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New Somerset Council

Somerset LGR Joint Committee

Meeting date – 31st January 2022

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1. Summary / Background

- 1.1. A new unitary council will come into existence from 1 April 2023 and all of the financial resources and commitments from the predecessor councils will transfer to the new Somerset Council at this date. It is important, therefore, that decisions and actions taken in the existing councils are made against the background of avoiding adverse financial pressures for the new Council where possible.
- 1.2. It is important that the financial pressures for the new Council are minimised to give the best possible start and that any residual financial pressures are identified at the earliest opportunity. In that way, effective financial planning can begin for 2023/24 and beyond.
- 1.3. It is envisaged that the Secretary of State may issue a direction to local councils under Section 24 (Local Government and Public Involvement in Health Act 2007) after the Structural Change Order (SCO) is enacted. The purpose of such a notice is to protect the finances and interests of the new Unitary Council. This allows the Secretary of State to direct that a relevant authority may not without the written consent of a person or persons specified to:-
 - (a) dispose of any land if the consideration payable for the disposal exceeds £100,000;
 - (b) enter into any capital contract under which the consideration exceeds £1m or which includes a term allowing the consideration payable to be varied;
 - (c) enter into any non-capital contract under which the consideration exceeds £100,000;
 - (d) commit existing financial reserves by a specified amount.
- 1.4. It can take up to 6 months after the SCO before the Section 24 notice is put in place and therefore exposes the new Unitary Council to a period of risk. DLUHC officers have recommended that the 5 Somerset councils come together with a voluntary protocol which can then be quickly put in place. It is therefore proposed to introduce a Finance and Assets Protocol based upon the likely Section 24 notice and that each Council adopts this as part of the 2022/23 budget setting process that would become effective for the 2022/23 financial year.

2. Recommendations

- 2.1. **That the LGR Joint Scrutiny Committee consider the proposed Finance and Assets Protocol in Appendix A and provide any comments on it for the LGR Joint Committee to consider at its meeting on 4 February.**

3. Reasons for recommendations

- 3.1** To ensure that the LGR Joint Committee receives comments from the LGR Joint Scrutiny Committee prior to it considering the Finance and Assets Protocol.

4. Other options considered

- 4.1.** A different level to the £100,000 new Revenue commitments (beyond those agreed within the approved 2022/23 budgets) was considered but rejected given that DLUCH will set this level in any Section 24 notice.

5. Links to Business Case

- 5.1.** The business case set out that on-going savings of £18.5m cashable savings could be achieved by forming the unitary council. This protocol helps to protect the delivery of those savings by challenging any significant unplanned expenditure or disposals of assets.

6. Consultations and co-production

- 6.1.** The Finance and Assets Protocol has been developed by the Finance Workstream which comprises the Section 151 and Deputies from the 5 councils. All of the Section 151 Officers are fully supportive of the protocol.
- 6.2.** The proposals have been considered and supported by both the LGR Project Steering Group on 10 January and LGR Chief Executives Board on 11 January. They have also been considered and supported by Somerset Leaders and Chief Executives at their meeting on 14 January.

7. Financial and Risk Implications

- 7.1.** The proposed Finance and Assets Protocol is not intended to stop any of the 5 sovereign councils from conducting good business in accordance with their approved 2022/23 budgets. It is a safeguard to help avoid adverse financial pressures for the new Council where possible.

8. Legal and HR Implications

- 8.1.** The procedures for creating a unitary council are set out in the Local Government and Public Involvement in Health Act 2007, Local Government Act 2000, other legislation and associated regulations.

9. Other Implications

9.1. Equalities Implications

None

10. Finance and Assets Protocol

- 10.1.** A new unitary council will come into existence from 1 April 2023 and all of the financial resources and commitments from the predecessor councils will transfer to the new Somerset Council at this date. It is important, therefore, that decisions and actions taken in the existing councils are made against

the background of avoiding adverse financial pressures for the new Council where possible. Councils remain responsible for taking their own day to day decisions for spending on service delivery within the revenue and capital budgets for 2022/23 agreed by each Council.

- 10.2. The purpose of the Finance and Assets Protocol is to protect the finances of the new Unitary Council by putting in place a voluntary protocol which would cover the purchase, disposal and transfer of assets, new contracts and extension of contracts with significant on-going financial commitments (but not routine items like care packages) where they exceed £100,000 for revenue and £1m for capital.
- 10.3. It is also recommended that each Council includes a section in all of their future key decision reports on the financial implications of the decision for the new Council.

11. Background Papers

- 11.1. Secretary of State announcement regarding a single unitary council for Somerset on 21 July 2021
- 11.2. Appendices
Appendix 1 – Finance and Assets Protocol

Report Sign-Off