway through the Community Fund.

The committee noted the update.

Current Section 19 Flood Investigations

The second item considered Current Section 19 Flood Investigations

The role of the lead local flood authority was set out, and the role of the flood and water management team, and the instance where it was necessary to investigate a flood water event.

Risk Management authorities exercising functions in these events. Publish results of the investigations and notify the risk management authorities. The flooding was a surface water event, the Environment Agency wasn't involved in the flood event. Chard was already a known area of concern within Somerset and there was also an integrated catchment study underway before the flooding event.

A timeline of the incident response was set out. SCC was not a category 1 responder, so role was around emergency planning, recover and investigation.

The Committee discussed lessons learnt from recent flooding events as part of future procedure. Policy when formal investigation work once a section 19 investigation was instigated was considered. Reassurance was provided to the committee that partnership working and integrated studies included partners including Wessex Water, the Environment Agency and Wessex Water.

The committee noted the update

2021/22 Revenue Budget Monitoring Report – Month 7 – End of October 2021

The third item considered was the 2021/22 Revenue Budget Monitoring Report – Month 7.

The overall forecast outturn position was a £1.3m favourable variance after taking into account all service expenditure and contingencies against a net budget of £357.4m which represented a variance of 0.36%. A summary of the budget was provided, with projections and variances on a service by service basis with further detail and mitigations being taken by the responsible director outlined in the body of the report.

Significant variances were set out in the report and included Adults and Children's Services and Economic and Community Infrastructure. Favourable variances were reported in Corporate Costs and Contingencies.

The Committee discussed the funding that remained in the Outbreak Management Fund. Current figures as part of the homecare hours were requested to consider what could be done to prevent NHS bed blocking.

The Committee:-

- a) Noted the overall forecast underspend of £1.3m (section 12) and the key risks, future issues and opportunities detailed in the report which will be closely monitored and updated throughout the year.
- b) To note that all of the £10.8m Covid- 19 Emergency Fund is expected to be fully spent within the year
- c) A receive a verbal update on the MTFP and Finance Settlement.

Selection of Preferred Partner in relation to the future Business Support System

The fourth item considered the preferred partner in relation to the future Business Support System.

The proposal and decision related to the first discovery phase. This would be looked at with the new councils IT requirements, working closely with the LGR team and district colleagues, progressing to the next decision gateway in March 2022. SAP end of life planning had been recognised for some time. A further decision in March would reflect the needs and ambitions for the new council.

The committee discussed what involvement the District Councils had in respect of the consideration of the future business support system. The existing SAP system and the option of further extending this until after the vesting day of the new Council. Concerns were expressed by the committee in respect of the risks around the implementation of the new system due to the short timeframe before implementation alongside the number of partners involved in

transferring the existing systems across the County and District Councils.

The Scrutiny for Policies and Place Committee:-

1. The Scrutiny for Policies and Place Committee recommends that Cabinet ensure that full integration with the District Councils occurs on this most critical of decisions, in consultation with the Senior Leadership and Political Leadership Teams.
2. The Committee requested that a full exploration of a fall-back position of SAP takes place, led by the finance team.
3. The risks of this decision be fully considered as part of Somerset County Council's risk register and as part of the Local Government Reorganisation risks.

1 February 2022

2021/22 Revenue Budget Monitoring Report – Month 8 – End of November 2021

The first item considered was the 2021/22 Revenue Budget Monitoring Report – Month 8.

The projected outturn position was reported at £356.2m against a net budget of £357.3m. This provided a £1.1m favourable variance which represented a variance of 0.3%. This was a small adverse movement of £0.2m since month seven.

A summary of the budget was provided with projections and variances on a service-by service basis with further detail and mitigations being taken by the responsible director outlined in the body of the report. The significant adverse variances were reported in Adults and Children's Services and Economic and Community Infrastructure. Favourable variances were reported in Corporate Costs and contingencies.

The committee discussed and requested increased funding for highways to enable service and highways improvements.

The Advisory Board:-

- Noted the overall forecast underspend of £1.1m (section 12) and the key risks, future issues and opportunities detailed in the report which will be closely monitored and updated throughout the year.
- Noted the use of £1.4m Covid-19 Emergency Fund for use against additional pressures in Children's Services relating to the pandemic (sections 14 and 22)

Medium Term Financial Plan 2022/23 Budget Update

The second item considered was the Medium Term Financial Plan 2022/23 Budget Update.

The report introduced the key areas of specific interest within the Medium-Term

Financial Plan to the Scrutiny Advisory Board for Policies and Place Services as well as an overview of the overall budget for 2022/23. The report was considered by Cabinet on the 20th January and set out proposals that produce a balanced budget for 2022/23. The appropriate Directors would attend the Committee to provide assurances around the changes made to budgets and funding for 2022/23.

The Board discussed finance risk in relation to Local Government Reorganisation. Further information was requested in relation to carbon capture, tree canopy and funding for walking and cycling initiatives. Funding for Voluntary sector organisations and LGR IT projects was requested to be provided following the meeting

The Advisory Board reviewed and noted specific proposals for changes from previous years, so that they can comment on them and the overall robustness of the proposed budget for 2022/23 as part of the overall assurance framework to Cabinet. As part of that assurance the Committee is requested to identify any matters for consideration that they would like to highlight to the Cabinet on the 14th February 2022.

Somerset's Enhanced Partnership (EP) Plan and Scheme

Following the launch of the government's National Bus Strategy: Bus Back Better in March 2021, in June 2021, Somerset County Council (SCC) committed to creating an Enhanced Partnership (EP) with local bus operators and published a Statutory Notice of Intent confirming this intention. This was followed by the publication of the initial Bus Service Improvement Plan (BSIP) in October 2021, which following engagement with local bus operators, other key stakeholders and members of the public, sets out Somerset's high-level ambition for public transport across the County and bids for a share of the governments' bus transformation fund.

The Board discussed the prioritisation of the elements of the plan depending the level of funding received by central government, disabled access to public transport and future provision of more environmentally friendly busses across the county.

The Advisory Board considered and noted the draft Enhanced Partnership (EP) Plan and Scheme (Appendix A) in advance of the final EP Plan and Scheme being considered at Cabinet on 16th March 2022.

15 March 2022 (Scrutiny for Policies and Place Advisory Board)

One Somerset Programme Update and Proposed Reorganisation Board

The Committee received a presentation from the Programme Director who updated the committee in relation to work undertaken since the previous update

and set out a timeline alongside proposals to create a Member & Partner Local Government Reorganisation Board.

During the debate the discussion centred around the timeline for a decision from Central Government which was anticipated in July 2021. The recent outcomes of the consultation and poll conducted by the District Councils.

In conclusion the Committee recommended:-

1. The Committee noted the work that has been undertaken on the programme between March 2021 and June 2021.
2. The Committee scrutinised the programme implementation plan shown in Appendix A (summary plan) and Appendix B (detail plan), noting that detailed project plans for each workstream and item will be developed as part (Scrutiny for Policies and Place Committee July 6, 2021) 2 of 7 of the programme design and planning phase between September and November 2021.
3. The Committee considered and scrutinised the LCN design principles, values and expectations proposed in section 4 of this report, which are based on Council's One Somerset business case, including the adopted seven recommendations from the 2020 Somerset Association of Local Councils (SALC) and Society of Local Council Clerks (SLCC) report (page 74 of the One Somerset business case).
4. The Committee recommended a Member & Partner Local Government Reorganisation Board be established, and requested Cabinet carefully consider membership to ensure cross party consideration across Somerset County Council and District Council's to include 'twin hatter' membership alongside ensuring Planning, Housing and Licensing expertise is represented.

Somerset County Council Business Plan 2021-23

The Committee received a presentation from the Corporate Affairs Director setting out the 2021-23 Business Plan.

During the debate the discussion centred around the ambitions of the Business Plan with achieving the majority of the aims would be a success for all involved, the committee thanked officers for the time spent briefing Councillors on the Business Plan.

The Scrutiny Committee considered and noted the 2021-23 Draft Business Plan set out in Appendix A.

2021-22 Revenue Budget Monitoring Report – Month 2

The Committee received a presentation from the Finance Service Manager.

The forecast outturn for service expenditure as at the end of May 2021 is £345.6m against a budget of £343.6m which would represent an overspend of £2m for the year if no further action were taken. The significant variances are set out below with further detail and actions being taken by the responsible Director outlined in the body of the report. Covid-19 has had and is continuing to have a significant adverse impact upon our resources and to date £13.6m of Covid-19 Emergency Funding from the £5m carry forward and the current year's budget of £10.8m has been allocated to services to mitigate against this. At this stage there is £2.2m of the Covid-19 Emergency budget unallocated but this will be fully utilised in the financial year to cover future Covid-19 costs. When setting the 2021/22 budget it was clear that there were significant uncertainties caused by Covid-19 and to ensure that the budget was robust, the budget proposals included a Corporate Contingency of £6m. When taking these into account the overall position is a forecast underspend of £6.2m.

During the debate the discussion centred around Covid-19 funding, and the resulting pressures around, Adults and Children's, along with mental health services across the Council. The Committee commended the new reporting format.

In conclusion the Committee:

- a) Noted the forecast underspend of £6.2m. Made up of a £2m service overspend, offset by £6m of unallocated Corporate Contingency and £2.2m of unallocated Covid-19 Emergency Fund.
- b) Note the key risks, future issues and opportunities detailed in report, which will be closely monitored throughout the year with forecasts updated as appropriate.
- c) Noted the intention to draw from the Climate change reserve of £0.041m to fund the Climate Investment Manager.

Somerset County Council Road Adoptions Process

The Committee received a presentation from the Strategic Manager for Highways and Transport setting out the process of road adoptions alongside the relationships with the developers and planning processes with new developments across Somerset

During the discussion the debate centred around the process of developers completing roads to enable the local authority to sign them off for adoption. Concerns were expressed in relation to the instances where a developer went out of business leaving a cost to the Council in completing road infrastructure commitments. Everything was done to ensure relationships with developers remained professional and there bonds were arranged to account for instances where a developer did not meet its obligations before a road was adopted,

The Scrutiny 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 future meetings, 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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