

Report of the Leader and Executive – 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

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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 meeting on 13 February 2023 (Note: the Executive also met on 14 December 2023 and 18 January 2023, but there were no recommendations to Council as a result of these meetings)

Note: The references in this report to Papers A, B, C, D, E and F relate to the relevant reports considered by the Executive containing specific recommendations to the County Council meeting on 22 February 2023.

- 1.2 Paper A (2023/24 Budget, Medium Term Financial Plan & Council Tax Setting)** was considered at the Executive meeting on 13 February 2023. The Executive endorsed Paper A and agreed for this to be reported to the County Council to consider and approve.

Members are reminded of the need to consider the Section 151 Officer’s statement regarding the robustness of the estimates and the adequacy of the reserves and balances prior to approving the recommendations in Paper A, as required under Section 25 (1) of the Local Government Act 2003. The statement can be found at Section 23 of Paper A.

Paper A outlines the spending plans for the next financial year which will be the first budget for the new Somerset Council. It highlights areas of priority to support residents across Somerset including:

- Funding for Adult’s and Children’s Services
- Local Community Networks
- The protection of frontline services
- The below inflation Council Tax increase

- Budgeting for inflation and the national pay award

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The budget also contains detail of the significant capital investment of over £332m in schools, roads, regeneration, climate change and other projects across the County.

The report recognises the overall complex financial picture, with budgets of five Council's coming together into one.

The report highlights the size of the financial challenge faced by the new Somerset Council, yet sets a balanced budget and includes details of the provisional Financial Settlement published on 19 December 2022. The low overall level of reserves is highlighted, noting the need for careful management.

The detailed 2023/24 budget proposals were reviewed at an all Scrutiny member workshop followed by a formal meeting of the Scrutiny for Policies and Place Committee on 1 February 2023 ahead of consideration at the Executive meeting on 13 February.

The Scrutiny for Policies and Place Committee noted the report, but did not make any formal recommendations to the relevant Executive Member or to the Executive meeting on 13 February.

The Executive considered Paper A at its meeting on 11 February 2022. Executive endorsed recommendations 'a' - 'p' in Paper A, alongside a delegation regarding any amendments within the final Government Financial Settlement and the final Business Rates amendments to the Director of Finance and Governance in consultation with the Leader of the Council.

1.2 Paper B (Adoption of the Council Plan for Somerset Council) was considered at the Executive meeting on 13 February 2023. The Executive endorsed the recommendations (as amended) and agreed for this to be reported to the County Council to consider and approve.

This report summarises the proposed Council Plan for Somerset Council which details the strategic ambitions and direction of the authority for the term of the administration. This plan aims to give residents, businesses, and communities a transparent view of the strategic direction of the organisation and provides a focal point from which all further strategic planning and decision making can grow.

The plan has been developed at a time of great change in Somerset and given the context of the ongoing work to form the Somerset Council it is designed to allow flexibility for the future development of the business plan.

The report highlights the stakeholder engagement that has taken place and a summary of the feedback is included within the report.

1.3 Paper C (Treasury Management Strategy Statement 2023-24) was considered by the Audit Committee on 2 February 2023 and the Executive on 13 February 2023. No specific recommendations were made by the Audit Committee to the Executive meeting. The Executive agreed at their meeting on 13 February for the proposals in Paper C to be recommended to Full Council for approval.

The report sets out proposed Treasury Management strategy for the new Somerset Council (SC) for 2023-24. It brings together the legacy investment and debt portfolios of the 5 councils (as they are known at present) and puts forward proposals for how best to use and adapt current portfolios, to achieve the capital and revenue needs of the new Council going forward. Only Treasury Management investments are dealt with in this strategy. Investments held for service purposes or for commercial activity primarily for yield, collectively referred to as non-treasury investments, are considered in a separate report, the Non-Treasury Investment Strategy.

The Council recognises that effective treasury management underpins the achievement of its business and service objectives and is essential for maintaining a sound financial reputation. It is therefore committed to driving value from all of its treasury management activities and to employing suitable performance measurement techniques, within the context of effective risk management.

This report brings together the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice Revised 2017 Edition (CIPFA TM Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities: Revised 2017 Edition (CIPFA Prudential Code).

Whilst most of the requirements of the 2018 Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance are no longer relevant to Treasury Management Investments (it now overwhelmingly refers to non-treasury investments), it does adhere to MHCLG guidance to prioritise Security, Liquidity and Yield, in that order.

As at 31 December 2022, the 5 Councils combined held nearly £783m of debt as part of their strategy for funding previous years' capital programmes. Of this, £209m is short-term borrowing, mostly due to mature within one year, and primarily borrowed from other Local Authorities. £380.4m is Public Works Loan Board (PWLB) debt, £108m is Lender Option Borrower Option (LOBO) debt, and a further £60.5m of fixed rate bank loans.

The 5 Councils' joint investment balances as at 31 December 2022 stood at just over £413m. This includes approximately £120m of cash held for either external bodies, or entities where the Council is the accountable/administering body. Within this figure £116.5m is invested in Strategic Funds. The largest holding within this figure is a £31m holding in the Churches, Charities, Local Authorities (CCLA) Property Fund.

- 1.4 Paper D (Housing Benefit War Pensions Disregard Policy)** was considered at the Executive meeting on 13 February 2023. The Executive endorsed Paper D and agreed for this to be reported to the County Council to consider and approve.

The report highlights that the Housing Benefit scheme is a national scheme which is administered locally by the Council on behalf of Government. The national scheme provides local authorities with the discretion to increase the amount of income that is disregarded in respect of any War Disablement or War Widows Pension by up to 100%. The Council must make a resolution where it wishes to exercise this discretion.

Currently each of the four districts within Somerset applies the maximum 100% disregard for War Disablement and War Widows Pensions.

This report recommends that the Council resolve to maintain the current 100% disregard for War Disablement and War Widows Pensions, as operated by the existing district councils, in relation to the Housing Benefits scheme for Somerset Council from 1 April 2023 onwards. This is consistent with the approach already agreed by Council in relation to the Council Tax Reduction scheme on 23 November 2022.

- 1.5 Paper E (Housing Revenue Account (HRA) updated 30 year Business Plan and Rent Set 2023/24)** was considered at the Executive meeting on 13 February 2023. The Executive endorsed Paper E and agreed for this to be reported to the County Council to consider and approve.

This report presents the Somerset Unitary Housing Revenue Account (HRA) Rent Set for 2023/24 and the updated 30-year business plan for the New Unitary Council.

Somerset Council will operate a single Housing Revenue Account (HRA) from 1 April 2023, as both Somerset West & Taunton (SWT) and Sedgemoor (SDC) own housing stock and currently operate separate Housing Revenue Accounts as local authority social housing landlords. All income and expenditure regarding Council housing landlord functions is accounted for in the HRA which is a ringfenced account separate from the General Fund.

In 2012 the Government abolished the subsidy system and self-financing was introduced for the HRA. The new system allowed all income from rents to be retained to fund expenditure on landlord functions such as decent homes and management of the stock. The requirement for self-financing was for each council to buy itself out of the system by taking on capital debt, in total this led to a combined debt transfer of approximately £133m and 30-year HRA business planning was introduced. The new system has financial benefits and more flexibility, particularly when the borrowing cap was removed in October 2018 which assisted with the ability to fund new build development. There are specific regulations which govern eligible income and expenditure, and this prevents any cross subsidy between the accounts. The Government have not given full control on issues such as rent rises and standards of delivery, for example decent homes but self-financing definitely gave financial benefits and greater flexibility.

The combined number of properties as of 1st April 2022 was 9,668 which makes the Unitary a significant social housing landlord within Somerset and gives opportunities for the New Unitary in terms of joint working with Adult Social Care to deliver joint resolutions to issues which improves the service to customers in an efficient way. Sedgemoor owns just under 4,000 properties which are managed by Homes in Sedgemoor (HIS), an Arm's Length Management Organisation (ALMO), under a management agreement. A management fee is paid to cover the day-to-day management and repairs plus a capital fee to keep the homes at the Government's Decent Homes standard. Somerset West & Taunton owns and manages in house approximately 5,700 properties and the landlord function is within the Housing & Communities directorate.

1.6 Paper F (Somerset Council Asset Management Plan and Strategy) was considered at the Executive meeting on 13 February 2023. The Executive endorsed Paper F and agreed for this to be reported to the County Council to consider and approve.

This report details a proposed Asset Management Strategy and Plan for Somerset Council. It sets out the Council's strategic objectives for property asset management, the approach the Council will take to managing its property assets, and a series of high-level commitments to guide property asset management decisions and policy making.

The scope of the proposed Asset Management Strategy and Plan is focussed on 'real estate' (land and buildings) assets. Infrastructure assets, such as highways, street furniture, coastal and harbour infrastructure, cycle paths, rights of way and flood defences are not in the scope of this document; similarly, vehicles, IT infrastructure, plant and equipment and other asset groups will be governed by separate strategies. The Property Asset Management Strategy and Plan also excludes assets acquired and held for

investment yield, and assets held within the Housing Revenue Account – these asset groups are subject to separate policies and plans.

2.0 Recommendations

2.1 Paper A - 2023/24 Budget, Medium Term Financial Plan & Council Tax Setting - see Paper A that Executive considered and endorsed at its meeting on 13 February 2023.

The Council is recommended to approve:

- a. The General Fund net revenue budget for 2023/24 of £493,357,150 and the individual service budgets for 2023/24 as outlined in Appendix 1 including,**
- b. The transformation, savings and income generation plans outlined in Appendix 2, considering the required detailed Equalities Impact Assessment in Appendix 3 and further consultation where necessary.**
- c. The detailed Fees and Charges as set out in Appendix 4.**
- d. The additional funding requirements set out in Appendix 5.**
- e. An increase in Council Tax of 2.99% in 2023/24 to £1,434.93 (an increase of £46.88 per Band D property).**
- f. An increase of 2.00% to Council Tax for the Adult Social Care Precept to £196.46 is approved in recognition of the current demands and financial pressures on this service. This is equivalent to an increase of £31.36 on a Band D property.**
- g. Agree to continue the Council Tax precept of £14.65 within the base budget for the shadow Somerset Rivers Authority (representing no increase). This results in a Council Tax Requirement of £3,013,125.**
- h. Agree the precept requirement of £338,767,850 (including Special Expenses Rate) £338,547,779 (excluding Special Expenses Rates) and set the Council precept for Band D council tax charge at £1,646.04 for 2023/24.**
- i. A Special Expenses rate of £220,071 as detailed in Appendix 6.**
- j. The formal council tax resolution which incorporates the precepts of all the precepting bodies in Appendix 15 (this will be circulated separately).**
- k. The overall estimated position of Earmarked Reserves of £65.125m outlined in Table 17 and the proposed use of reserves detailed in Table 16 of this report.**
- l. Note the conclusions of the Council's Section 151 Officer (Chief Finance Officer) in Section 23 confirming the robustness of the budget estimates and the adequacy of the level of reserves.**
- m. Approved the risk-based assessment of the level of General Reserves being maintained within range of £30m - £50m and note the forecast level of General Reserves at £47.460m.**
- n. The Capital Strategy attached at Appendix 8.**

- o. **The Flexible Capital Receipts Strategy attached at Appendix 9.**
- p. **The Capital Programme for 2023/24 to 2025/26 of £332.243m as outlined in Appendix 11 including new capital bids of £75.967 outlined in Appendix 10, and the planned sources of funding.**
- q. **Note that the Capital Programme will require resetting once the outturn positions of all five Councils are finalised.**
- r. **The Non-Treasury Investment Strategy attached at Appendix 12.**
- s. **The MRP Policy attached at Appendix 13.**
- t. **Considers the comments from Scrutiny Policies and Place in Appendix 14 (to follow).**
- u. **Delegate any amendments within the final Government Financial Settlement and the final Business Rates amendments to the Director of Finance and Governance in consultation with the Leader of the Council.**

2.2 Paper B – Adoption of the Council Plan for Somerset Council – see paper B and its appendices that Executive considered and endorsed at its meeting on 13 February 2023.

The Council is recommended to note the report from the stakeholder engagement and agree to adopt the Council Plan.

2.3 Paper C - Treasury Management Strategy Statement 2023-24 - see Paper C and its appendices that Executive considered and endorsed at its meeting on 13 February 2023.

The Council is recommended to:

- 1. Adopt the Treasury Borrowing Strategy (as shown in Section 12 of the report).**
- 2. Approve the Treasury Investment Strategy (as shown in Section 13 of the report) and proposed Lending Counterparty Criteria (attached at Appendix B to the report).**
- 3. Adopt the Prudential Treasury Indicators in section 14.**
- 4. Note Appendix A, that is adopted as part of the Councils Financial regulations.**

2.4 Paper D - Housing Benefit War Pensions Disregard Policy - see Paper D and its appendices that Executive considered and endorsed at its meeting on 13 February 2023.

The Council is recommended to approve the Housing Benefits War Pensions Disregard Policy.

2.5 Paper E - Housing Revenue Account (HRA) updated 30 year Business Plan and Rent Set 2023/24 - see Paper E and its appendices that Executive considered and endorsed at its meeting on 13 February 2023.

The Council is recommended to approve:

- 1. The updated assumptions and figures in the HRA 30-Year Business Plan as summarised in Section 12 and detailed in Appendix A1 (Operating Account) and B1(Capital Programme).**
- 2. The single HRA Revenue budget for 2023/24 as detailed in Table 3, section 13, Appendix C.**
- 3. An increase of 7% to Dwelling Rents for 2023/24 in line with the Governments rent cap. To continue to increase rent for relets by Sept CPI plus 1% (11.1%).**
- 4. An increase of 7% for Sheltered/Extra Care housing Rents in line with the dwelling rents increase.**
- 5. An increase of 7% for Shared Ownership properties.**
- 6. An increase of 7% on affordable rental tenures, with the rent being reviewed at relet based on 80% of market value capped at LHA rate.**
- 7. An increase based on Sept CPI 10.1% on temporary accommodation charges**
- 8. The continuation of rent flex at relet for properties in SWT as included in the Rent charging policy, with the rent flex policy being considered in the future for properties within Sedgemoor.**
- 9. An increase in service charges for tenants in the Sedgemoor area based on actual costs in line with the service charging policy. The service charges are contained in Appendix D**
- 10. An increase in service charges for tenants in SWT properties of 7% (with the exception of Piper Lifeline at 3%, communal areas at 37%, the introduction of a new management fee at 10%, a new charge for utility for internal areas charge and a new charge for door entry system) 7% is based on the governments rent cap with a commitment to review the option of 'depooling' service charges for 2024/25 to align service charge policies. The detailed service charges are contained in Appendix E alongside a supporting report.**

- 11. An increase of 7% for garage rents in the Sedgemoor Area and an increase of 7% for garages rented by council tenants in SWT and 10.1% for private/owner occupier rented garages in this area.**
- 12. An increase of 7% to other Fees & Charges for 2023/24 in the Sedgemoor area (Appendix D) and CPI in SWT area (Appendix E)**
- 13. The HRA Major Works Capital Programme for 2023/24 totalling £20,910,180 and notes the previously approved Housing Development programme budget totalling £26,423,920 (Appendix F)**
- 14. The growth bids requested in section 20 totalling £607,170 for two one-year bids and £688,170 per year for two years (totalling £1,376,340 over the two years)**
- 15. That members note the challenges and next steps for the HRA and landlord services.**

2.6 Paper F - Somerset Council Asset Management Plan and Strategy- see Paper F and its appendices that Executive considered and endorsed at its meeting on 13 February 2023.

The Council is recommended to approve the Asset Management Strategy for Somerset Council.

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, B, C, D, E and F.

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, B, C, D, E and F.

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, C, D, E and F and their appendices.