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# **Special meeting of District Executive (Informal)**

**Thursday 17th February 2022**

**9.30 am**

**Virtual Meeting  
using Zoom meeting software**

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The following members are requested to attend the meeting:

Jason Baker  
Mike Best  
John Clark  
Adam Dance  
Sarah Dyke

Peter Gubbins  
Henry Hobhouse  
Val Keitch  
Tony Lock  
Peter Seib

Any members of the public wishing to address the meeting at Public Question Time need to email [democracy@southsomerset.gov.uk](mailto:democracy@southsomerset.gov.uk) by 9.00am on Wednesday 16 February 2022

The meeting will be viewable online at:

[https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF\\_soA](https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF_soA)

For further information on the items to be discussed, please contact [democracy@southsomerset.gov.uk](mailto:democracy@southsomerset.gov.uk)

This Agenda was issued on Wednesday 09 February 2022.

**Jane Portman,**  
Chief Executive

**This information is also available on our website  
[www.southsomerset.gov.uk](http://www.southsomerset.gov.uk) and via the Modern.gov app**

## Information for the Public

In light of the coronavirus pandemic (COVID-19), District Executive Committee will meet virtually via video-conferencing to consider reports. As of 7 May 2021 some interim arrangements are in place for committee meetings.

At the meeting of Full Council on 15 April 2021 it was agreed to make the following changes to the Council's Constitution:

- a) To continue to enable members to hold remote, virtual meetings using available technology;
- b) To amend Part 3 (Responsibility for Functions) of the Council's Constitution to allow those remote meetings to function as consultative bodies and delegate decisions, including Executive and Quasi-Judicial decisions, that would have been taken by those meetings if the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 had continued in force to the Chief Executive (or the relevant Director in the Chief Executive's absence) in consultation with those meetings and those members to whom the decision would otherwise have been delegated under Part 3 of the Constitution;
- c) The delegated authority given under (b) will expire on 31 July 2021 unless continued by a future decision of this Council;

For full details and to view the report please see -

<https://modgov.southsomerset.gov.uk/ieListDocuments.aspx?CId=137&MId=2981&Ver=4>

Further to the above, at the meeting of Full Council on 8 July 2021, it was agreed to extend the arrangements for a further 6 months to 8 January 2022, and at the Council meeting of 16 December 2021, a further extension to 8 July 2022 was agreed.

For full details and to view the reports please see -

<https://modgov.southsomerset.gov.uk/ieListMeetings.aspx?CId=137&Year=0>

## District Executive

Meetings of the District Executive are usually held monthly, at 9.30am, on the first Thursday of the month (unless advised otherwise).

The District Executive co-ordinates the policy objectives of the Council and gives the Area Committees strategic direction. It carries out all of the local authority's functions which are not the responsibility of any other part of the Council. It delegates some of its responsibilities to Area Committees, officers and individual portfolio holders within limits set by the Council's Constitution. When major decisions are to be discussed or made, these are published in the Executive Forward Plan in so far as they can be anticipated.

The Executive Forward Plan and copies of executive reports and decisions are published on the Council's web site: <http://modgov.southsomerset.gov.uk/ieDocHome.aspx?bcr=1>

Agendas and minutes can also be viewed via the modern.gov app (free) available for iPads and Android devices. Search for 'modern.gov' in the app store for your device, install, and select 'South Somerset' from the list of publishers, then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

## **Public participation at meetings (held via Zoom)**

### **Public question time**

We recognise that these are challenging times but we still value the public's contribution to our virtual meetings. If you would like to participate and contribute in the meeting, please join on-line through Zoom at: <https://zoom.us/join> You will need an internet connection to do this.

Please email [democracy@southsomerset.gov.uk](mailto:democracy@southsomerset.gov.uk) for the details to join the meeting.

If you would like to view the meeting without participating, please see: [https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF\\_soA](https://www.youtube.com/channel/UCSDst3IHGj9WoGnwJGF_soA)

The period allowed for participation in Public Question Time shall not exceed 15 minutes except with the consent of the Chairman and members of the Committee. Each individual speaker shall be restricted to a total of three minutes.

If you would like to address the meeting at Public Question Time, please email [democracy@southsomerset.gov.uk](mailto:democracy@southsomerset.gov.uk) by 9.00am on Wednesday 16 February 2022. When you have registered, the Chairman will invite you to speak at the appropriate time during the virtual meeting.

### **Virtual meeting etiquette:**

- Consider joining the meeting early to ensure your technology is working correctly.
- Please note that we will mute all public attendees to minimise background noise. If you have registered to speak during the virtual meeting, the Chairman will un-mute your microphone at the appropriate time.
- Each individual speaker shall be restricted to a total of three minutes.
- When speaking, keep your points clear and concise.
- Please speak clearly – the Councillors are interested in your comments.

# Special meeting of District Executive (Informal)

Thursday 17 February 2022

## Agenda

### 1. Apologies for Absence

### 2. Declarations of Interest

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the Agenda for this meeting.

Members are reminded that they need to declare the fact that they are also a member of a County, Town or Parish Council as a Personal Interest. Where you are also a member of Somerset County Council and/or a Town or Parish Council within South Somerset you must declare a prejudicial interest in any business on the agenda where there is a financial benefit or gain or advantage to Somerset County Council and/or a Town or Parish Council which would be at the cost or to the financial disadvantage of South Somerset District Council.

### 3. Public Question Time

### 4. Chairman's Announcements

#### Items for Discussion

### 5. Annual Action Plan 2022/23 (Pages 5 - 24)

### 6. Decarbonisation programme phase 2 proposals (Pages 25 - 29)

### 7. Options to refurbish Yeovil Crematorium (Pages 30 - 34)

### 8. Octagon Theatre Finance Report (Pages 35 - 73)

### 9. Financing the Yeovil Refresh (Pages 74 - 83)

### 10. Wincanton Regeneration Finance Report (Pages 84 - 91)

### 11. Ensuring sufficient staffing capacity during 2022/23 (Pages 92 - 106)

### 12. 2022/23 Budget Report (Pages 107 - 194)

### 13. District Executive Forward Plan (Pages 195 - 201)

### 14. Date of Next Meeting (Page 202)



## Annual Action Plan 2022/23

Executive Portfolio Holder:	Val Keitch, Leader of the Council
Strategic Director:	Nicola Hix, Director – Strategy and Support Services
Service Manager:	James Divall, Assistant Director – Strategy & Support Services
Lead Officer:	Jessica Power, Lead Specialist, Strategic Planning
Contact Details:	jessica.power@southsomerset.gov.uk or 01935 462300

## Purpose of the Report

1. To invite Members to recommend the adoption of the Annual Action Plan 2022-2023.

## Forward Plan

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of February 2022.

## Public Interest

3. The Annual Action Plan is a strategic document, which sits within the overall Council Corporate Plan 2020-2024 and sets out the strategic ambitions of South Somerset District Council. It is a key document and tool used to communicate and share the objectives for the Council. The Annual Action Plan is designed to articulate the commitments we make and milestones we set; as well as provide the basis on which to hold us accountable.

## Recommendations

4. That District Executive recommend that Full Council agree to:-
  - a. Adopt the Annual Action Plan for 2022-2023 comprising of the revised Areas of Focus and Priority Projects.

## Background

5. The Annual Action Plan is required to focus resources on priority projects that are realistic in the final year of South Somerset District Council before the new Unitary Authority commences on 1<sup>st</sup> April 2023.

## The Annual Action Plan (2022 – 2023)

6. The purpose of the Annual Action Plan (pg. 5 - 14 of Appendix A) is to help us deliver the Corporate Council Plan 2020-24 and the vision, values and aims it includes. This is achieved by translating the vision and aims into key Areas of Focus and Priority Projects. These are categorised into five themes (Environment, Healthy and Self-Reliant



## South Somerset

### District Council

Communities, Places where we live, Economy and Covid-19 Recovery and Local Government Reorganisation).

7. The 2022-2023 Annual Action Plan is the third Annual Action Plan within the 2020-2024 Corporate Council Plan period. Due to the new Unitary this will be the Council's last annual action plan.
8. Appendix A combines the administration's vision for South Somerset including values, and aims for the District with the 2022-2023 Annual Action Plan.
9. A Scrutiny Consultation Group took place on the 18<sup>th</sup> January 2022 and Senior Leadership Team (SLT) responded to the points raised.

### Areas of Focus

10. The Areas of Focus within each of the five themes help us streamline our resources and efforts to deliver for our residents, communities and businesses. The Areas of Focus are aligned to key strategies including our Economic Development, Environment and Housing and 'Improving Lives' (Somerset's Health and Wellbeing) Strategy.

### Priority Projects

11. The reviewed list of priority projects reflects the need to complete priority projects in our final year of South Somerset District Council.
12. The proposed five Priority Projects for 2022-2023 are as follows:
  - Priority 1: (Environment)  
To accelerate action to adapt to and mitigate the effects of climate change which includes reducing the Carbon footprint of the authority and enhancing the natural environment.
  - Priority 2: (Healthy and Self-Reliant Communities)  
To enable healthy communities which are cohesive, sustainable and enjoy
  - Priority 3: (Economy and Covid-19 Recovery)  
To assist businesses to recover from the Covid-19 pandemic whilst supporting growth within the South Somerset economy in partnership with other organisations.
  - Priority 4: (Places where we live)  
To enable housing and communities to meet the existing and future needs of residents and employers
  - Priority 5: (Local Government Reorganisation)  
To effect a safe and legal transition to the new Somerset Council on 1st April 2023
13. For each of the priority projects, key milestones and desired outcomes will be provided in collaboration with the Council's Performance Team.

### Financial Implications

14. Our revenue budgets support the priority projects and areas of focus in the 2022- 2023 Corporate Action Plan including Covid 19 recovery, grants to voluntary organisations and delivery of the key projects and strategies using staff resources. The capital programme will fund a number of key projects across the District including the Regeneration programmes and the Octagon Theatre.

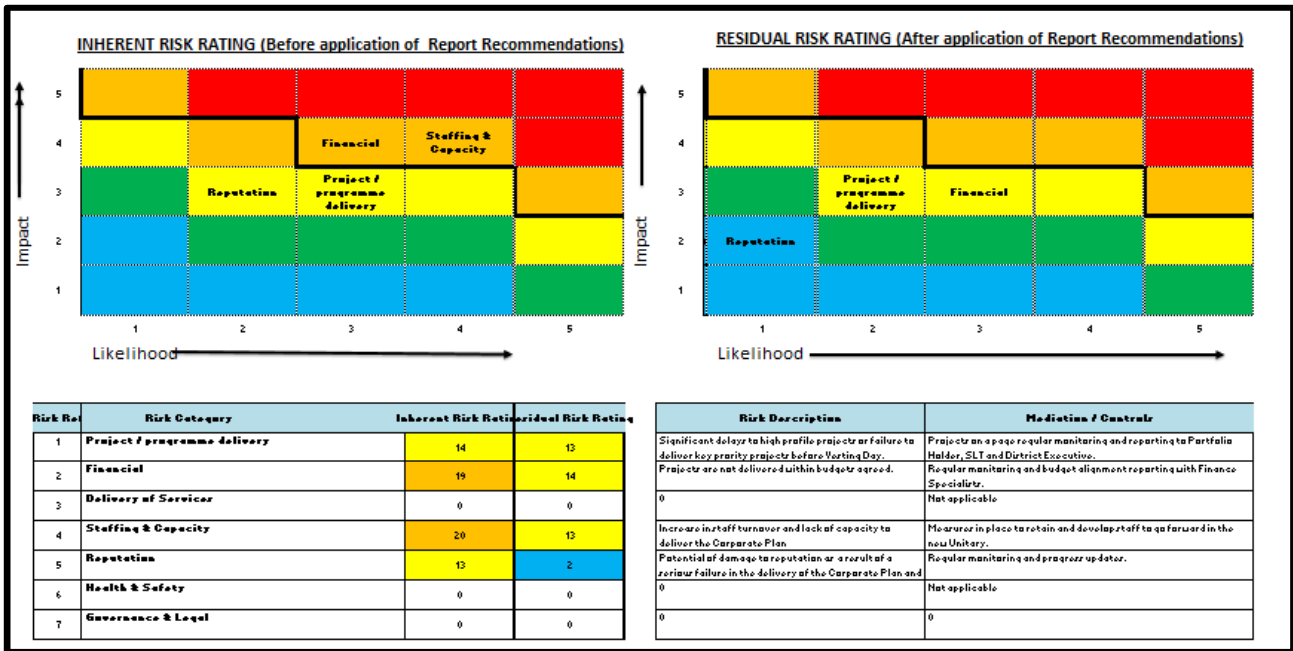


15. For a full breakdown of associated costs please see the 2022/2023 Budget Report.

### Legal implications (if any) and details of Statutory Powers

16. None directly from this report.

### Risk Matrix



### Council Plan Implications

17. This report details the Council’s strategic objectives for the 2022-2023 period.

### Carbon Emissions and Climate Change Implications

18. None directly from this report. However, the Council Corporate Plan 2020-2024 and Annual Action Plan 2022-2023 emphasises our commitment to protecting the environment. An environment assessment has been made.

### Equality and Diversity Implications

An Equality Impact Relevance Check Form has been completed in respect of the Proposal?	Yes / No
The Impact Relevance Check indicated that a full EIA was required?	Yes / No



**Additional Comments**

*An Equality Impact Relevance Check Form has been completed and is attached to this report. In producing the plan itself there are no direct impacts. However, it is likely that individual equality impact assessments will need to be carried out for the individual areas of focus and priority projects.*

## Privacy Impact Assessment

19. None directly from this report.

## Background Papers

20. District Executive report: SSDC Council Plan 2020-2024, Item 6 in the reports pack available here:  
<https://modgov.southsomerset.gov.uk/documents/g2573/Public%20reports%20pack%2006th-Feb-2020%2009.30%20District%20Executive.pdf?T=10>
21. Full Council Report: SSDC Council Plan 2020-2024, Item 7 in the reports pack available here:  
<https://modgov.southsomerset.gov.uk/documents/g2576/Public%20reports%20pack%2019th-Feb-2020%2019.30%20South%20Somerset%20District%20Council.pdf?T=10>
22. Scrutiny Consultation Group Discussion Notes from 18<sup>th</sup> January 2022.

# Corporate Plan: Annual Action Plan



## Our Vision for South Somerset

A naturally beautiful and sustainable environment, which also allows business to flourish and good homes to be delivered. A place where our communities are safe, vibrant and healthy and have access to exceptional cultural and leisure activities.



# 2022 - 23



## Our Values



**Customers first** - Designing plans and services around our customers



**Community at heart** - Enabling residents to support our communities and the environment we live in



**Open and transparent** - Actively communicating, engaging and listening to feedback



**Innovative** - Embracing innovation and technology to improve customer service and facilitate access to council services for all who need it



**Getting things done** - Empowering dedicated and flexible employees and elected members focussed on delivery



**Working collaboratively** - Working with partners to enhance outcomes for our communities



# Introduction

South Somerset District Council One Team, Ambitious for South Somerset.

## Great to work for

- \* Agile and empowered staff
- \* Inspiring people



## Leading the way

- \* Modern and resilient
- \* Adaptable to change
- \* Technology enabled



## Excellent to work with

- \* Business-like organisation
- \* Efficient and effective



## Delivering for our communities

- \* Resilient services
- \* Customer focused
- \* Data driven
- \* Proactive



# What have we achieved? (2021-2022)



## No mow project

Successful completion of SSDC's No Mow Conservation Verge trials in Milborne Port, Cucklington, Castle Cary/ Ansford, Ilminster and Yeovil. Demonstrating good practice in wilding green spaces, and engaging with communities to do the same.

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# 1,953

## Volunteering days

in 2020 - 2021 at our countryside sites at Yeovil, Chard and Ham Hill



## NEW Chard Leisure Centre

with swimming pool, gym and soft play centre.



## New Yeovil Recreation Centre Cafe and Community space

Opened July 2021



## Investigated 166 abandoned vehicles

and removed 11 to help keep streets and neighbourhoods clean and attractive.

## Yeovil won Silver for South West in Bloom

We have also supported over 10 "It's Your Neighbourhood" community groups annually as part of the In Bloom initiative.

# 1,650

trees planted across the SSDC estate and within our communities

Exceeding our 1,000 per annum target



# £36,000

secured from Cultural Recovery Fund for Heritage for environmental protection and restoration of the monument at Ham Hill



## Green Flag Awards retained

at Ham Hill and Yeovil Country Parks and Chard Reservoir Local Nature Reserve. Ham Hill also secured a Green Heritage Award.



## Community Environment Champions

Engaging with a network of 70 Environment Champions covering 50 different parishes through events to share knowledge.



Awarded a South West in Bloom, **five star Best Park Award** for Yeovil Country Park



# 97.8%

of all recycling in 2020/2021 from Somerset stayed in the UK (99.4% of all plastics)



## New Environment and Destination websites launched

[www.southsomersetenvironment.co.uk](http://www.southsomersetenvironment.co.uk)  
[www.visitsouthsomerset.com](http://www.visitsouthsomerset.com)



# What have we achieved? (2021-2022)

## Successful application

for Local Authority Delivery Scheme round 1 grant retrofit funding and the completion of energy improvements for 28 Park Homes across Somerset.

# 750



subscribers to our community environment newsletter, Get SuSSed. 12 issues to date.

Provided environmental support for business and communities by signposting to Government/Local Partnership schemes & producing The SSDC Green Business Directory



Provided employment support for businesses and individuals including setting up the South Somerset Opportunities Hubs.

Continued to measure and track the decrease in SSDC's annual carbon footprint; progressing priority projects that best deliver for the carbon neutrality target of 2030



## Worked with Somerset Waste Partnership to roll out Recycle More

over the Summer despite the challenges of Covid and the national driver shortage. It is already seeing over 100 tonnes

Provided training and continued to support community environment projects including launch of a spring wildlife pack

# £150k

Welcome Back fund administered and paid out



Provided economic support for businesses by signposting to economic development initiatives including M-Hub and the Growth Hub.



# £10m+

Business Support Grants paid out to local businesses which will increase with Omicron support.



Completed a cycling and walking infrastructure plan for Yeovil



Made improvements to Cartgate Visitor Information Centre

creating a Gold in Somerset and Silver in SW England award winning hub for visitors and residents (South West England Tourism Excellence Awards)



Rebranded Community Heritage Access Centre to South Somerset Heritage Collection, relaunched with new website and digital archive. Promoted the collection and resources with Community Engagement.



Fully energised the 25MW Battery Energy Storage System (BESS) facility

Assisted 7 projects to achieve through provision of S106 monies

# £89,255

awarded to 11 Community Grants covering Arts, Community Transport, Sports and Recreation, Group Development, Community activities and Community buildings



# 100%

renewable electricity energy tariff for SSDC electricity supply



Implemented an action plan based on the "Accelerated Housing Delivery in South Somerset" report





# Environment

## Priority 1:

To accelerate action to adapt to and mitigate the effects of climate change which includes reducing the Carbon footprint of the authority and enhancing the natural environment.

### **To keep South Somerset clean, green and attractive and respond to the climate and ecological emergency we will work in partnership to:**

- Continue the delivery of the Environment Strategy action plan, reducing our carbon emissions by 10% every year, to reach carbon neutrality by 2030
- Deliver schemes to enhance the quality of our local environment and its resilience to adapt to climate change
- Protect South Somerset's landscape and to seek to increase tree cover within our communities
- Deliver the County wide Climate Emergency Strategy
- Deliver low carbon transport options including walking, cycling and electric mobility across South Somerset
- Support the development of environmental and ecological aspects within local, parish and neighbourhood plans, promoting Nature Recovery Networks across the district

# What we plan to do - Environment



**1** **Yeovil:** Working to partnership with our Towns and Parishes to deliver Yeovil in Bloom and support Crewkerne, Milborne Port, Henstridge, Haslbury in bloom



**3** **Chard:** Support the volunteer group at Chard Reservoir to deliver a self-guided children's trail at the Local Nature Reserve



**1 2 3** **Yeovil, Martock & Chard:** Delivery of Ecological and Environment improvements



**1** **Yeovil:** Support Community in delivering a pocket park in Westfield

**4** **Area East:** Support the community in Area East to improve energy efficiency and decarbonise homes and buildings with Thermal Imaging camera trial and signpost to retrofit projects and funding opportunities

Submission and roll-out of National Lottery Heritage Fund grant to protect Scheduled Monument at Ham Hill and improve biodiversity

## District-wide:



Relaunch and celebrate the River Parrett Trail

Continue to manage the authorities carbon pathway towards our 2030 goal

Programme to decarbonise SSDC buildings



Installation of a minimum of 50 Electric Vehicle chargers across SSDC Car parks



Use SSDC-owned land to contribute to nature recovery networks; creating a more resilient and connected landscape across South Somerset



Supporting river restoration groups on Dodham Brook, Yeovil, and the River Cale, Wincanton, as well as wider environmental groups



Deliver the Wildflower Seed Giveaway, which will offer product and training to communities. Contributing towards the districts nature recovery

Continue to progress Somerset's Joint Climate Emergency Strategy and its actions



**1** Continue to grow the network of Environment Champions across the district

Embed the National Scheme for assessing Themes, Output and Measures (TOMs) into SSDC's procurement strategy, which attaches social value and carbon reduction to purchasing decisions



Offer expansion of the No Mow Conservation initiative to appropriate parishes across the district

Work with Somerset Waste Partnership to pilot an electric refuse vehicle in South Somerset to understand which routes could be suitable for more electric vehicles



# Healthy, self-reliant communities

## Priority 2:

To enable healthy communities which are cohesive, sustainable and enjoy a high quality of life

- Work with partners to keep our residents safe and feel safe in their homes and communities
- Collaborate with local partners to reduce the impact of social isolation and create a feeling of community
- Work with local partners to support people in improving their physical and mental health and wellbeing and reduce inequalities
- Enable quality and inclusive cultural, leisure and sport activities
- Proactively support residents facing hardship and tackle the causes of economic & social exclusion, poverty and low social mobility

# What we plan to do – Healthy & Self-Reliant Communities



4 5

**Crewkerne and Chard:** Enable a strong and sustainable community offer including a local Citizen Advice offer across SSDC

1



**Ham Hill Country Park:** At Ham Hill, progress National Lottery Heritage Fund project to deliver improved visitor facilities and engagement opportunities

2

Deliver three new youth facilities to replace existing skate parks in Yeovil

5



**Chard:** Provide sports pitch improvements

2 5

**Chard, Yeovil:** Deliver improvements to natural play trails at Yeovil Country Park and Chard Reservoir

2



**Yeovil & Chard:** Work with Yeovil & Chard Connect to tackle health inequalities

6



**Wincanton:** Support the Balsam Centre and collaborate in the development of new wellbeing initiatives

3 2



**West Coker and Wyndham Park, Yeovil:** Support the delivery of new or improvements to community halls

2 5 6

**Wincanton, Chard, Yeovil:** Support the implementation of the Active Communities Plan to increase access to improved leisure centres

2 5 6

**Yeovil, Chard & Wincanton:** Maintain local volunteer-led health walks and expand where there are identified gaps to reduce social isolation

## District-wide:



Invest in the growth of Careline and test new initiatives to reduce social isolation



Deliver a programme of play days across South Somerset



Work with community partners to develop youth activities in areas of low social mobility

Invest in key local volunteer sector organisations (Spark and Citizens Advice South Somerset) to support local people and groups



Enable new community infrastructure through S106 and area community grants across SSDC

Using items from the South Somerset Heritage collection to deliver outreach opportunities and activities across the district

Invest in the South Somerset Families Programme to operate across the district



Support initiatives that tackle Food Resilience including our existing Food Banks and new provision such as Community Pantries and Fridges



**Crewkerne:** Work with partners to support the development of community transport



# Economy and Covid-19 Recovery

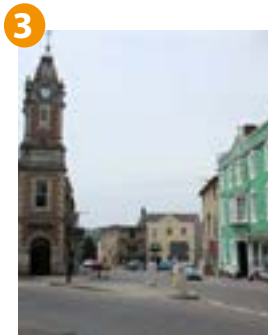
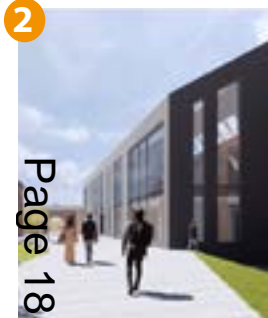
## Priority 3:

To assist businesses to recover from the Covid-19 pandemic whilst supporting growth within the South Somerset economy in partnership with other organisations.

- Support individuals and businesses through the pandemic, including response, recovery and growth initiatives (including any new grant schemes in the new financial year)
- Continue to deliver and prepare for Local Government Reorganisation transition, with other key stakeholders, the '8 point Enterprise, Innovation and Skills Action Plan'
- Work with commercial providers and public sector programmes to increase digital connectivity and associated skills throughout the district
- Enable and encourage businesses to become more environmentally sustainable (aligned to 2030 Climate Emergency commitments)
- Support the 'Bus Service Improvement Plan' particularly to promote Digital Demand Responsive Transport



# What we plan to do - Economy & Covid recovery plan



**Chard, Yeovil and Wincanton:**  
Three employment and skills hubs to support residents back into work/training

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**Martock, Langport, Crewkerne, Somerton, Wincanton, Castle Cary, Bruton, Ilminster, Chard, South Pertherton:**  
Support the Market Towns Investment Group to add with capital investment in our market towns

**1 Yeovil:** Support manufacturing hub (M-Hub) in partnership with Chamber of Trade.



**1 Yeovil:**  
Continuation of Yeovil cycling and walking package



**1 3 Yeovil & Wincanton:**  
Delivery of Public Realm works



**2 Chard:**  
Completion of Chard regeneration scheme



**3 Wincanton:** Joint bid with Mendip DC under the Levelling Up Fund to develop and deliver a co-working space and market square



**2 Chard:**  
Continuation of Chard High Street Heritage Action Zone scheme

## District-wide:



Continue support for local businesses, chamber of trade and town teams



Support Town Centre events and initiatives



Implementation of COVID economic recovery programmes that support local businesses



# Places Where We Live

## Priority 4:

To enable housing and communities to meet the existing and future needs of residents and employers

- Enable the delivery of good quality housing in appropriate places across all tenures, to meet community needs
- Maximise the provision of affordable housing
- Support rural communities and economies through delivery of affordable housing
- Prevent people losing their home and supporting people who are homeless to have a place they can call home
- Support communities to identify any housing need in their parish and support them to meet this demand, including supporting Community Land Trusts
- Proactively identify adaptable housing and community solutions responding to the consequences of the Covid-19 pandemic
- Promote and encourage environmentally sustainable housing, including to protect the Somerset Levels and Moors when determining planning submissions following advice from Natural England

# What we plan to do - Places where we live



2 3



**Chard & Wincanton:**  
Aiming to produce a local cycling and walking infrastructure

1



**Yeovil:** Develop the Octagon Theatre into a flagship Theatre and Cultural Hub

1

**Yeovil:** Yeovil Crematorium expansion

**District-wide:**



Support Neighbourhood planning as a tool to deliver suitable and appropriate local housing.

1 2 3



**Yeovil, Chard & Wincanton:**  
Regeneration Programmes

2



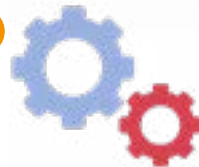
**Chard:** Plan development of Eastern relief road

1



**Yeovil:** Improvement to homeless/ rough sleeper accommodation

4



**South Petherton:** Delivery of Passivhaus Scheme with partners



To Pilot a programme for additional planning guidance for Members

To support the communities to enable appropriate development in rural areas and support community land trust proposals



Cycling and walking routes across South Somerset

Continue to address phosphate mitigation measures relating to Somerset Levels and Moors RAMSAR (wetlands of international importance) site / Specific Protection Sites (SPA)





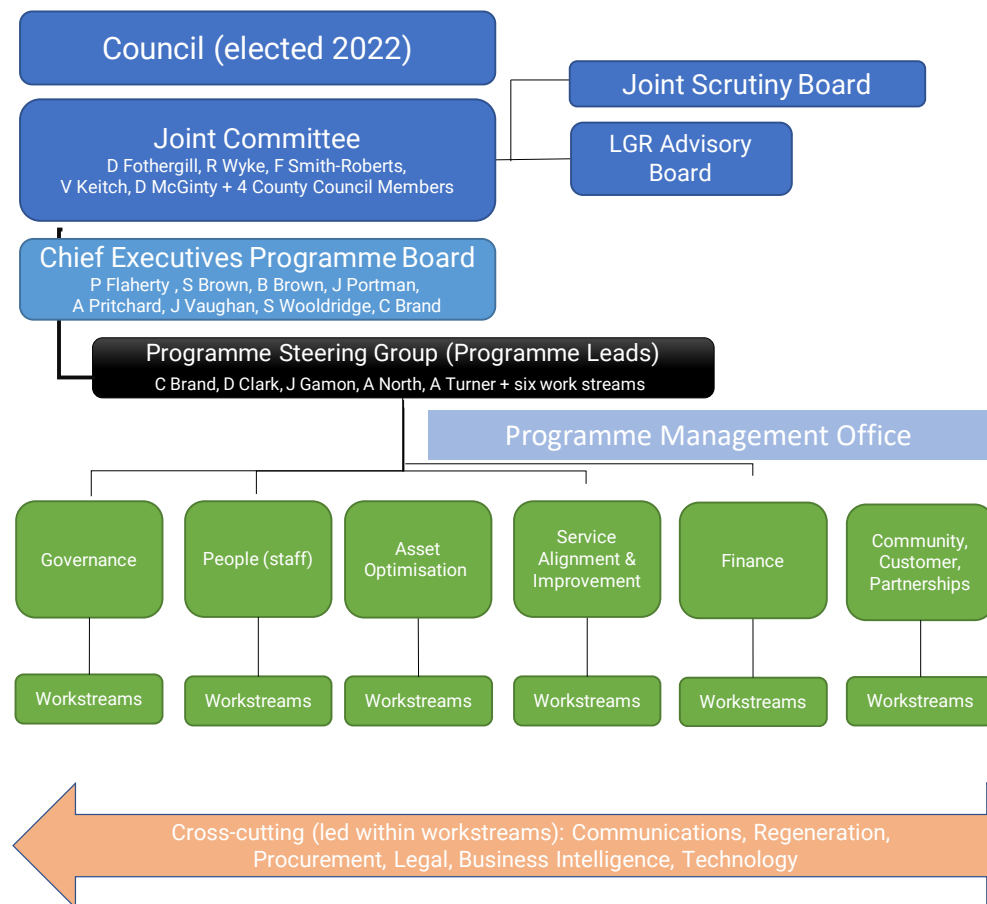
# Local Government Reorganisation

## Priority 5:

To effect a safe and legal transition to the new Somerset Council on 1st April 2023

**To work in partnership across Somerset to secure a transition to a new Unitary Council for Somerset by 1st April 2023 whilst protecting essential services for South Somerset residents during the transition.**

Officers are already involved at all levels of the programme and this will grow further before vesting day.



# Local Government Reorganisation

## Priority 5:

To effect a safe and legal transition to the new Somerset Council on 1st April 2023

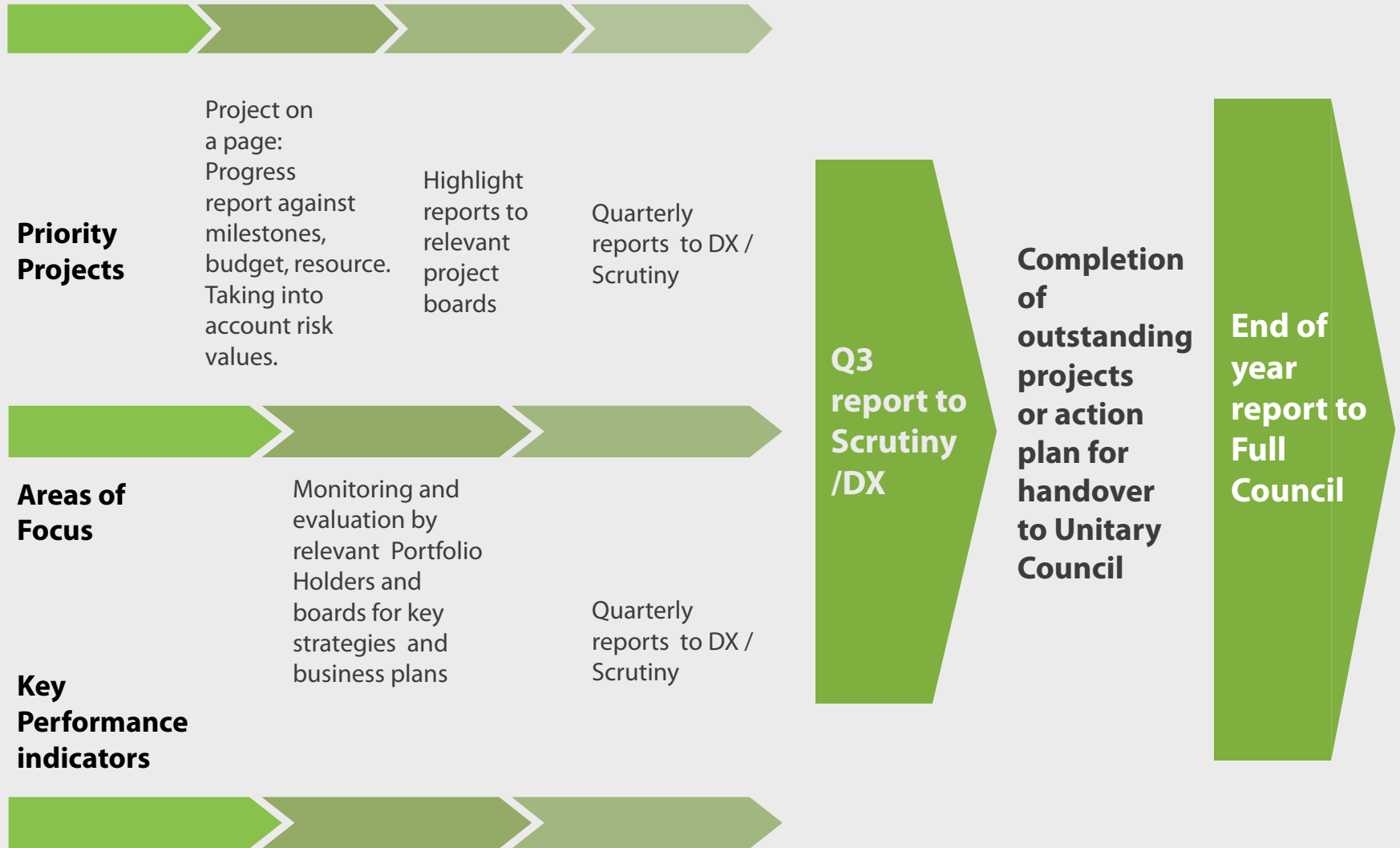
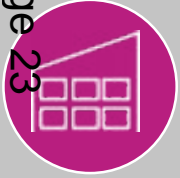
### **Over the next 12 months, we will ensure and commit to:**

- Empower officers to work with their peers to understand what activities are needed to bring five authorities together and, together, to do the preparatory work involved
- Contribute to the transition, whilst also safeguarding delivery of SSDC services to residents
- Work in partnership with the county and other district councils in Somerset to ensure that the residents of South Somerset are represented during the transition phase
- Identify those deliverables which are essential for the new Somerset Council to operate safely from 1st April 2023
- Influence and shape more ambitious/transformational activities for post-vesting day
- Support candidates who wish to stand in the elections with data and information for the electoral divisions they represent
- South Somerset District Council's preparation and delivery of a county wide election
- Preparing our staff for the transition ensuring that they are informed and supported during this period

# Monitoring performance - corporate & public reporting



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# Equality Impact Relevance Check Form



The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. This tool will identify the equalities relevance of a proposal, and establish whether a full Equality Impact Assessment will be required.

What is the proposal?	
Name of the proposal	Corporate Plan, annual action plan 2022-23
Type of proposal (new or changed Strategy, policy, project, service or budget):	Updated strategy and projects.
Brief description of the proposal:	A plan that sets out SSDCs priority projects and underpinning objectives
Name of lead officer:	Jessica Power

You should consider whether the proposal has the potential to negatively impact on citizens or staff in the following ways:

- Access to or participation in a service,
- Levels of representation in our workforce, or
- Reducing quality of life (i.e. health, education, standard of living)

A negative impact is any change that could be considered detrimental. If a negative impact is imposed on any citizens or staff with protected characteristics, the Council has a legal duty to undertake a full Equality Impact Assessment.

Could your proposal negatively impact citizens with protected characteristics? (This includes service users and the wider community)	<b>NO</b>
Could your proposal negatively impact staff with protected characteristics? (i.e. reduction in posts, changes to working hours or locations, changes in pay)	<b>NO</b>

<b>Is a full Equality Impact Assessment required?</b>	<b>NO</b>
<b>If Yes,</b> Please provide a brief description of where there may be negative impacts, and for whom. Then complete a full Equality Impact assessment Form	
<b>If No,</b> Please set out your justification for why not.	
The corporate plan is a vision for the development of South Somerset. The 2022/23 Action Plan has a particular focus on initiatives that will tackle disadvantage and deliver positive outcomes for residents sharing protected characteristics - including our locally adopted protected characteristics of Rurality and Low income - i.e. supporting economic independence and helping people out of poverty, promoting health and wellbeing (including mental health), tackling poor social mobility and ensuring access to housing/affordable housing. Whilst a full EIA is not required for the overall Plan, the individual areas of focus and priority projects will require their own EIA to ensure compliance with the Public Sector Equality Duty.	
Service Director / Manager sign-off and date	Nicola Hix 01.02.2022
Equalities Officer sign-off and date	Dave Crisfield 1 <sup>st</sup> February 2022

## Decarbonisation programme phase 2 proposals

Executive Portfolio Holder:	Sarah Dyke, Environment Portfolio Holder
Strategic Director:	Kirsty Larkins, Director, Service Delivery
Service Manager:	Robert Orrett, Commercial Property Land and Development Manager
Lead Officer:	Robert Orrett, Commercial Property Land and Development Manager
Contact Details:	<a href="mailto:robert.orrett@southsomerset.gov.uk">robert.orrett@southsomerset.gov.uk</a> or 01935 462075

## Purpose of the Report

1. This report covers the second phase of decarbonisation works to council owned properties as a significant contribution towards the council's commitment to achieving carbon neutrality.

## Forward Plan

2. This report did not appear on the District Executive Forward Plan because the need for the report was determined during preparatory work for the budget proposals.

## Public Interest

3. As part of its Environmental Strategy and its aspiration to be carbon neutral across operations by 2030, South Somerset District Council (SSDC) is aiming to reduce the greenhouse gas (GHG) emissions of its operations. A major focus for this is emissions from operational buildings. The intention is to phase work over several years. This report recommends a project to deliver a significant phase of improvements in 2022-23.

## Recommendations

4. That having considered the different options, District Executive recommend that Full Council agree to:-
  - a. Approve the programme of decarbonisation works recommended in this report.
  - b. Approve an increase to the capital budget of £2,760,000 to be funded from borrowing.
  - c. Approve an increase to the council's revenue budget to fund the financing costs arising from the borrowing required.

## Background

5. The South Somerset Environment Strategy was formally adopted and approved by Councillors of South Somerset District Council in October 2019. The strategy sets out both the immediate actions and long-term goals for the district achieve a significant reduction in SSDC's carbon emissions.
6. A significant proportion of its current GHG emissions is within its built estate and the focus of this project is on the technical aspects of reducing emissions from this source. It is expected that a programme of decarbonisation of council operational buildings will be continued over a number of years.
7. A first project of decarbonisation works is being progressed at council owned leisure centres. This report contains a second phase of works which have been specifically targeted at operational buildings with significant service plant that is near the end of operational life and thus requires replacing in any event.
8. SSDC appointed an expert consultancy now called EQUANS to carry out energy audits/surveys on a selection of ten of our larger buildings to determine their pathway to net zero carbon. Following this initial work, the same adviser provided detailed technical design and specification work for various packages of work at a series of buildings which would all contribute to reducing emissions from those buildings.
9. From that assessment, work at several building has been prioritised as forming a proportionate scale of project to deliver in 2022-23 and also to address buildings where normal service use of the building is vulnerable to disruption due to existing services plant being at the end of its design life and therefore with increased risk of failure.

## Proposed works

10. The overall assessment of packages provided by EQUANS included installation of air and ground sourced heat pumps, chiller replacement, roof mounted solar PV and improvements to glazing and lighting. From this assessment, a single year priority programme has been drawn up.
11. The rationale for this has been to select items which were amongst the packages provided by EQUANS but target also items which are also priorities for replacement of existing building services plant with high risk of short-term failure due the plant being at the end of its functional life expectancy.
12. Three buildings have been selected on this basis – Westlands venue (boiler risk), John O'Donnell Pavilion (boiler risk) and the Council Offices at Brympton Way (chiller). In addition, lighting improvements to move to LED lighting and Solar PV also at several buildings. These categories have been selected as there should be economies to be gained by carrying out work at multiple locations under one contract and both offer direct benefit of energy cost savings as well as emissions reductions.
13. The categories proposed are shown by building in the table below:

Table 1

Category	Westlands	JOD Pavilion	Brympton Way	LIGHTING Remaining sites: Brympton Lufton Petters YIC Crematorium	SOLAR Remaining sites: Lufton Petters YIC Yeovil Country Park Ham Hill
Air Source Heat Pump	X	X			
Lighting	X	X	X	X	
Solar PV	X	X			X
Insulation	X				
Glazing	X				
Chiller			X		
EC Fans			X		

14. The budget estimate for the supply and installation of these packages is £2,215,000. Allowance has been added for contingency, fees and CDM requirements with an allowance of 20%, with a further spot allowance for additional design fees of £100,000. The total sum requested in terms of additional capital for this programme is £2,760,000.

### Options

15. In the light of the potential impact of local government reorganisation on (i) the long-term utilisation of some of the buildings and (ii) officer capacity to deliver projects already in the council plan, the following alternative options are available to members:

15.1. **Do nothing** – this would result in no reduction in SSDC’s carbon emissions for 2022-23 and would not align with our Environmental Strategy. It would also leave significant risk of operational disruption at key buildings as heating equipment is in need of replacement.

15.2. **Restrict works to direct replacement of functionally obsolete service plant** at Westlands, John O’Donnell Pavilion and Brympton Way. This could be achieved for a lower capital spend. The lowest cost approach would be to replace gas fired boilers with current design new gas boilers. This would be cheaper and simpler, although the reduction in carbon emissions would be much less. Reflecting the capital budget already approved for Westlands, the capital requirement would be c£850,000 instead of £2.76m.

### Financial Implications

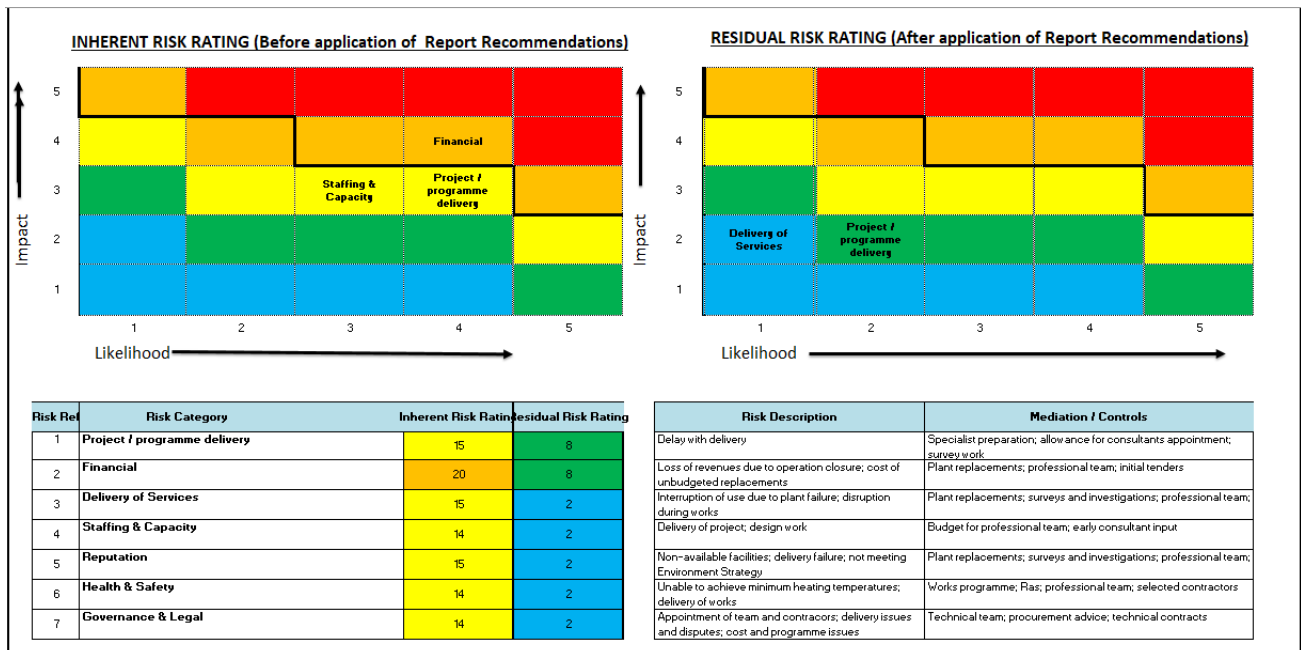
16. The potential expenditure is estimated to be £2,760,000. There will be indirect financial benefits as this expenditure will replace significant items of building services plant that are at risk of failure, and thus protect the council from that expenditure.



# South Somerset District Council

17. This expenditure will need to be financed from borrowing which means that additional charges will be made to the council's revenue budget estimated to be in the region of £x per year.
18. There will be savings in energy costs achieved by some of the packages of works. The use of Air Sourced Heat Pumps enables heating by electricity rather than gas. This is an effective route to using sustainable fuel but of itself involves a higher cost per unit of heating. This should be mitigated by other improvements in the budget.
19. Appropriate allowance for project contingency has been included to avoid the risk of project overspend due to unforeseen costs.

## Risk Matrix



## Council Plan Implications

20. The current Council Plan demonstrates the council's commitment to keep South Somerset green, clean and attractive and respond to the climate and ecological emergency. The first area of focus under this theme is to continue the delivery of the Environment Strategy action plan reducing our carbon emissions by 10% every year, to reach carbon neutrality by 2030.
21. The approach recommended also supports the council plan theme of protecting core services by recognising the synergy of prioritising packages that both reduce carbon emissions but also address operational vulnerabilities.

## Carbon Emissions and Climate Change Implications

22. The primary aim of the recommendation is to contribute to reducing the greenhouse gas.

## Equality and Diversity Implications





## **South Somerset District Council**

23. An Equality Impact Assessment relevance check was completed and it is determined that a full Equality Impact Assessment is not required at this stage, but may be required once we develop specific actions.

### **Privacy Impact Assessment**

24. A Data Protection Impact Assessment has been completed and identified that the data risk is very low.

### **Background Papers**

- SSDC Environmental Strategy

## Options to refurbish Yeovil Crematorium

Executive Portfolio Holder:	Cllr Peter Gubbins, Yeovil Crematorium/Area South
Ward Member(s)	Cllr Peter Seib, Cllr Alan Smith, Cllr Jeny Snell
SLT Leads:	Nicola Hix, Director, Support Services and Strategy Jill Byron, Solicitor and Monitoring Officer
Service Manager:	James Divall, Assistant Director, Strategy & Support Services
Lead Officer:	Robert Orrett, Commercial Property Land & Development Manager
Contact Details:	<a href="mailto:Robert.orratt@southsomerset.gov.uk">Robert.orratt@southsomerset.gov.uk</a> or 01935 462075

## Purpose of the Report

1. To update members on the refurbishment of Yeovil Crematorium and request an increase of £800,000 to the project budget.

## Forward Plan

2. This report did not appear on the District Executive Forward Plan because officer work to confirm various aspects and propose options and budget impacts has only recently been completed. The timing for the report is urgent so that the capital implications can be reviewed in the context of the 2022-23 Budget.

## Public Interest

3. This report contains an update on the previously agreed proposal to refurbish and update Yeovil Crematorium to continue and improve upon the quality of the service offered to grieving families and mourners.

## Recommendations

4. That, District Executive recommend that Full Council:-
  - a. agree to increase the Capital Budget by £800k, as part of the Capital Programme to give the overall project a maximum budget of £5.721m.
  - b. note that approval has been given for the originally approved construction project to proceed provided that the contract sum is within the revised budget.

**Note:** our joint venture partner, Yeovil Without Parish Council, is meeting to discuss this on 16 February.

## Background

5. South Somerset District Council (SSDC) owns an 89% interest in Yeovil Crematorium and Yeovil Without Parish Council (YWPC) owns an 11% interest. Yeovil Crematorium is the only crematorium facility in the immediate area and averages 1700 cremations a year. It supports a large geographic area. The crematorium is managed by SSDC on behalf of the Yeovil Crematorium and Cemetery Committee. The existing crematorium was built



## South Somerset District Council

in 1970 and is now rather dated and lacking in capacity (for example, the existing chapel accommodates less than 100 mourners).

6. In June 2017 the decision was taken to refurbish and update Yeovil Crematorium by constructing a new chapel, a new waiting room (created from the existing chapel), a smaller secondary chapel and improved parking and other associated facilities, including replacement cremators. This decision followed a detailed review by Rose Project Management consultants of the existing facilities and an assessment of future demand for crematory services in the Yeovil area for the next 25-50 years. In August 2019 it was agreed to increase the budget from £4m to £4.921m to reflect the actual tenders received.
7. The two main elements of the approved project were the construction works and the cremator replacements. Pre-covid, the cremator replacement work had started and cremator number one (C1) of a planned two was installed. The main contractor for the construction project had been competitively selected but in the event not contracted as the construction project was deferred due to cost risk and operational pressures linked to the pandemic. Throughout the remainder of 2020 and the first half of 2021, the operational focus for the crematorium was meeting continuing needs for funerals in the area during the pandemic. This was often challenging for families and mourners coping with loss, and also for the staff at the crematorium.

### The Current Position

8. The approved construction scheme is ready to start, but there is an overall project budget shortfall of around £800k due to (i) cremator issues outside the Councils' control which had to be addressed and (ii) an increase in construction costs since the project was originally tendered.
9. **Cremator issues** - as set out in paragraph 7 above, C1 was installed as part of the project. A second containerised cremator (C2) was purchased during the pandemic via the Covid budget to secure operational resilience. This left the project with two working cremators and additional monies in the project budget. Unfortunately, the supplier of C1 went into liquidation, leaving behind a new machine that had mercury abatement issues, which needed to be addressed on environmental grounds. Without proper mercury abatement measures in place, there are damaging emissions into the general environment and the crematorium is subject to an obligation to pay CAMEO fees of c. £45,000 per annum on typical levels of activity. Only one proposal to investigate and carry out reinstatement works on C1 was received and that was without any warranty being offered and at a significant cost.
10. The cremator market is small and providers will only abate and guarantee their own systems, so a new bariatric cremator (C3) has been purchased from FT (the manufacturer/supplier of C2) to replace C1 and ensure the mercury abatement issues are properly addressed. The purchase of C3 increased spend on the original cremator element of the overall approved project budget by around £365k, but this will result in the installation of C2 and C3 within the Crematorium and deal with the abatement issues.
11. **Construction costs** - the main contractor selected pre-pandemic is available to carry out the works as originally planned but construction costs have increased since 2019. The combination of Brexit and COVID has caused serious supply issues in the construction sector. There has been significant cost increase for some categories of



## South Somerset District Council

material as well as general cost inflation. Based on a review with the contractor and building in a prudent element of allowance, the estimate is that the cost of the construction work will have increased by about £390,000. Allowance has been made for additional professional fees due to the project disruption of £37,500. Design work is complete and, subject to the additional funds being available, work could start almost immediately.

### Construction Project Options

12. In the light of the potential impact of local government reorganisation, officers have identified the following options:

- A Proceed with the scheme as originally designed with the preferred contractor.** For the reasons set out above, this will require an additional budget of £800,000. It should be possible to start the main contract on site in May 2022 (90 weeks build programme).
- B Defer the construction element for a future decision by the new Somerset Council.** This would reduce capital commitment by around £2.5m but effectively write off £262k of design spend already paid for the current scheme. Note: Somerset Council will also become responsible for Taunton crematorium.
- C Prepare a reduced scheme within the existing (remaining) budget.** This would not be a simple deletion of elements of the approved scheme and it is unlikely that a revised project could start on site before April 2023, although this would depend on the brief and the planning and procurement processes. Most if not all of the design spend (£262k) could be written off. There is unlikely to be sufficient officer capacity to devote to the production of a revised scheme when the anticipated demands of the current capital programme and the LGR programme are taken into account. In practice, option 3 is very similar to option 2.

13. The original objectives of the project are only met by option A. The need for these improvements is probably greater than before due to the further depreciation of the buildings since the original report. In addition, more efficient and flexible facilities will add to the quality of the service provided and allow the Crematorium to maintain and build its position as the preferred choice in the local and wider catchment area.

14. This report and the options set out in paragraph 12 will be considered by YWPC at their meeting on 16 February and will be reported to the meeting.

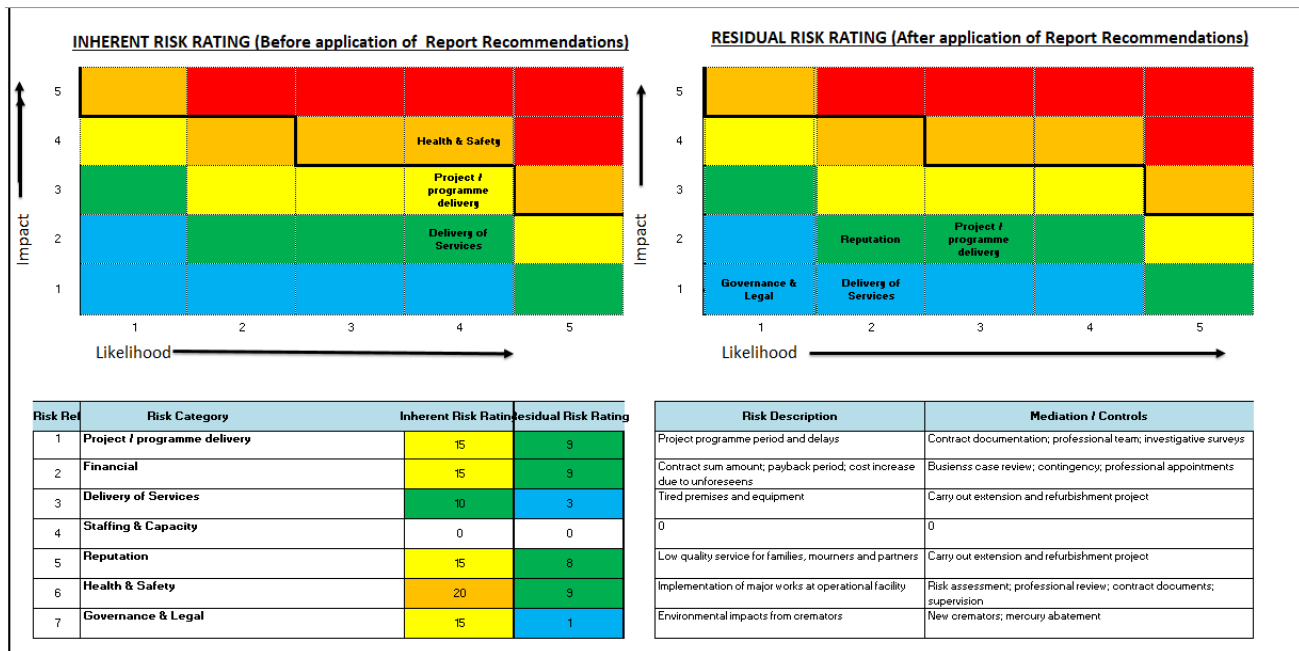
### Financial Implications

15. The original decision and the previous increase to the budget were supported on the basis that the overall project would be delivered at no additional cost to the council because capital costs would be met from additional revenue over the life of the facility. Funding for this project is provided by SSDC at 89% and YWPC at 11%, utilising accumulated funds currently held in reserves, borrowing and up front capital contributions from SSDC and YWPC in proportion to their shares in the facility, with capital borrowing repaid through an increased surplus generated by the facility.



- 16. If the original scheme is to be implemented, there will need to be a further increase of £800k resulting in a revised project budget of £5.721m.
- 17. The total budget includes a contingency allowance of £434,000 as protection against unforeseen costs. This is standard practice for significant construction projects. Refurbishment of existing buildings always has a risk of unforeseen project variations which can increase cost as well as standard construction risks.
- 18. The original business case is being updated to confirm that the additional funding requested in this report will continue to be met. An update should be available at the meeting.

## Risk Matrix



## Council Plan Implications

- 19. This project contributes positively across most Council Plan themes – Protecting Core Services, Economy, Environment, Healthy, Self-reliant communities.

## Carbon Emissions and Climate Change Implications

- 20. Replacement cremators will significantly improve environmental performance from this facility, most notably by including mercury abatement but also confidently achieving specialised environment performance standards. The refurbishment works will reduce the carbon consumption of the facility.

## Equality and Diversity Implications

- 21. A full equality assessment report has been undertaken on this project and there are no adverse implications.

## Privacy Impact Assessment

22. There are no adverse personal data implications to this report.

### Background Papers

June 2017 – District Executive	Refurbishment and Development of Yeovil Crematorium (Confidential)
June 2017 – Full Council	Refurbishment and Development of Yeovil Crematorium (Confidential)
December 2017 – Scrutiny Committee	Update Report on Progress with the Scheme to Develop and Refurbish Yeovil Crematorium
August 2019 – Full Council	Update on the Refurbishment and Development of Yeovil Crematorium (Confidential)

## Octagon Theatre Finance Report

Executive Portfolio Holder:	Cllr. Mike Best, Health and Well-being
Strategic Director:	Jan Gamon, Director of Place and Recovery Karen Watling, Chief Finance Officer
Service Manager:	Natalie Fortt, Regeneration Programme Manager
Lead Officers (for report):	Dan Bennett, Octagon Redevelopment Project Manager Karen Watling, Chief Finance Officer
Contact Details:	Dan.bennett@southsomerset.gov.uk

## Purpose of the Report

1. To provide District Executive with an overview of the current budget position and the revised costs of delivering the Octagon redevelopment project arising from the recent RIBA stage 2 design and costings.
2. To seek approval for an increase to the current capital budget of £6m to reflect the revised costs of the redevelopment.

## Forward Plan

3. This report appeared on the forward plan with an anticipated committee date of February 2022.

## Public Interest

4. This report seeks to increase the agreed budget for the redevelopment of The Octagon Theatre. The redevelopment includes:
  - the construction of a fly tower
  - increasing the main auditorium seating capacity from 622 to 900
  - two new smaller cinema/studio spaces
  - a dance studio
  - a community studio
  - a café bar
  - improved front of house and customer facilities
  - improved backstage accessibility

## Recommendations

5. That District Executive recommends that Full Council approves:
  - a) An increase in the capital budget of £6m, to be funded by prudential borrowing, to bring the total budget for the project to £29.01m.

- b) An increase in the revenue budget of circa £0.680m per annum for the financing costs (MRP £0.289m, Interest £0.392m) arising from the increased borrowing needs. An initial assessment is that the financing costs may be covered from Year 6 by ticket levies and operating income, however further analysis is needed to be carried out as interest rates are expected to rise at Final Business Case stage.
- c) The project team to incur expenditure of £1.2m from the capital budget to progress to the next gateway decision stage (the Final Business Case incorporating RIBA stage 3 designs and costings).

## Background

6. Following a detailed options appraisal of the Octagon Theatre a feasibility study was undertaken in 2020 to set out an aspiration for the substantial redevelopment of the district's leading cultural venue. The redevelopment proposals aim to make the Octagon fit for the future and enhance the venue as a regional entertainment destination. A key component of the project is a £10m grant from the Department for Digital, Culture, Media and Sport (DCMS), contingent upon the inclusion of certain new facilities into the Octagon design.
7. The proposals for the redevelopment were approved at District Executive in January 2021 and ratified by Full Council in March 2021, where a capital budget of £23.01m was approved for the project.

## Report Detail

8. The feasibility study concentrates on several key areas to keep the Octagon relevant and raise the venue's profile regionally. These are:
  - Provide a significantly enlarged and much improved facility, enabling a more varied selection of shows and acts with added commercial areas. This would in turn bring new revenue streams to pay back the costs of the works, which would benefit audiences, artists and visitors and include additional facilities and services to those currently provided.
  - Assess the running costs and income levels for the refurbished venue and whether any on-going subsidy is still required from the council (currently circa £300,000 per annum).
  - Generate additional revenue benefits in future for SSSC that will support the development of our Arts Engagement and Outreach work.





## South Somerset District Council

- Resolve accessibility issues around the venue making Front of House (FOH) and backstage areas accessible for wheelchair users and those with limited mobility.
  - Maximise opportunities for energy efficiency and use of renewable/low carbon energy, to contribute to the Council's climate change objectives.
9. Officers have negotiated the provision of a £10m grant towards the project from central government through the DCMS. The grant is contingent upon the improvements suggested in the feasibility study being incorporated into the design of the theatre. This means that several key areas of the proposals are relatively rigid and cannot be reduced without jeopardising the provision of the grant.
10. The design process has been led by experienced theatre architects, Fielden, Clegg, Bradley associates (FCB). FCB have incorporated the key elements of the feasibility study into the design, whilst trying to retain as much of the existing structure as possible. The design is currently in its third iteration. Each major revision has been guided by the need to remain within the approved budget. We are now at a stage where we cannot make any further design efficiencies, without compromising on the grant award, feasibility study or future revenue generation. The current iteration is considered to be the 'minimum viable redevelopment scheme'.
11. If the redevelopment scheme does not take place, The Octagon will require a level of refurbishment in order to remain compliant, safe and maintain the audience levels. The last significant refurbishment took place in 2003 when an extension to the front of the building saw the creation of a new rehearsal studio on the ground floor and space was also added to the bar and cafe areas. However, backstage has very limited/poor access with no accessible dressing rooms or toilets and no permanent way of getting wheelchair users or those with mobility issues onto stage. Therefore, significant improvements to accessibility, carbon consumption and the performance space are required.
12. There is currently an unprecedented demand for materials and labour within the construction sector. This rapid growth in demand has been fueled by a combination of factors, but primarily:
- Post Brexit construction labour migration away from the UK
  - The commencement of a large number of projects following the Covid industry shutdown
  - The interruptions to supply chains following the Covid pandemic
- These factors have created a level of cost price inflation unseen the industry for several decades.
13. There are also significant inflationary pressures occurring currently in other sectors, for example in the field of energy and natural gas supply. Energy prices have a significant



## South Somerset District Council

effect on the price of construction materials. Gas is used extensively in industry to fire bricks and to manufacture cement. Further gas price rises are expected in 2022, having a detrimental impact on domestic and industrial customers. This is likely to result in further cost rises for basic building materials.

14. We are currently at a stage where there is a clear inflationary pressure on the project budget and there are no further savings to be made from reducing the scope of the design. When we account for the detailed design, planning and procurement processes, there is a significant time lag between the initial feasibility study and the procurement of the project. This time lag, inherent in all large projects has allowed the issue of inflation to render the current approved budget inadequate to complete the project.
15. The current design proposals have been costed and the full cost of the project has been assessed at £29.01m. A summary of the end of Stage 2 report is included as Appendix 1.
16. In order to secure the £10m identified funding from DCMS, officers are preparing to submit an Outline Business Case on 17<sup>th</sup> February 2022. This will then be assessed at the DCMS Investment Sub Committee taking place on 9<sup>th</sup> March.
17. Officers are actively investigating additional sources of external funding for the project, however it should be noted that these are not expected to make a significant impact upon the overall budget position.

### Financial Implications

18. The table below shows the difference in costs from the agreed budget and the new proposed budget.

#### Revised capital expenditure forecasts

YEOVIL OCTAGON BUDGET REVIEW	Feasibility		Variance	
	Study Oct-20	RIBA Jan-22	£'000	%
<b>Expenditure</b>				
<b>Capital</b>				
Capital Works	23,009	28,568	5,558	
	<b>23,010</b>	<b>28,568</b>	<b>5,558</b>	
<b>Revenue</b>				
Client Side Project Management	0	382	382	
Other Client Side Costs	0	60	60	
	<b>0</b>	<b>442</b>	<b>442</b>	
<b>Total Expenditure</b>	<b>23,010</b>	<b>29,010</b>	<b>6,000</b>	<b>26%</b>

19. The stage 2 RIBA designs and the costs of these show that the projected expenditure for developing the Octagon Theatre has increased and that £6m needs to be added to the current approved capital budget should Council wish to continue with the redevelopment project.
20. The increase includes revised figures from the RIBA stage 2 design, the need to add in the impact of inflation since the feasibility study was undertaken, the addition of a contingency sum, and the inclusion of costs that were not included in the initial feasibility study, namely fixtures & fittings and client side project management costs.

### Funding of the capital expenditure budget

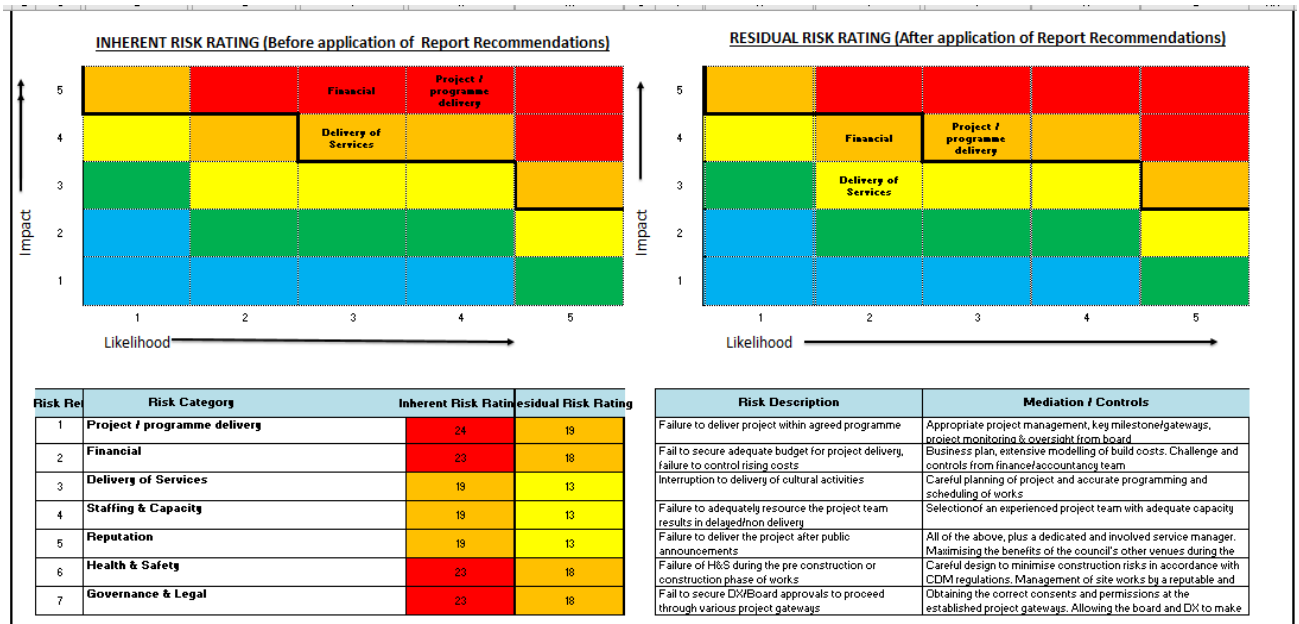
YEOVIL OCTAGON FUNDING	Feasibility Study		RIBA		Variance	
	Oct-20	Jan-22	Oct-20	Jan-22	£'000	%
	£'000	£'000	£'000	£'000	£'000	%
<b>Capital</b>						
DCMS Grant	10,000	10,000	10,000	10,000	0	0%
Fund Raising	250	250	250	250	0	0%
Capital Receipts Reserve	2,000	2,000	2,000	2,000	0	0%
Borrowing	10,760	16,318	16,318	10,760	(5,558)	52%
	<b>(23,010)</b>	<b>(28,568)</b>	<b>(28,568)</b>	<b>(23,010)</b>	<b>(5,558)</b>	24%
<b>Revenue</b>						
Regeneration Fund	0	442	442	0	(442)	0%
					0	0%
	<b>0</b>	<b>(442)</b>	<b>(442)</b>	<b>0</b>	<b>(442)</b>	0%
<b>Total Funding</b>	<b>(23,010)</b>	<b>(29,010)</b>	<b>(29,010)</b>	<b>(23,010)</b>	<b>(6,000)</b>	26%

21. The proposed increase in the capital budget would need to be funded through prudential borrowing. This would incur financing costs of circa £0.68m per annum.
22. The current business case for the Octagon Redevelopment Project shows that income from the ticket levy and sales from the operation of the theatre may cover the financing charges from Year 6 onwards but further analysis would need to be done as part of the Final Business Case, as interest rates are expected to increase.
23. There is a risk that the projected redevelopment costs may increase at the next gateway decision making point, which will be the Final Business Case including RIBA stage 3 design and costings). This is scheduled to be completed by February 2023. Members should note that at this stage the Project Team will only commit the expenditure needed to produce the Final Business Case: this is estimated to cost £1.2m.

### Legal implications and details of Statutory Powers

24. There are no legal implications that relate directly to this report.

## Risk Matrix



## Council Plan Implications

25. The Octagon Redevelopment project is a key action included under Priority 3 of the proposed Council Plan for 2022/2023.

## Carbon Emissions and Climate Change Implications

26. The project facilitates a significant improvement in the energy efficiency of the Octagon Theatre and aims to decarbonise energy use wherever possible.

## Equality and Diversity Implications

27. None directly arising from this report. However, the designs for the redeveloped theatre will be subject to a full Equalities Impact Assessment and one of the key objectives of the project is to increase accessibility throughout the building.

## Privacy Impact Assessment

28. There are no material implications on personal privacy.

## Background Papers

29. This paper should be read in conjunction with the following papers relating to the Octagon redevelopment project

- District Executive – 7<sup>th</sup> January 2021
- Full Council – 25<sup>th</sup> March 2021





# OCTAGON THEATRE, YEOVIL

RIBA STAGE 2 REPORT

revision : 01

issue date : 13.01.22



# 1 | ARCHITECTURAL REPORT

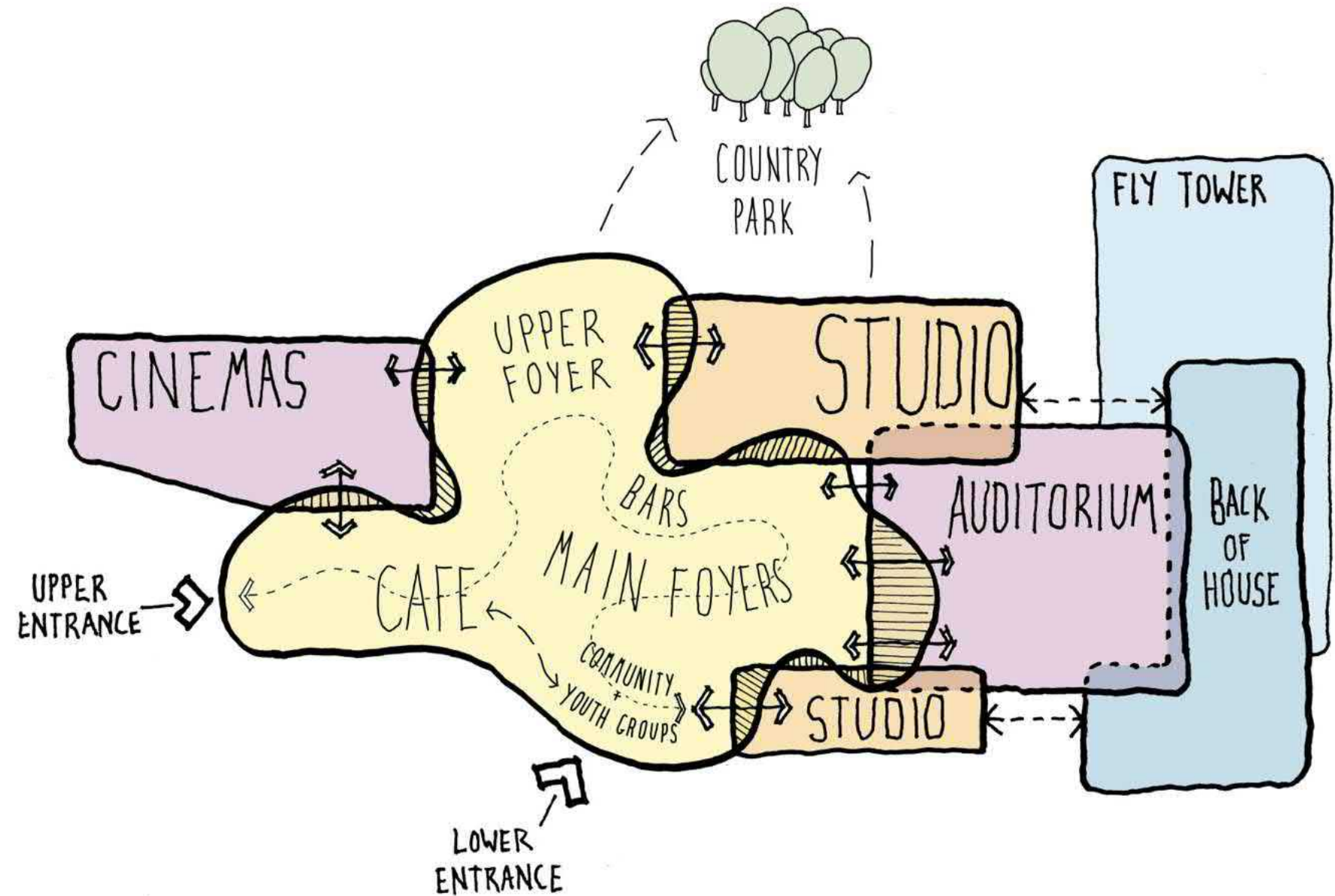
## 1.6 | BRIEF ANALYSIS

The Octagon Theatre headline brief set out the initial vision for the project and defined the spatial and qualitative needs and desires for the project. The project will build on the success of the Octagon venue to provide a broader offer of entertainment and community activities with a more vibrant daytime usage for classes, cafe and workshops, and an expanded and improved entertainment offer in the main venue and cinemas.

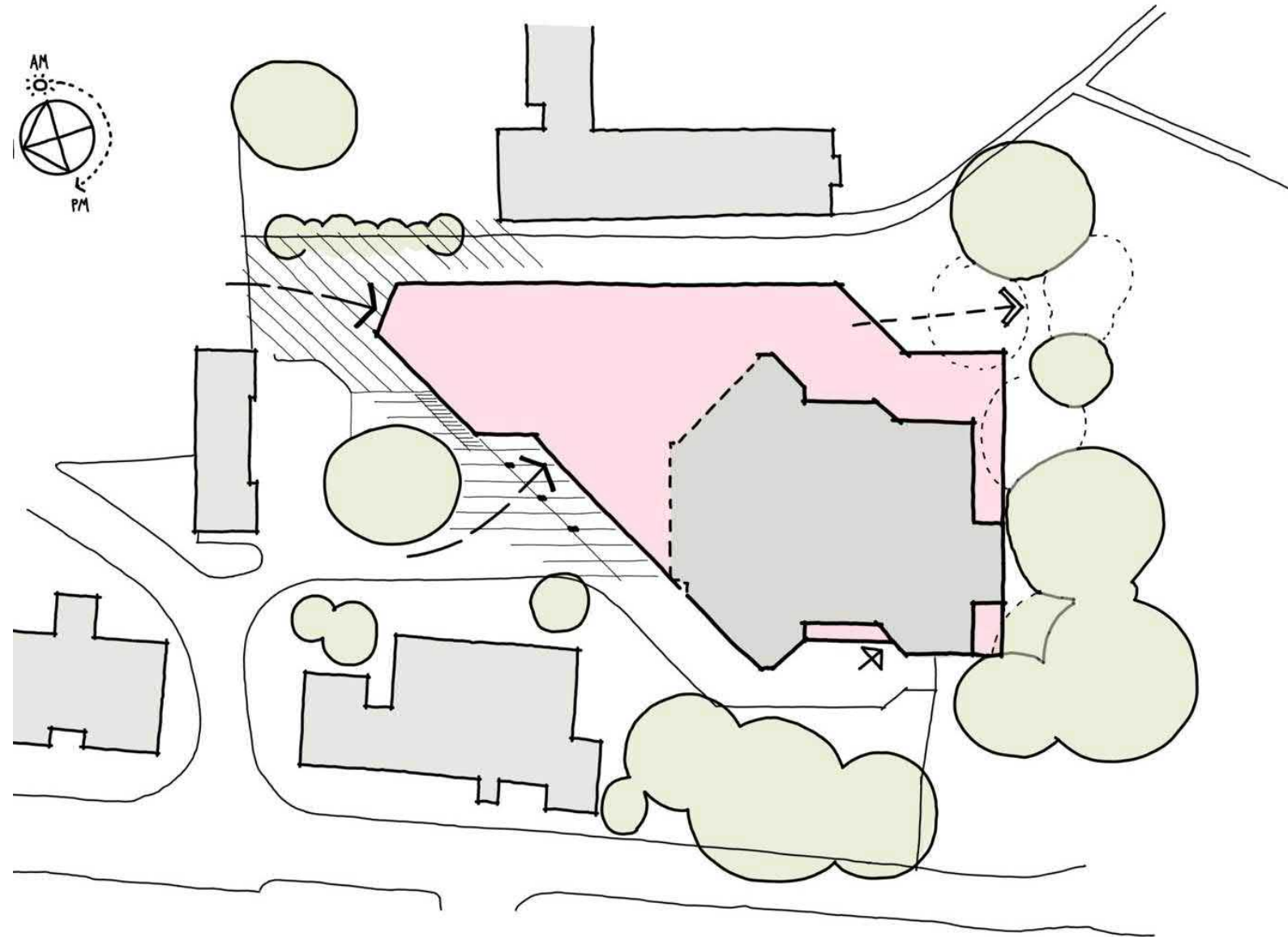
The main components of this brief are:

- Main venue and stage house, to be substantially increased in size to 900, with associated major refit of technical facilities and addition of fly tower. This will enable to Octagon to stage a wider range of popular and commercially successful touring shows to a larger audience.
- Studio spaces that are appropriate for dance classes across a range of abilities, lettable for community activities, classes etc. and providing a high quality environment for rehearsal and flexible use.
- New cinema spaces to offer both mainstream cinema, boutique arthouse cinema and the ability to be used for spoken word events.
- A vibrant, open and welcoming foyer and public spaces, connecting together the range of different spaces and uses, and offering a contemporary range of refreshments and dining across the day.

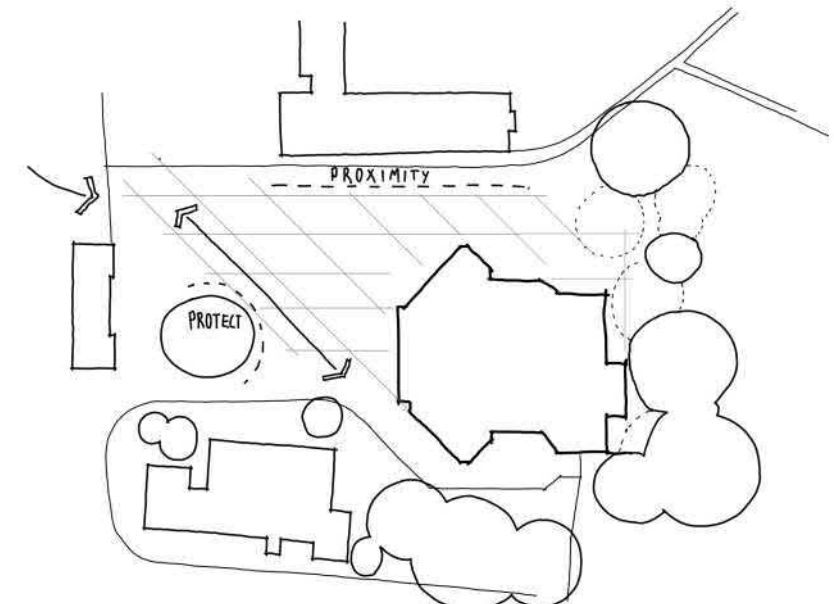
The adjacent diagram expresses how we see the parts of the brief relating to each other, and the surroundings. Studio space should have close connections to back-of-house to enable their effective use as rehearsal and overspill dressing rooms. Cinema spaces potentially open onto a specific area of the foyer with a distinct character. The main foyer relates to two entrance points on different levels, and could open out to the country park to connect more with the natural surroundings. This diagram has informed our thinking about the relationships between the parts of the building as the design has progressed.



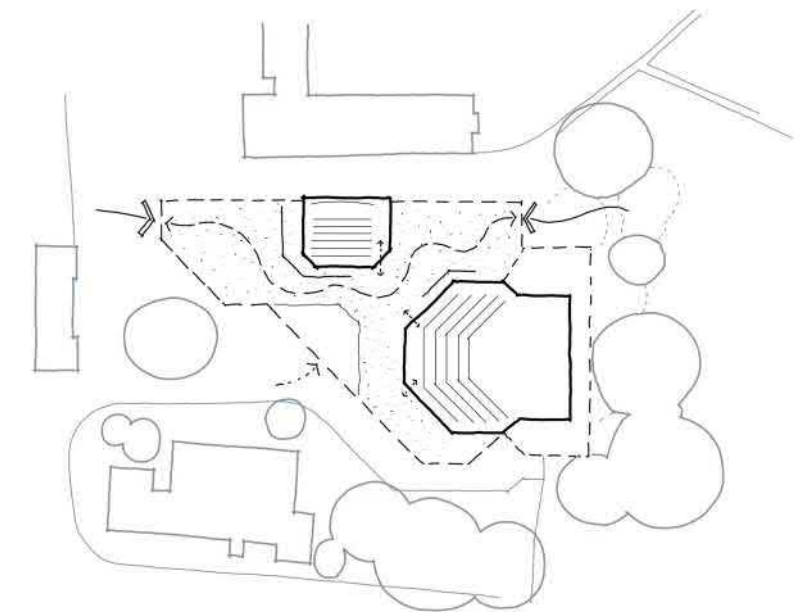




Maximum building footprint responds to the site by reaching out to create new upper level entrance from car park, maintain lower level entrance from Hendford Road direction, and connecting out to South in Penn Hill Park.



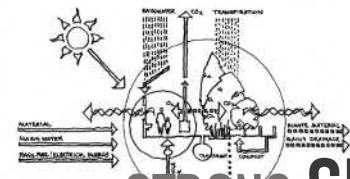
- Key factors defining the available footprint of the building
- Proximity to neighbouring office block
  - Protection of large mature tree
  - Diagonal geometry of existing building and site design line



Foyer and public spaces flowing through the building to link upper and lower entrances, and connect through to country park.

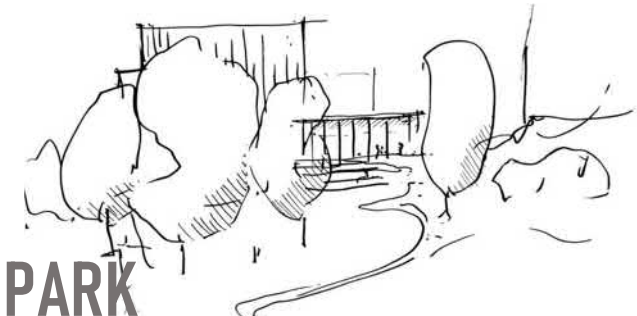
While the practical and physical requirements and constraints of the project are important, we also seek to identify the concepts, values and vision of the client and the project as a whole to guide our thinking and design approach. Through exploring the brief and discussing the project with key client stakeholders, the ideas below have been identified as the primary strategic concepts that drive the project.

**OCTAGON - NAME AND IDENTITY RETAINED**



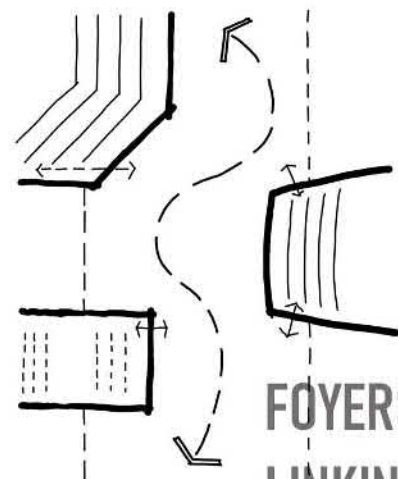
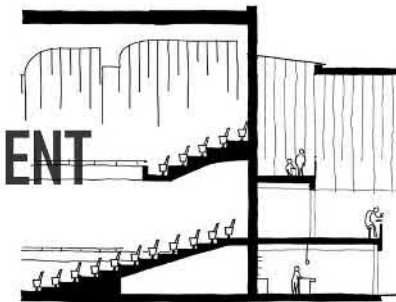
**STRONG SUSTAINABILITY AIMS**  
IN MATERIAL AND OPERATION

**COUNTRY PARK CONNECTION WITH NATURE**



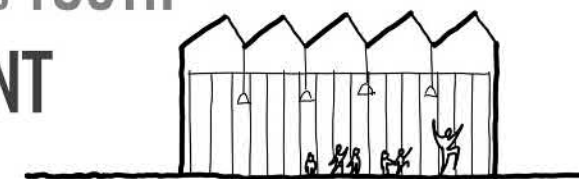
**DESTINATION**  
FOOD AND DRINK

**MAXIMUM ENTERTAINMENT CAPACITY**



**FOYERS AS LIVING STREET**  
LINKING VENUES

**COMMUNITY AND YOUTH ENGAGEMENT**



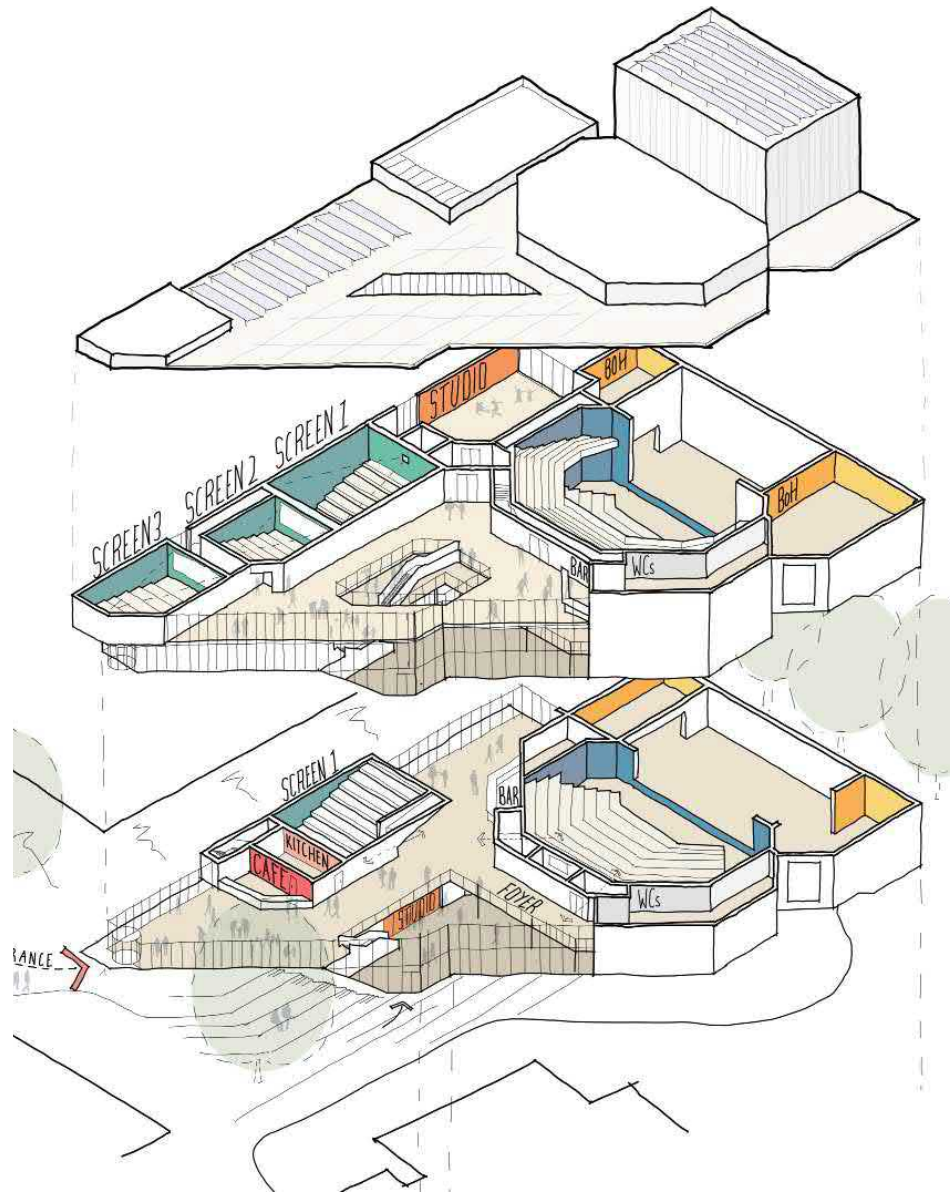


# 1 | ARCHITECTURAL REPORT

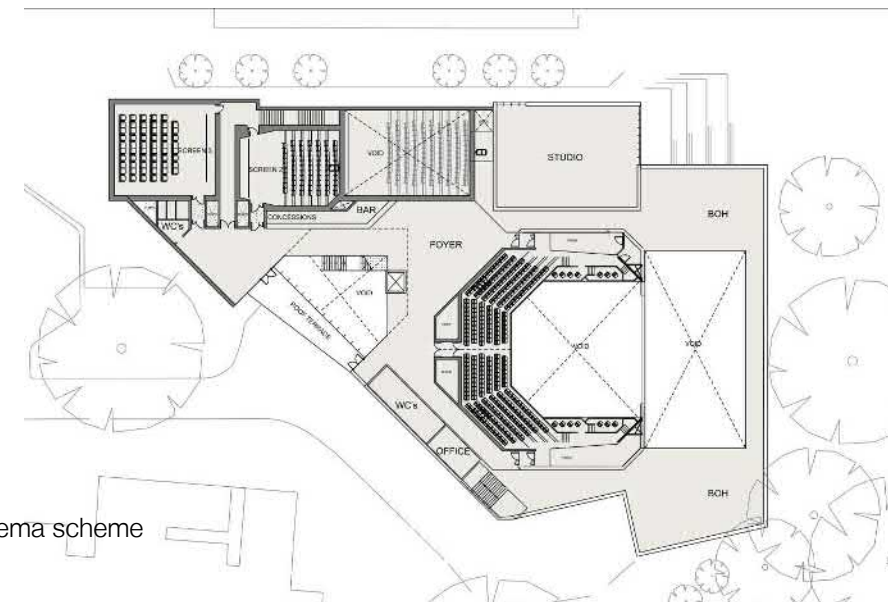
## 1.10 | SCHEME DEVELOPMENT

As discussed above, the scheme has developed throughout stage 2 in response to brief and cost developments. Illustrated here are the 3 main stages in the process.

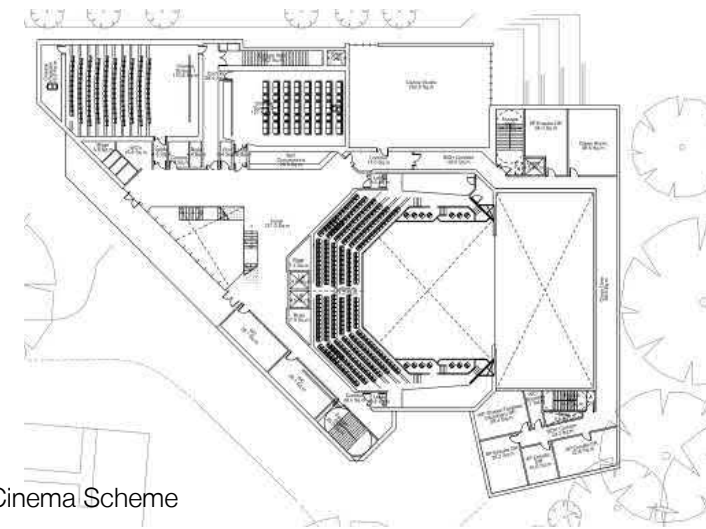
Page 45



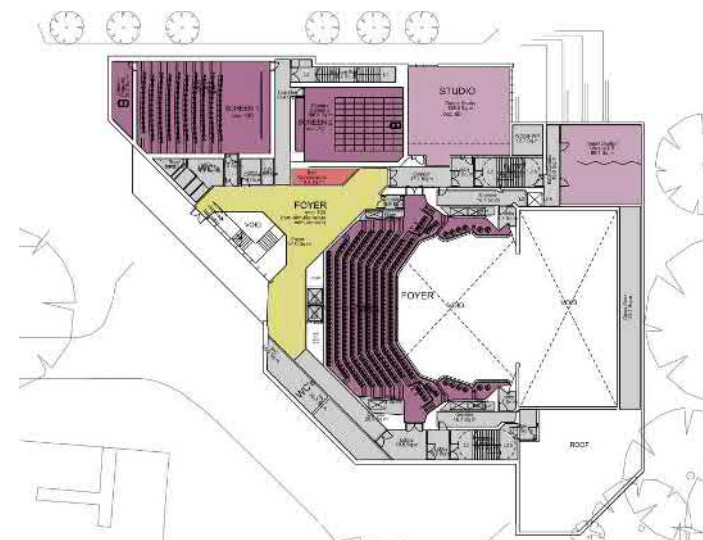
Initial 3-cinema scheme



Initial 3-cinema scheme



Mid-Stage 5900m2 2-Cinema Scheme



Final Stage 2 5094m2 Reduced 2-Cinema Scheme

# 1 | ARCHITECTURAL REPORT

## 1.12 | MASSING APPROACH

### 1.3.5 MASSING CONCEPT

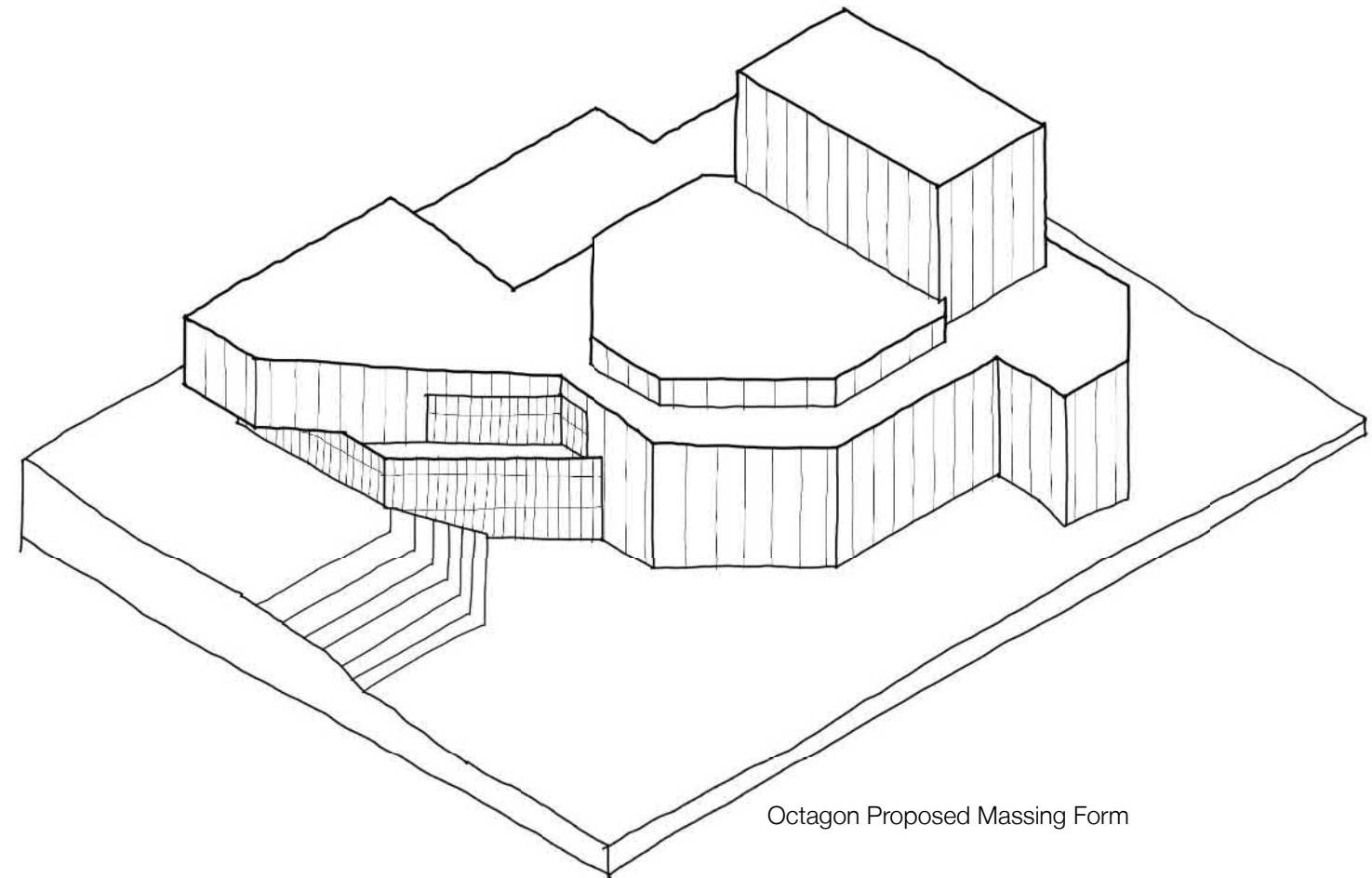
There are a variety of ways to approach the massing and concept of theatrical buildings. They inevitably consist of a number of large, blank volumes in the forms of venue spaces, surrounded by more open public spaces, and more enclosed technical spaces.

In exploring precedents for the project we have identified three main approaches.

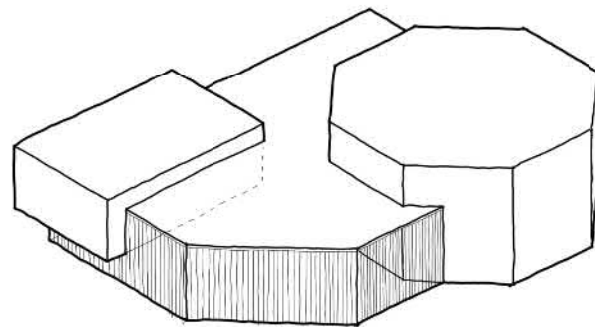
- Assembled Form, where the venue spaces are clearly expressed externally as objects, with recessive infill volume containing the other spaces.
- Wrapped Form, where the various elements of the building are wrapped up in a consistent screening external envelope
- Sculpted Form, which combines elements of the two to create a more fluid form in which parts of venues may be expressed externally but blended into a more coherent form.

We have concluded that a sculpted form provides us with the opportunity for a strong building composition that will sit well within the surrounding landscape.

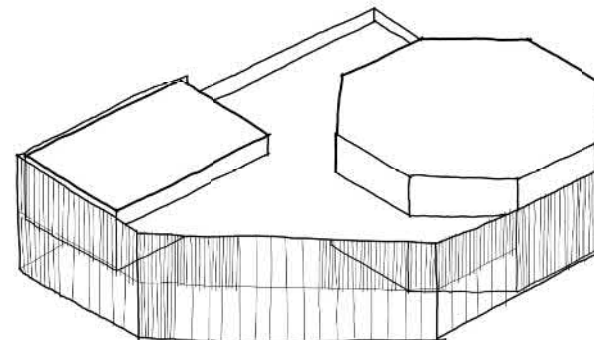
A solid massing counterpoint with lightweight glazed foyers and timber interiors will help to extend the 'civic route' from the town center and enhance the building's relationship with the country park landscape.



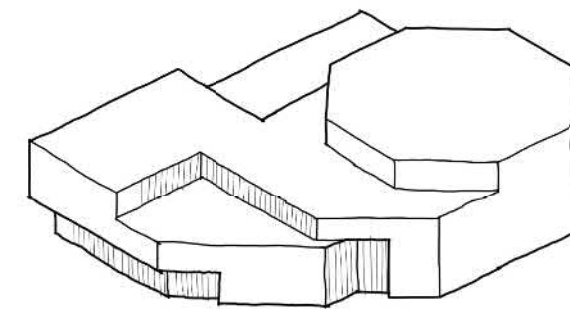
Octagon Proposed Massing Form



Assembled form



Wrapped form



Sculpted form



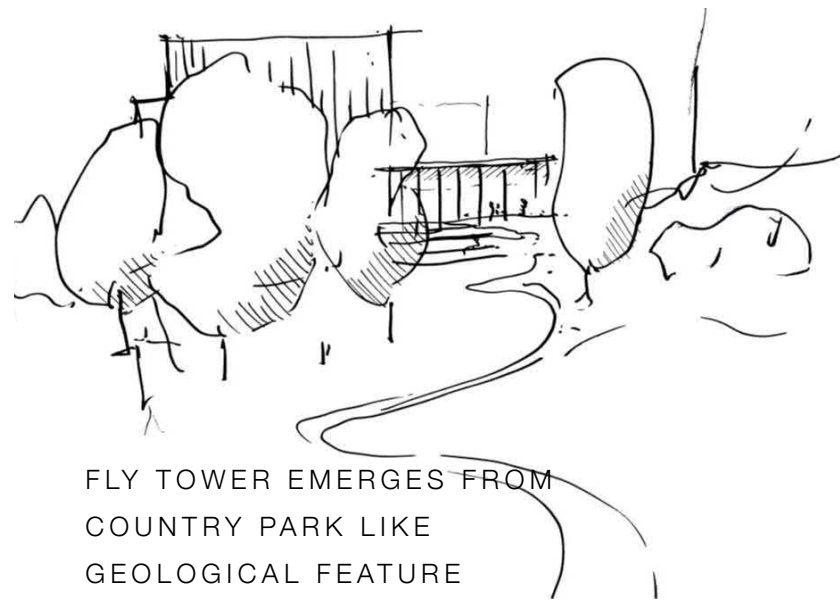


# 1 | ARCHITECTURAL REPORT

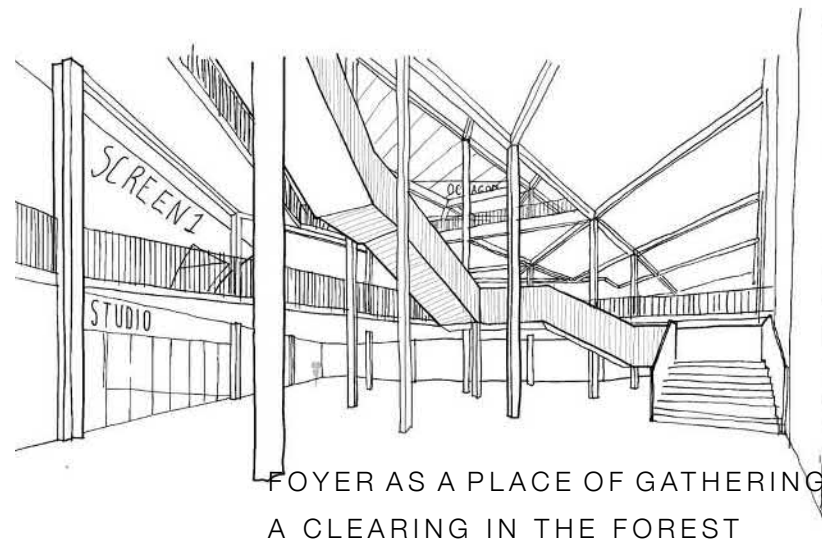
## 1.13 | CONCEPTUAL APPROACH

To develop a conceptual approach to the design of the building, we were strongly inspired by its position within the wooded setting of Penn Hill Park and the wide country park, and by the council's strong sustainability agenda, together with the re-use and adoption of the existing structures.

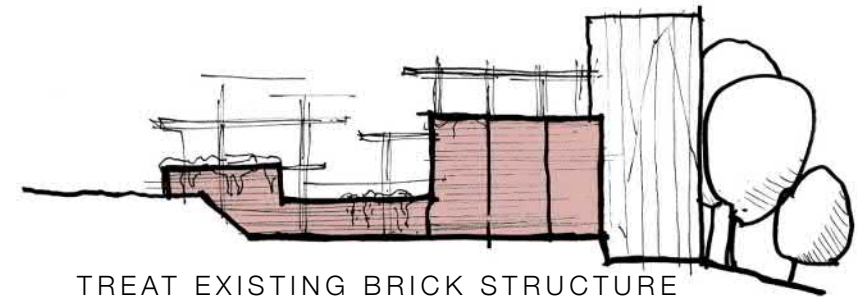
Our initial conceptual thinking imagines a naturalistically inspired design which treats the mass of the fly tower at an almost geological scale, nestled amongst the trees. The front of house areas are imagined as a forest of timber structure creating a light and daylit space like a clearing in a forest. We are also interested to explore ways in which the retained structures and brickwork can be expressed like an inhabited ruin.



FLY TOWER EMERGES FROM COUNTRY PARK LIKE GEOLOGICAL FEATURE

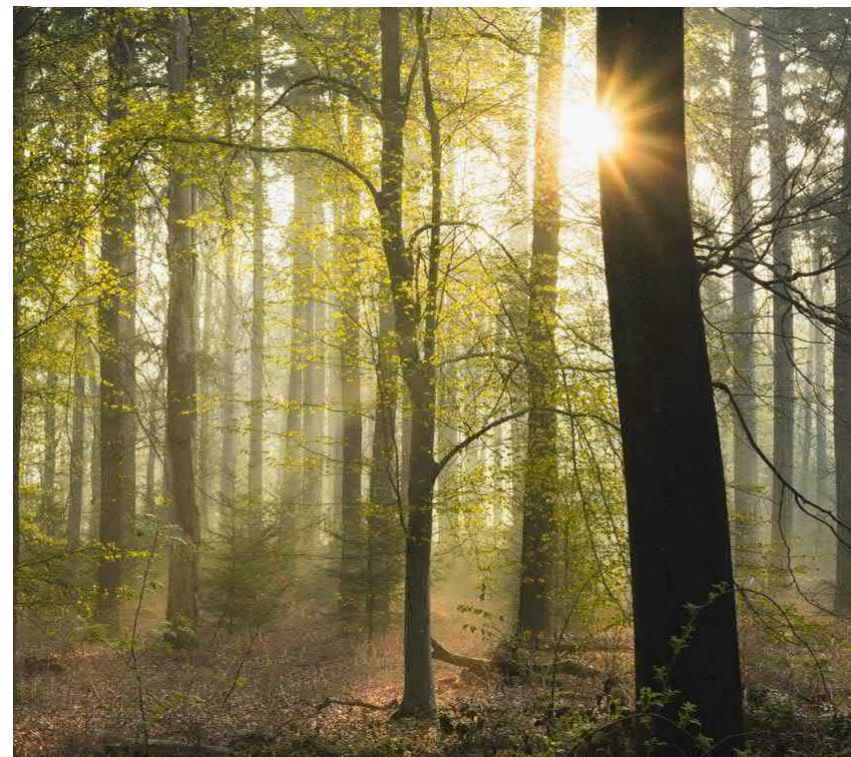


FOYER AS A PLACE OF GATHERING A CLEARING IN THE FOREST



TREAT EXISTING BRICK STRUCTURE AS OVERGROWN RUIN, RE-INHABITED BY TIMBER GROWTH

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# 1 | ARCHITECTURAL REPORT

## 1.14 | MATERIAL APPROACH

Materially, the design is driven by both aesthetic, environmental and functional concerns.

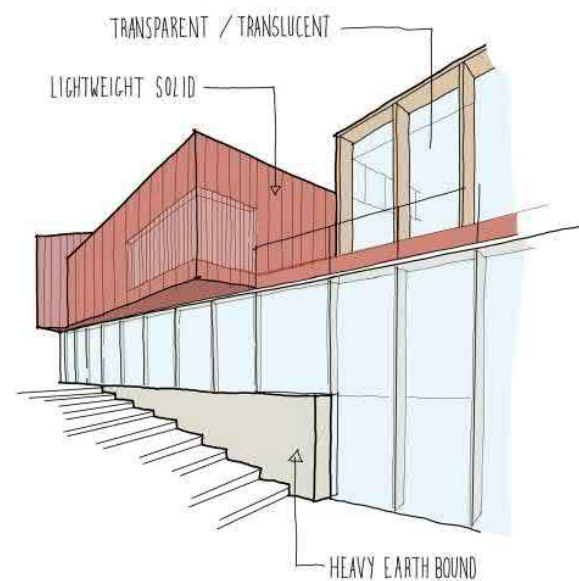
Aesthetically, we imagine the building as a warm red toned building which both expressed the richness of its theatrical use but also is tonally sympathetic to the autumnal deciduous tree backdrop in which it sits.

Environmentally, we are increasingly concerned to minimise the embodied carbon of the building fabric. External envelope made of heavy materials like brick are excellent for acoustic control and architectural expression, but a high in embodied carbon. Therefore we are exploring ways of creating solid volumes (such as cinema spaces) with lower embodied carbon materials that still express solidity and mass.

Functionally, the building needs to meet the ground in a robust way, provide transparency into public foyer spaces, and enclose venue spaces with opaque treatment of appropriate acoustic performance.

This approach leads us to defined three types of external material after which we explored a variety of alternatives for each type.

- Heavy earth bound base – Rammed earth, reclaimed brick, flint/chalk/stone, concrete or brick walls. Higher embodied carbon but smaller quantities.
- Lightweight solid elements – Corten, Tile, cementitious cladding. With semi transparent areas for small openings – Lattice/Mesh/Slat covering to maintain volumetric solidity
- Transparent elements – Timber framed CW potentially with lattice screening, potentially translucent elements to create veil/lantern effect.



CLADDING MATERIALS WITH 'SOLID' CHARACTER – CEMENTITIOUS PANELS – HUNG TILE – CORTEN/METAL PANELS



REAL 'HEAVY' MATERIALS WITH LOW EMBODIED CARBON – RAMMED EARTH – STONE – FLINT - CHALK



# 1 | ARCHITECTURAL REPORT

## 1.14 | MATERIAL APPROACH

LIGHTWEIGHT

SOLID



TRANSPARENT



HEAVY





# 1 | ARCHITECTURAL REPORT

## 1.14 | MATERIAL APPROACH

Our selected material approach is to use panels of Corten weathered steel for the primary lightweight opaque material on the building. This has a warm and natural tonality that sits very sympathetically in a natural environment, while also being visually striking and distinctive. As it is formed from steel, it can be made in large panels with formed corners, giving it a much more solid and substantial appearance than lighter cladding panels.

The low level earth-bound elements are proposed in red brick to tonally match the Corten cladding but also to allow the incorporation of any retained areas of brickwork from the existing building.

Glazed areas are proposed in timber framing to align with the main timber structural frame and minimise embodied carbon.













# 1 | ARCHITECTURAL REPORT

## 1.17 | EXTERNAL VIEWS

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*RICH*

*NATURAL*



*TRANSPARENT*



*ATMOSPHERIC*

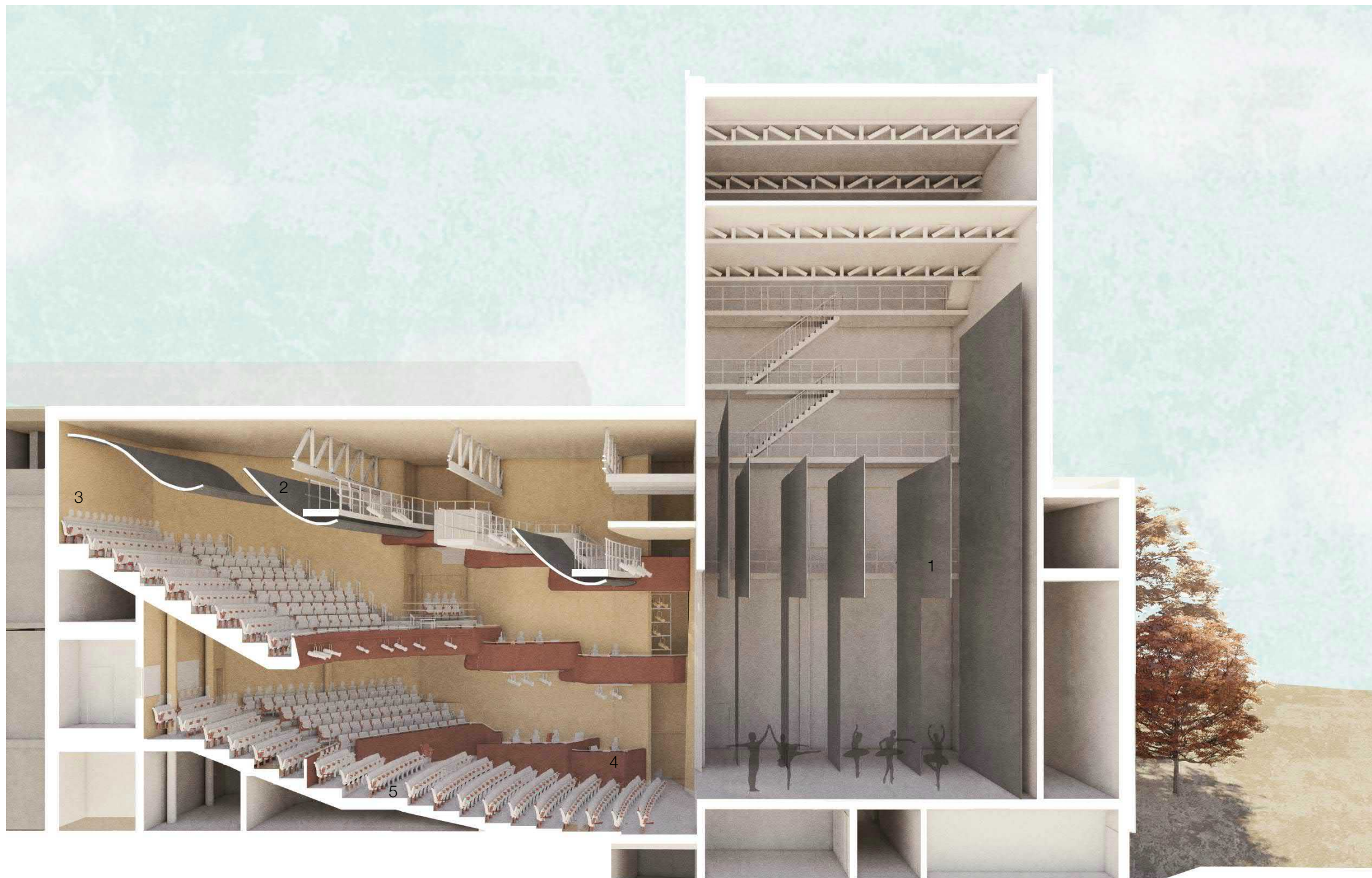


V E N U E

F O Y E R

The open foyer is subtracted from the solid form of the venues that run as elements through the building. This subtraction is expressed through a differing tectonic and internal materiality and forges a connection between the town and country park.





- 1 - Acoustic Curtain
- 2 - Painted Timber
- 3 - Acoustic Panel
- 4 - Painted Timber
- 5 - Dark Carpet



# 1 | ARCHITECTURAL REPORT

## 1.21 | KEY SPACE - CINEMAS AND STUDIO

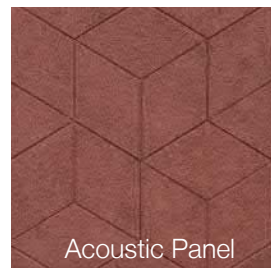
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Painted Timber



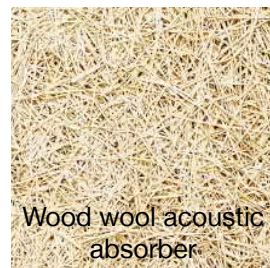
Timber



Acoustic Panel



Timber slat absorber



Wood wool acoustic absorber



# 1 | ARCHITECTURAL REPORT

## 1.22 | KEY SPACE - DANCE STUDIO

### SUMMARY OF BRIEF

The principal Studio space is dedicated for the use of Dance rehearsal and classes, and is not required to be usable as a performance space.

The studio is to be light and welcoming for all age groups and mixed-use opportunities making use of natural light for daytime activities but still retaining the ability to exclude daylight if required.

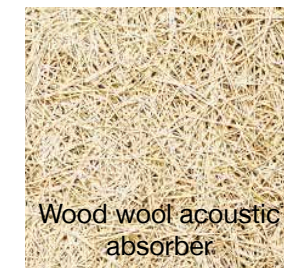
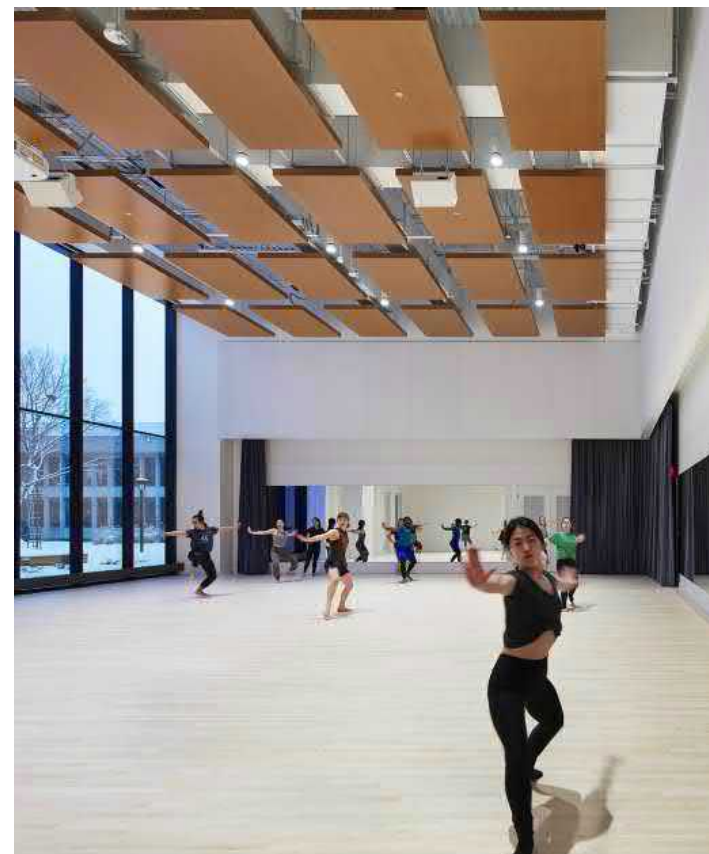
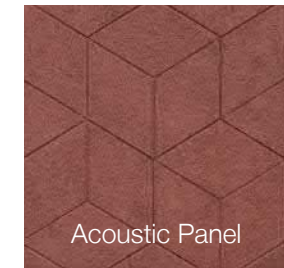
The studio will feature a sprung dance floor, mirrors, barre, stacking chairs and adjustable lighting and temperature controls and will provide sufficient space for all examination requirements for the Royal Academy of Dance.

The studio is to be located close to the theatre to allow shared use of dressing rooms when required along with the ability to utilise the studios as larger dressing rooms for community productions.

<b>Capacity</b>	60
<b>Uses</b>	Dance Classes (excluding tap) Rehearsals Community events / classes / workshops Commercial hire Overflow dressing room Parent and baby groups Youth theatre practice Readings Choir

### DESIGN APPROACH

- The dance studios create the backdrop for informal expression and community use to take place.
- It will be characterised by great daylight, high ceilings and robust but beautiful materials.





# 1 | ARCHITECTURAL REPORT

## 1.23 | KEY SPACE - FOYERS

### SUMMARY OF BRIEF

The cultural offer is proposed to be wide ranging and diverse. It is felt that these different activities and experiences need to be separate but also feel part of the same building.

We have termed this expanded foyer as a “living street” a space that connects the individual functions of building but also provides a series of linked spaces that could be occupied in their own right beyond the interval of performances; a story-corner or an informal performance space. We envisage this living street to be a place where the individual will circulate through but is also a great place to stop, to chat, people watch or read a book.

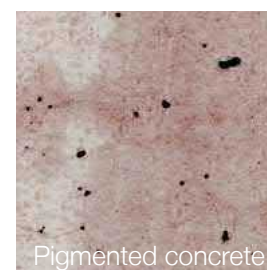
Accessibility is to be substantially improved throughout the Octagon with lift access to all levels and areas of the building, both front of house and back of house, as well as improved wheelchair seating locations within the auditoria. The development will create opportunities to significantly improve access throughout the building that will enhance the experience for patrons, visitors and performers who require mobility aid and assistance.

### DESIGN APPROACH

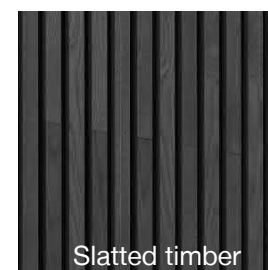
- Foyer forms a journey between the town and country park that links the venues like a living street.
- It provides a place of gathering and connection through its multiple levels like a clearing in the forest.
- The use of materials creates a homogeneous subtracted form that extends from the facade to create the light foyer space.



Glulam



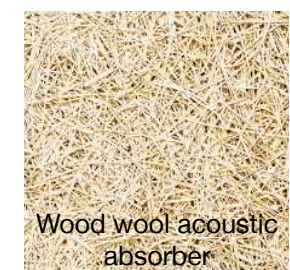
Pigmented concrete



Slatted timber



Terracotta



Wood wool acoustic absorber





View of foyer at level 1 of main bar and views out.





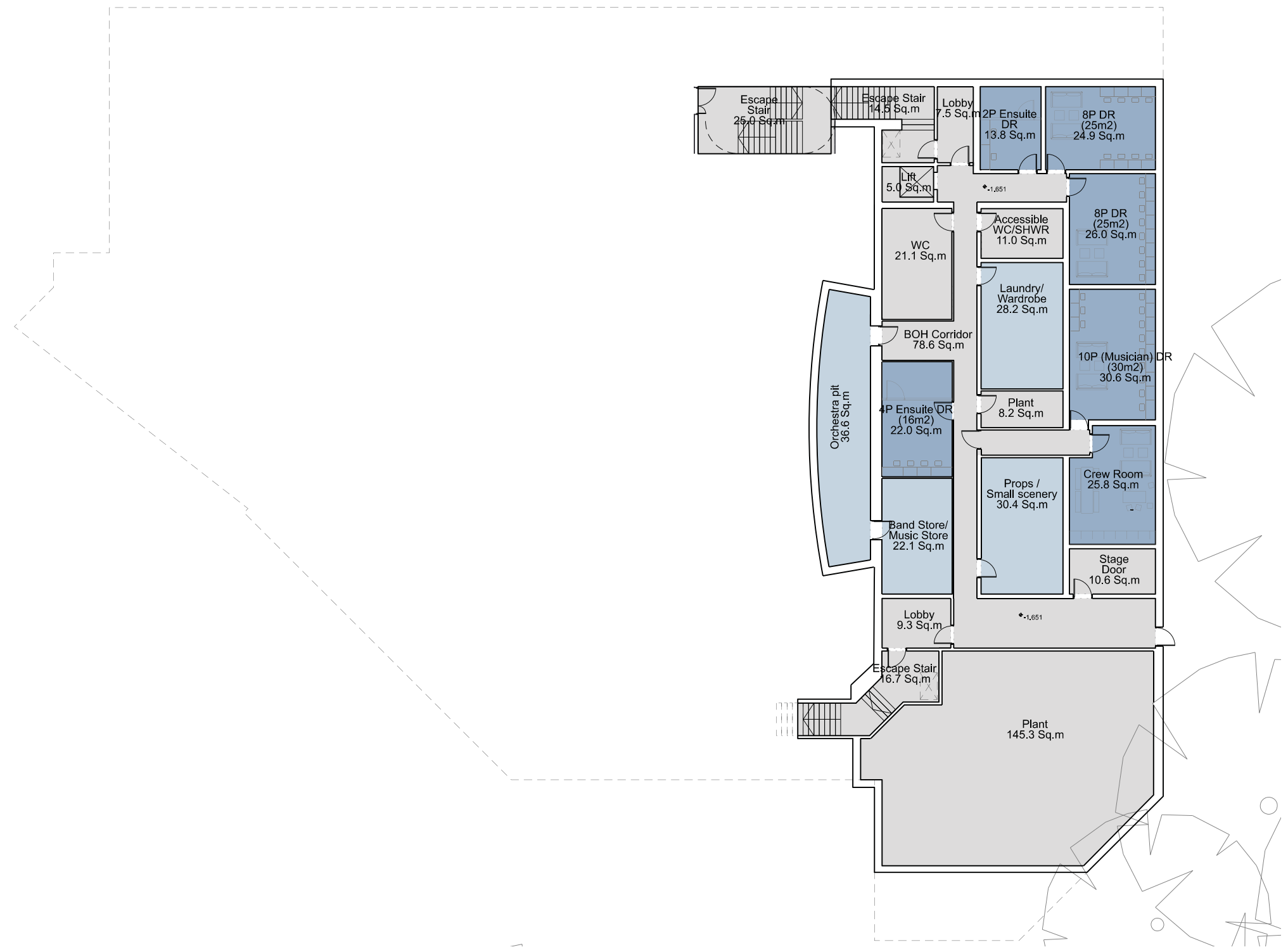
View of foyer at level 0 from lower entrance

# 1 | ARCHITECTURAL REPORT

## 1.11 | STAGE 2 LAYOUTS

### BASEMENT LEVEL

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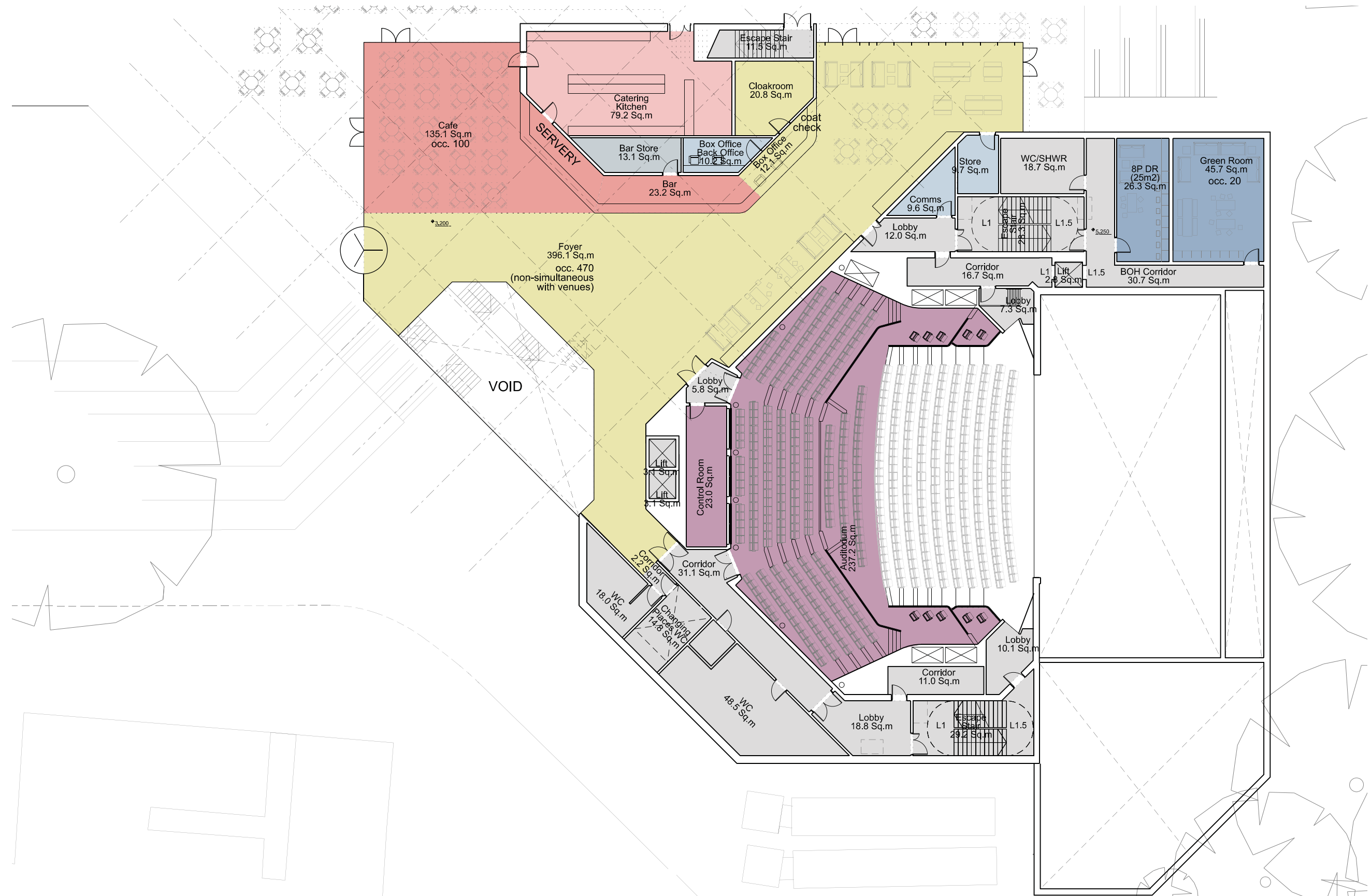




# 1 | ARCHITECTURAL REPORT

## 1.11 | STAGE 2 LAYOUTS

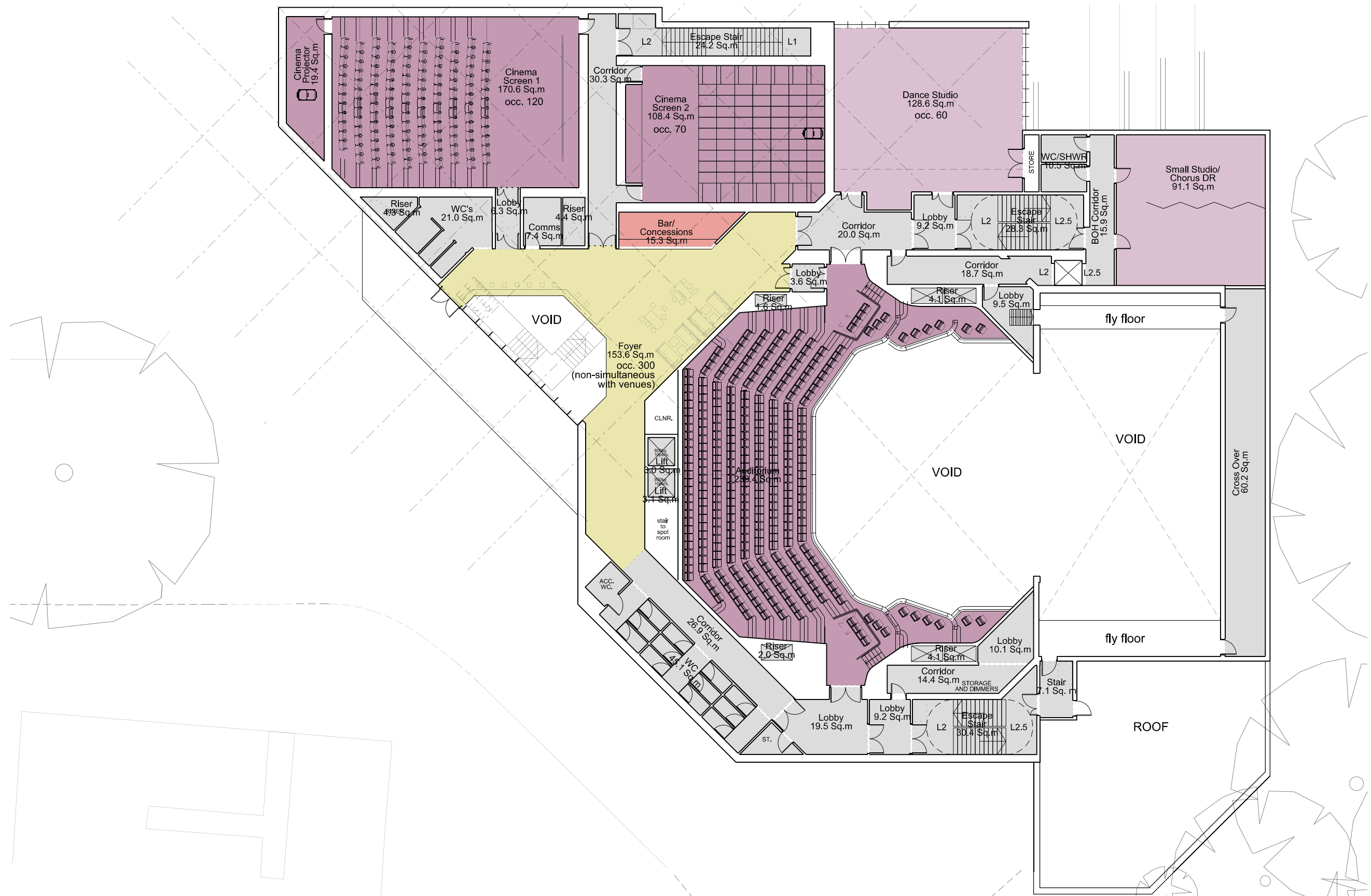
### LEVEL 1 - UPPER GROUND



# 1 | ARCHITECTURAL REPORT

## 1.11 | STAGE 2 LAYOUTS

### LEVEL 2





# 1 | ARCHITECTURAL REPORT

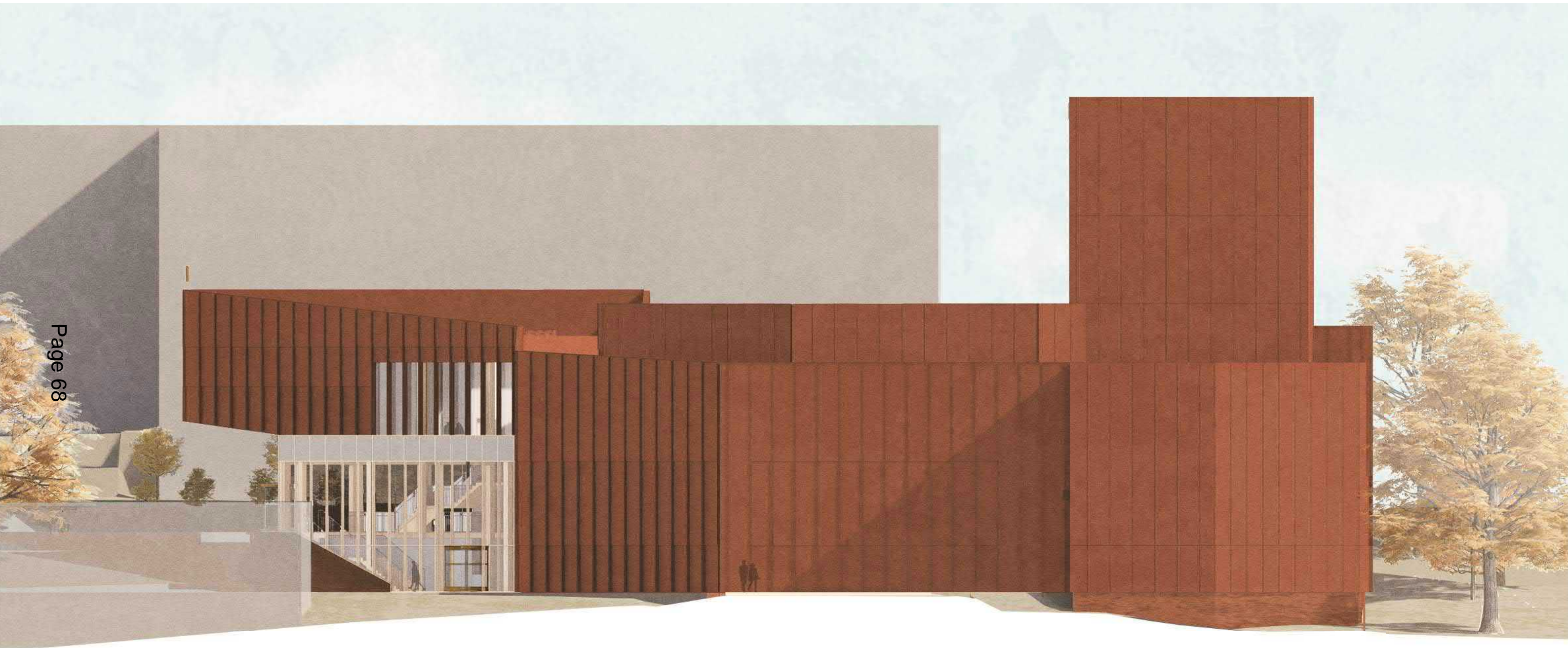
## 1.11 | STAGE 2 LAYOUTS

### ROOF LEVEL



1 | ARCHITECTURAL REPORT

1.15 | ELEVATIONS - WEST 1:200



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1 | ARCHITECTURAL REPORT

1.15 | ELEVATIONS - NORTH WEST 1:200

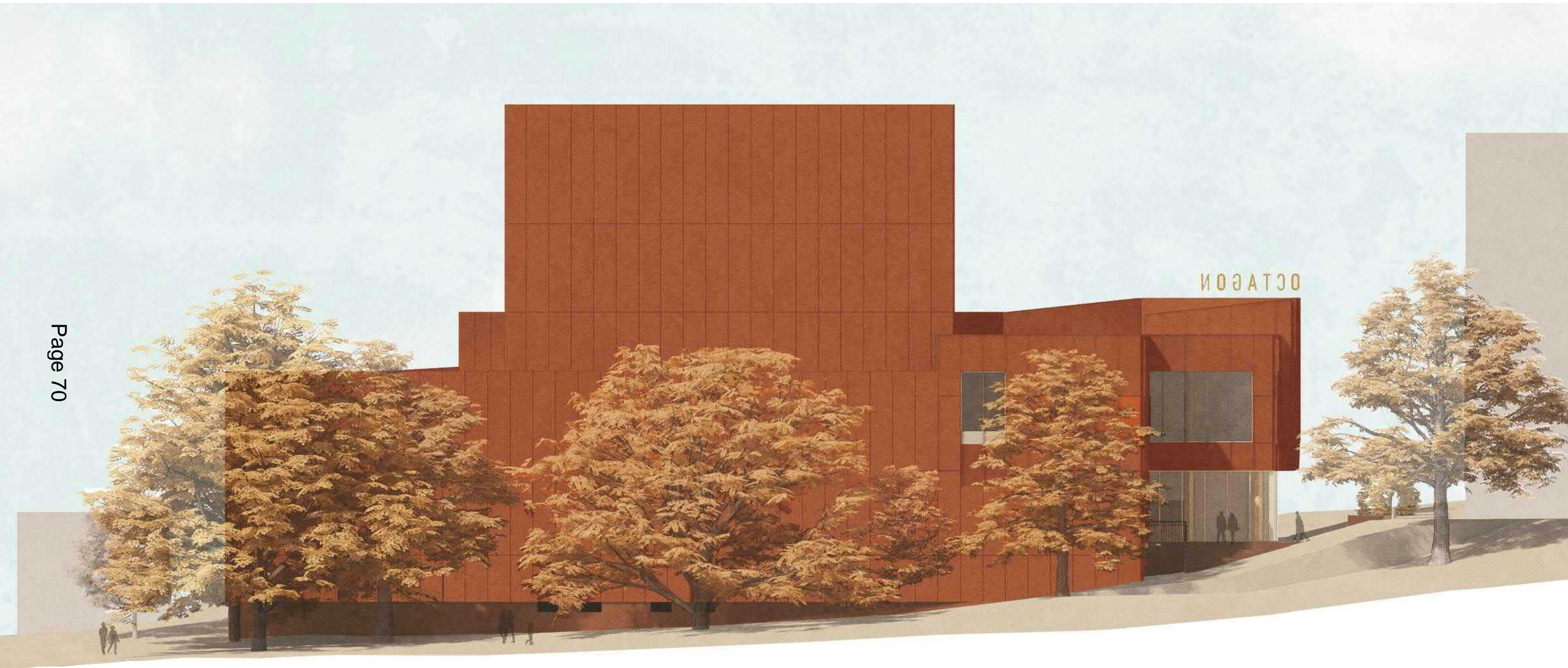


OCTAGON

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OCTAGON











1 | ARCHITECTURAL REPORT  
1.15 | ELEVATIONS - NORTH 1:200



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# Equality Impact Relevance Check Form



The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. This tool will identify the equalities relevance of a proposal, and establish whether a full Equality Impact Assessment will be required.

What is the proposal?	
Name of the proposal	The Octagon Redevelopment Project
Type of proposal (new or changed Strategy, policy, project, service or budget):	New budget
Brief description of the proposal:	Increase to the budget allocation for the project
Name of lead officer:	Dan Bennett

You should consider whether the proposal has the potential to negatively impact on citizens or staff in the following ways:

- Access to or participation in a service,
- Levels of representation in our workforce, or
- Reducing quality of life (i.e. health, education, standard of living)

A negative impact is any change that could be considered detrimental. If a negative impact is imposed on any citizens or staff with protected characteristics, the Council has a legal duty to undertake a full Equality Impact Assessment.

Could your proposal negatively impact citizens with protected characteristics? (This includes service users and the wider community)	<b>NO</b>
Could your proposal negatively impact staff with protected characteristics? (i.e. reduction in posts, changes to working hours or locations, changes in pay)	<b>NO</b>

<b>Is a full Equality Impact Assessment required?</b>	<b>NO</b>
<b>If Yes,</b> Please provide a brief description of where there may be negative impacts, and for whom. Then complete a full Equality Impact assessment Form	
<b>If No,</b> Please set out your justification for why not.	
No impacts on people from Protected Characteristics as a direct result of this budget report. The designs for the redevelopment will be subject to a full EIA but this report seeks additional funding and the authorisation to move to the more detailed design stage of the project.	
Service Director / Manager sign-off and date	N Fortt 27/01/22
Equalities Officer sign-off and date	Dave Crisfield 28 <sup>th</sup> January 2022



## Financing the Yeovil Refresh

Executive Portfolio Holder:	Cllr. Peter Gubbins, Yeovil Refresh lead
Strategic Director:	Peter Paddon Acting Director, Place and Recovery
Service Manager:	Natalie Fortt, Regeneration Programme Manager
Lead Officers (for report):	Ian Timms, Yeovil Refresh Project Manager Karen Watling, Chief Financial Officer
Contact Details:	ian.timms@southsomerset.gov.uk or 01935 462352

## Purpose of the Report

1. This report updates the Yeovil Refresh budget requirements to enable the completion and delivery of a series of Refresh projects in 2022 and 2023. The report seeks approval from members to increase the Refresh budget as stated in the recommendations of this report to enable delivery of these projects. The report also highlights the risks related to Future High Streets Fund and potential for future adverse financial impacts for SSDC relating to that funding.

## Forward Plan

2. This report appeared on the District Executive Forward Plan with an anticipated committee date of February 2022. This is an update of the budget agreed in July 2021 by Council.

## Public Interest

3. The report provides an updated delivery summary of the Yeovil Refresh programme. The report seeks increases in the budget to allow delivery of planned projects within the Yeovil Refresh.

## Recommendations

4. That District Executive recommends that the Chief Executive agrees to vire £850k from the Lump Sum Payments to County budget to fund other projects within the overall Public Realm programme as set out in paragraph 13, and as permitted under the Council's Financial Procedure Regulations.
5. That District Executive recommends to Council to approve:
  - a) An increase in the Yeovil Refresh capital budget of £1.059m to bring the total project total to £21.838m.
  - b) An increase in the Yeovil Refresh revenue budget of £0.606m to bring the total budget to £1.994m (in total over the length of the delivery period). This is proposed to be funded from the Regeneration Fund Reserve.



## South Somerset District Council

- c) An increase to the council's overall revenue budget of £0.044m (capital financing costs of borrowing £1.059m is £0.025m for interest costs and £0.019m for MRP) to fund the increased borrowing costs likely to be incurred by the project if the ring-fenced assets do not sell during 2022/23.
- d) The creation of an earmarked reserve of £4.784m to pay for the possible pay back of the Future High Streets Funding grant received to-date.

### Background

6. The Yeovil Refresh is an ambitious programme seeking to transform the town centre through a range of projects and interventions. The programme is split into four themes which will be delivered by a number of different stakeholders. These are broadly defined as.
  - **Major Developments.** These relate to the former Cattle Market/Vincent's Yard, Glovers Walk/Bus Station and a potential work hub at Middle Street. Each of these would assume working in collaboration with private developers. We anticipate providing a more detailed report to Council on major development sites later in 2022.
  - **Public Realm enhancements.** Improvements to core streets including Westminster Street, High Street, Borough, Middle Street, Triangle and Wyndham Street area. This will create a better shared space which will be greener and easier to navigate. A new events square will be created at the Triangle.
  - **Transport system changes.** Changes to road systems, additional cycle ways, improved walking routes, review of bus routes, car parking improvements and possible highways junctions.
  - **Soft interventions.** This includes events programmes, markets, management of spaces in the town, evening economy changes and a range of other economic activities.
7. These themes all include ambitious projects, which will fundamentally change how the town centre works. These projects individually and as a whole aim to regenerate Yeovil Town Centre

### Current Situation

8. The Yeovil Refresh programme entered the delivery phase in 2021; this follows from significant planning work over the past two years. The progress in theme areas is described in this report. As we are now in a delivery phase, we do have more clarity on delivery costs of the programme. However there still remains significant risks in the cost estimates due to the high current rate of inflation in the construction industry.

### Major Developments

9. Whilst the Refresh programme includes a number of major development sites these are largely dependent on third party developers to deliver positive outcomes. When the budget was approved in 2021, these sites were to illustrate the contributions they would receive from FHSF.



10. This is split into two categories with Cattle Market/Vincent's Yard and Glovers Walk/Bus Station being focused on investment from third parties. The co-collaboration workspace would be an investment by SSDC subject to a separate business case being approved by Council.
11. These sites are shown in the tables to highlight the full range of possible schemes and associated FHSF allocations.

### Public Realm enhancements

12. In the public realm theme, we have made good progress. Construction work is underway at Westminster Street and on the Triangle/Wine Street contracts. The contract which covers High Street, the Borough, Middle Street West and Middle Street East is mobilizing. The remaining area which covers streets linked to Wyndham Street is ready to be tendered, should the recommendations set out in this report be agreed by Council.
13. The approved capital budget allocated to the Public Realm theme is £9,308m. The table below shows this and the revisions to the budget seeking Council approval.

<b>PUBLIC REALM ENHANCEMENT WORKS</b>	<b>Budget approved by Council in July 2021</b>	<b>Revisions seeking Council approval in February 2022</b>	<b>Changes</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Middle Street East / Wyndham Street	851	769	(83)
The Bandstand / The Triangle	3,332	2,957	(375)
Middle Street West	1,872	3,090	1,218
The Borough & High Street	1,550	1,483	(67)
Westminster Street	851	1,091	240
Lump Sum Payments to County	852	0	(852)
Project contingency	0	939	939
<b>TOTAL</b>	<b>9,308</b>	<b>10,329</b>	<b>1,020</b>

14. Since the budget was approved by Council in July 2021 there has been a range of pressures on project costs which means that this budget is no longer sufficient. These pressures include significant increases in materials and labour costs, delays in supply chain affecting the construction programme, the wider impacts of the pandemic such as staff sickness and practical matters such as increased traffic management costs.
15. When this budget was agreed, it included a lump sum to provide for maintenance of all of the sections which was payable to Somerset County Council as the Highways authority on completion of works. As a consequence of the decision made by the Secretary of State in July 2021 to create a single unitary for Somerset, this approach was re-evaluated, which means that the maintenance provision can now largely be provided through an annual allocation of funds. This annual allocation amounts to

£15,000 so the remaining capital sum can now, with District Executive's approval be used to fund other projects within the public realm programme. This has already been incorporated into the table above.

16. A value engineering process is being applied to the High Street and Borough, Middle Street West and East contract, which we hope will allow us to reduce construction costs but, for the purposes of this report, we have included the indicative contract sum. Until we have members' agreement to the recommendations in the report we are not able to finalise the signing of this specific contract.
17. It should also be noted that unless the additional budget is agreed, the areas around Wyndham Street will not progress.
18. We are currently projecting an underspend of £375,000 on the Triangle project but this budget may be required for ground condition works in that area and delays to the programme. The level of risk and its impact will become clear as construction commences.
19. We would also suggest creating a contingency budget of 10% for all of these projects which amounts to £939,000. Therefore, the additional budget requirement for public realm works on top of the agreed budget is £1,021,000.
20. If members agree this increase to the capital budget that will permit us to deliver all of the sections originally identified in the Yeovil Refresh programme.

### Transport system changes

<b>Improving the Network (Transport) Construction and Phase 2 Design</b>	<b>Budget approved by Council in July 2021</b>	<b>Revisions seeking Council approval in February 2022</b>	<b>Changes</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Pedestrian, Cycle & Traffic Calming - South Street/Stars Lane	314	317	3
Pedestrian & Cycle - Hendford	300	300	0
Pedestrian & Cycle - Addlewell & Stars Lane	421	270	-151
Pedestrian & Cycle - Old Station Road	513	513	0
Way Finding	0	42	42
Contingency	0	144	144
<b>TOTAL</b>	<b>1,548</b>	<b>1,586</b>	<b>38</b>

21. The Transport projects in the town centre are focused on pedestrian wayfinding, active travel measures, some junction enhancements and the reversal of traffic flow in South





Street/ Stars Lane. This is currently subject to formal consultation with statutory bodies and residents along the route.

22. The Transport theme has a current approved capital budget of £1,547,186. The construction costs of the Town Centre Active travel package are estimated at £1.25 million. We have submitted a bid of £650,000 via SCC to use Active Travel 3 funds to support these projects. If this were successful it would provide a grant which could be used to assist in delivery of these projects. There could also be cost reductions of £151,000 from original estimates as a scheme at Addlewell lane, which was being evaluated as part of phase one, has been removed from future plans.
23. We are currently updating these figures and taking into account factors that have impacted the public realm projects would suggest creating a contingency amount in this budget area. In evaluating Transport projects, The Department for Transport make an assumption that a 40% contingency is applied to any project that is allocated funding. Whilst this is generally highways projects this rationale could be applied to this area of work. We would therefore suggest an allocation by 40% may be more appropriate to account for possible additional design and construction costs. However this would mean an increase of £618,874.40 on the overall allocation. Therefore, this report proposes a 10% increase which is consistent with the rest of the programme and would equate to £144,000.
24. We would also propose the specific inclusion of a sum for the delivery of pedestrian wayfinding systems into the town centre. This project has a contract value of £41,072.00. A contingency of 10% for this project is included in the proposed £144,000 above.
25. Therefore, taking in to account all of the changes, the proposed budget requests an increase of £38,000 for the transport schemes.

### **Animations and Managed Spaces**

26. The general principle of tackling this theme is laid out in the Refresh strategy and was recently restated by the Refresh board. There are a number of specific areas that will be addressed in 2022/23 which include events and activity management. This is required to ensure the best use of the public areas created through the Public Realm Project. Events are required to drive footfall, which will benefit the economy and provide opportunities for community activity in the town centre. Space management relates to the new public realm including maintenance of water features and the necessary licenses required for the big screen and large events.
27. All of these activities will develop the use of the public realm that is being constructed. A number of these items such as maintenance of the water feature in the Triangle public square will ensure that these spaces leave a strong legacy for the town centre.
28. We would anticipate that an enabling budget of £150,000 per annum should be allocated to deal with these issues. This will need to be in place for 2 years to provide a basis for action in this area. A detailed plan will be provided to underpin this funding as the costs related to these activities are more clearly defined.

29. The current project management budget is £1,263,000 and work to date has identified variance of £273,000. This budget includes design costs relating to both the public realm and the transport schemes. It also includes some costs relating to the design of the art works together with a share of regeneration programme management costs which had not previously been budgeted. The proposed budget for this, if approved, becomes £1,536,000.
30. The additional maintenance requirements and proposed budget to deliver events and animations results in an increase of £300,000 to the revenue budget. There are also additional accountancy costs amounting to £18,000 and a Section 278 maintenance payment of £15,000. Therefore, the total revenue budget, if approved, would increase to £1.994m over the delivery period which is proposed to be funded from the Regeneration Fund reserve.

## Financial Implications and Risks

### Capital budget implications

	Budget approved by Council in July 2021	Revisions seeking Council approval in February 2022	Changes
	£000	£000	£000
Public realm enhancement works	9,308	10,329	1,020
Transport system changes	1,548	1,586	38
Major Projects	9,323	9,323	0
Budget increase to purchase potential property	600	600	0
<b>TOTAL</b>	<b>20,779</b>	<b>21,838</b>	<b>1,059</b>

31. The current capital approved budget is £20.779m and the request is to bring the budget to £21.838m. This includes the budget for the Major Projects (at Cattle Market and Glovers Walk), which, if they proceed, will be undertaken by the private sector and part-funded by the Future High Street Fund grant. The budget also includes an amount for a possible property purchase which was agreed by Full Council at its December 2021 meeting. As agreed in July 2021 the budget excludes any allocation to the collaborative workspace project which will, if progressed, be the subject of a separate business case to a future council meeting.
32. The current turbulent nature of the construction industry has increased the risk of contractors going in to administration or ceasing to operate. The company currently contracted to complete the Westminster Street area of public realm has recently entered administration. However, the terms of the Council's Construction Framework mean that there is a remedy in place to deal with such occurrences. This should enable us to re-start work at a relatively quick pace. We will bring a further report to committee should this cause a significant change to the agreed timescales or budget.



33. The funding approach for the programme builds on what was agreed in the July 2021 report to Council.

Capital Funding	Approved by Council in July'21				Proposed in February '22 Budget				Change in funding			
	FHSF	Third Party	SSDC	Total	FHSF	Third Party	SSDC	Total	FHSF	Third Party	SSDC	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Capital Funding - Future High Streets Fund	-£8,977			-£8,977	-£8,977			-£8,977	£0			£0
Capital Funding - Third Party		-£5,131		-£5,131		-£5,131		-£5,131		£0		£0
Reallocation of unspent Yeovil Budgets (funded by capital receipts)			-424	-£424			-424	-£424			£0	£0
Area South Capital Fund contribution (funded by capital receipts)			-151	-£151			-151	-£151			£0	£0
Usable capital receipts already held			-1,000	-£1,000			-1,000	-£1,000			£0	£0
Income target for Project Board			-1,000	-£1,000			0	£0			£1,000	£1,000
CIL relating to Triangle Project				£0			-1,141	-£1,141			-£1,141	-£1,141
S106				£0			-325	-£325			-£325	-£325
Long Term Borrowing			-4,096	-£4,096			-4,689	-£4,689			-£593	-£593
<b>Total capital funding</b>	<b>-£8,977</b>	<b>-£5,131</b>	<b>-£6,671</b>	<b>-£20,779</b>	<b>-£8,977</b>	<b>-£5,131</b>	<b>-£7,730</b>	<b>-£21,838</b>	<b>£0</b>	<b>£0</b>	<b>-£1,059</b>	<b>-£1,059</b>

34. The capital funding table above highlights the changes in funding as follows:

- The income target for the Project Board of £1m as approved in July '21 is removed as the CFO advises that the assets ring fenced for sale to part fund this project are not likely to complete during 2022/23 and therefore it is more prudent to assume that this funding source will need to be replaced by borrowing. The impact of additional borrowing is capital financing charges of £0.044m of which interest costs are £0.025m and MRP is £0.019m per annum;
- The receipt of CIL funding as agreed by Strategic Development Board at its December 2021 relating to the Triangle Project;
- The receipt of S106 monies of £325k in 22/23 relating to Wyndham element of the project.

### Future High Streets Fund

35. As members will be aware the Future High Streets fund (FHSF) potentially provides a significant sum of £ 9,756,887 to support the delivery of the Refresh. The business case for this fund is based on treasury green book principles and was subject to rigorous scrutiny by DHLUC prior to award. In order to secure the grant funding, the business case needed to generate an overall Benefit Cost Ratio (BCR) above 2.

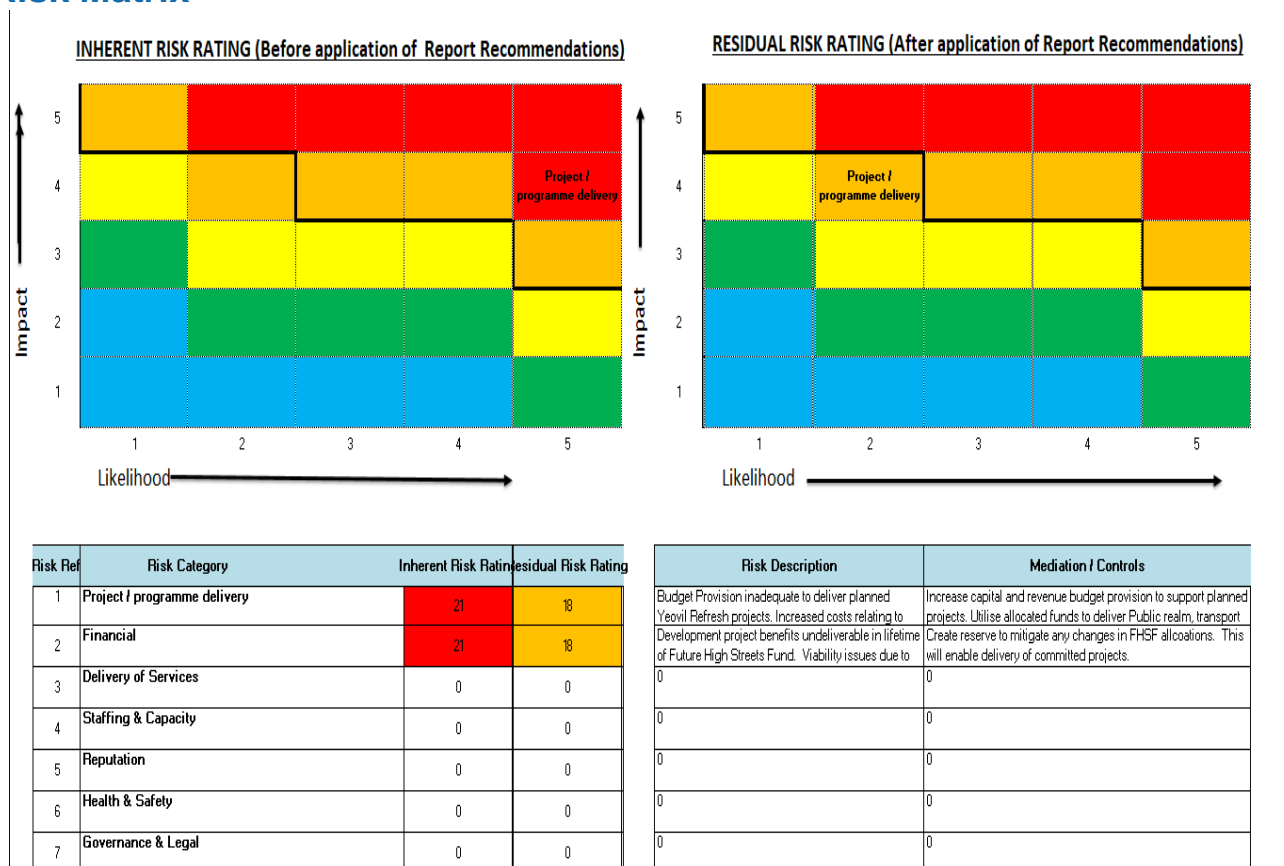
36. Due to a number of factors, there has been slow progress on the Major Development Projects. In order to explore the possible impacts of these delays on BCR, we have commissioned Stantec, who supported the original business case, to evaluate impacts caused by a number of scenarios. This piece of work indicates that there is a significant risk to the FHSF if these sites become undeliverable within an acceptable time frame.

37. Whilst the project team will continue to progress options and seek action from the developers, the risk of these schemes not being delivered within the FHSF timescales is now deemed to be substantial. There are change control options within the FSHF that allow transfer of benefits to alternate schemes but there are currently a limited number of developments in the town centre that could support these changes.
38. At the current time this means that there is a substantial risk around the Future High Streets Fund. If we are unable to utilise the fund then an additional £4,784,000 would need to be provided to deliver all of the current schemes. It is felt therefore, that it would be prudent to create a reserve to make appropriate provision for the potential loss of this grant. Clearly if this risk is not realised then funding will not be required from the reserve. This impact would not be realised under the financial year 2023/24.
39. Discussions with DHLUC relating to the fund are ongoing. Anecdotally, we understand that other councils are facing similar challenges given the current challenges around construction. Further reports will be bought to District Executive and Council as the situation progresses.

### Legal implications (if any) and details of Statutory Powers

40. The recommendations will update the budget approach and value related to Yeovil Refresh. This will ensure compliance with the council's standing orders and financial regulations.

### 41. Risk Matrix





### **Council Plan Implications**

42. The delivery of Yeovil Refresh forms part of Priority Project 2 of the Council Plan. This report therefore directly links to and supports this priority.

### **Carbon Emissions and Climate Change Implications**

43. None identified.

### **Equality and Diversity Implications**

44. The Refresh itself has been subject to consultation on a number of occasions. Specific projects are also subject to full Equality Impact Assessments with appropriate adjustments being made to projects in line with identified issues. This report itself has no direct implications as it relates to financing approach but has been reviewed in line with Council policy to ensure consideration of these issues.

### **Privacy Impact Assessment**

45. There are no identified issues relating to this matter.

### **Background Papers**

46. None.



# Equality Impact Relevance Check Form



The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. This tool will identify the equalities relevance of a proposal, and establish whether a full Equality Impact Assessment will be required.

What is the proposal?	
Name of the proposal	Yeovil Refresh - town centre regeneration
Type of proposal (new or changed Strategy, policy, project, service or budget):	Change to budget
Brief description of the proposal:	Adjustments to the budget allocation
Name of lead officer:	Ian Timms

You should consider whether the proposal has the potential to negatively impact on citizens or staff in the following ways:

- Access to or participation in a service,
- Levels of representation in our workforce, or
- Reducing quality of life (i.e. health, education, standard of living)

A negative impact is any change that could be considered detrimental. If a negative impact is imposed on any citizens or staff with protected characteristics, the Council has a legal duty to undertake a full Equality Impact Assessment.

Could your proposal negatively impact citizens with protected characteristics? (This includes service users and the wider community)	<b>NO</b>
Could your proposal negatively impact staff with protected characteristics? (i.e. reduction in posts, changes to working hours or locations, changes in pay)	<b>NO</b>

<b>Is a full Equality Impact Assessment required?</b>	<b>NO</b>
<b>If Yes,</b> Please provide a brief description of where there may be negative impacts, and for whom. Then complete a full Equality Impact assessment Form	
<b>If No,</b> Please set out your justification for why not.	
This report deals with budget allocations for the Yeovil Refresh project. This report if approved would simply increase the budget. There are no identified impacts linked to this financial allocation. Individual projects within the Yeovil Refresh Project have been subject to EIA's as they are designed and move into a delivery phases with adjustments made to ensure that impacts on those with protected characteristics are addressed.	
Service Director / Manager sign-off and date	N Fortt 26/01/22
Equalities Officer sign-off and date	David Crisfield 26 <sup>th</sup> Janaury 2022

## Wincanton Regeneration Finance Report

Executive Portfolio Holder:	Cllr. Henry Hobhouse, Wincanton Regeneration lead
Strategic Director:	Peter Paddon Acting Director, Place and Recovery
Service Manager:	Natalie Fortt, Regeneration Programme Manager
Lead Officers (for report):	Pam Williams, Wincanton Regeneration Project Manager Karen Watling, Chief Finance Officer
Contact Details:	Pam.williams@southsomerset.gov.uk

## Purpose of the Report

1. To seek agreement to change the scope of the Wincanton Regeneration Project from that originally agreed by Council and as a consequence re-profile the budget to align with the priority projects that have been identified as both achievable and affordable within the last year of the programme.

## Forward Plan

2. This report appeared on the District Executive Forward Plan with an anticipated committee date of February 2022.

## Public Interest

3. The Wincanton Regeneration programme is entering its last year and priority projects have been identified that are deliverable within this timeframe. This report sets out the revised change in the budget required to deliver these projects.

## Recommendations

4. That District Executive recommends to Council to approve:
  - a) A change in project scope from that agreed by council at its meeting in October 2019: as detailed in Table 2 of this report.
  - b) The re-profiling and revision of the Wincanton Regeneration budget that will result in an overall programme budget of £2,392,236: which represents a reduction of £3,280,764 compared to the current approved budget.

## Background

5. The Wincanton Regeneration programme seeks to improve the attractiveness of the town centre by creating an environment where businesses wish to trade and with spaces which people will visit and want to spend time. The project comprises a range of initiatives including physical infrastructure and property improvements as well as softer interventions with the aim of:



## South Somerset District Council

- Broaden the mix of uses - by engaging with landowners of vacant/underused premises such as key long term empty properties.
  - Enhancing the attractiveness of the town centre – improvements to public realm at key locations within the town centre, complementary planting schemes and a grant programme to part fund owner led repairs to historic town centre buildings.
  - Creating a destination – softer interventions which are enabled through a grant programme to support town centre events and activities such as fairs, pop-up entertainment/events, promotion and marketing initiatives which help to draw people into the town/capitalise on the town's proximity to the racecourse
6. When the original budget was agreed by District Executive and Full Council in October 2019 an initial assessment of the budget implications was undertaken and provisional budget sums were included to inform the high level budget allocation. This report proposes a revision of the budget to ensure adequate funding for those projects which can be completed during the final year of the project.
  7. In the two years since the regeneration project went live, several pieces of work have been progressed which pave the way for a busy final year:
    - Assessment of historic building frontages
    - Public Realm Designs
    - Events and Activities Grant programme launched
    - Funding for 18 events approved (detailed in appendix 1)
  8. As well as the launch of a grant programme to support improvements to historic buildings, the programme will, subject to final sign off from Highways, proceed with the three public realm enhancements at Carrington Way, Central High Street and Market Place including a long awaited scheme to improve pavement widths in the centre of the High Street.
  9. Local Government Re-organisation means that commitments cannot be entered into which will extend beyond March 2023, unless they have LGR Board approval. As a consequence, the final year of Wincanton's project is targeted towards those projects which can be wholly delivered by March 2023.
  10. Following a review of projects some high profile and important projects are considered to be longer term. Preliminary milestones could be achieved but the project will not be wholly completed within the required timescale. These projects are not contained in the re-profiled 2022-23 project budget as they will require a commitment from the new Council. However, they remain an aspiration for the town going forward. Resources will be focused on those projects with realistic delivery timescales.
  11. The proposed updated budget was fully supported at the Wincanton Regeneration Project Board on 12<sup>th</sup> January 2022. However, the Board were clear that although the market square proposals would not be progressed, options for the vacant Town Centre property should be further explored.



## Project Budget

### Approved budget

Table 1: Initial Forecasts made in 2019

Programme Element	Current Approved Budget	Specific Funding	Net Spend for SSDC funding
Property register	£1,000		£1,000
Facilitate re-use of Empty Properties	£160,000		£160,000
ATM relocation & enabling works	£5,000		£5,000
Development brief for Market Square	£30,000		£30,000
Library/Museum redevelopment	£618,000	(£200,000)	£418,000
Establish register of Heritage buildings	£80,000		£80,000
Signage	£150,000		£150,000
Cultural Events	£208,000		£208,000
Public Realm masterplan	£650,000		£650,000
Seasonal planting	£52,000		£52,000
White Horse redevelopment	£3,283,000	(£2,720,000)	£563,000
Co-ordinated marketing / Image development	£40,000		£40,000
Professional fees	£396,000		£396,000
Grants & other funding opportunities		(£250,000)	(£250,000)
Asset disposal		(£500,000)	(£500,000)
<b>Total</b>	<b>£5,673,000</b>	<b>(£3,670,000)</b>	<b>£2,003,000</b>

12. The current approved budget of £5.673m includes anticipated involvement in developing the White Horse (a long time vacant Grade II\* Listed coaching inn on the 'at risk' register). However, since the current owners acquired the site, they have been actively engaging with planning to bring forward a solution for the building (and land to rear); it is therefore anticipated that District Council intervention will not be necessary and the budget will therefore not be needed.

### Proposed revised budget

Table 2: Revised Budget

Programme Element	Budget Cost	Specific Funding
Property Project Incl. Grants	£190,000	
Facilitate re-use of empty property	£8,000	
Project Management costs and fees	£273,436	
Signage	£180,000	
Cultural Events	£153,000	

<b>Programme Element</b>	<b>Budget Cost</b>	<b>Specific Funding</b>
Public Realm designs	£150,000	
Public Realm Construction	£1,100,000	
Seasonal planting	£52,000	
Anchor Business Review	£5,000	
Levelling Up Fund bid	£65,000	
Co-ordinated marketing / Image development	£40,000	
Professional fees	£32,000	
Contingency	143,800	
Asset disposal		(£478,000)
<b>Total</b>	<b>£2,392,236</b>	<b>478,000)</b>

13. Across the three regeneration projects recent tender prices have ranged from 17% to 42% above the pre tender estimates. There are a number of reasons that the estimated costs may change, in fact, the current issues facing the construction industry is a good example of external factors affecting the viability of projects. The industry is currently experiencing an increase in construction projects, which is pushing up demand for construction resources and thereby increasing prices; global prices of materials such as iron and copper are increasing, with iron ore prices 97% higher than last year and imported timber products rising by 74%; supply chain disruptions are also affecting the availability and therefore price of materials.
14. The Office of National Statistics states that construction costs have been rising each month since December 2019 and the latest figures suggest that the average material costs are at least 23% higher than last year. A level of contingency is usually factored in to all projects at 10%, it is not proposed to increase this contingency due to the recent approval for a central contingency fund for all capital projects.
15. The revised project budget is informed by the timescale for delivering, and fully completing projects by March 2023. Public Realm costs are based on estimates and make allowances for a number of contract variations including provision to meet requirements of the Highway Safety Audit, lighting and signalised crossing. A 20% increase is included in the original A303 signage /wayfinding budget in line with the increase in cost since the initial estimate in 2019.
16. In the absence of external funding grant aid to support the property grant programme, an additional sum of £100k is included to facilitate owner led property improvements against identified repairs which were costed at £972k in 2020. Proposed intervention rates are 50-70%. Most owners contacted about undertaking property repairs have welcomed the prospect of grant support. The initial call for grants would be to owners of properties requiring urgent and high level works. Whilst the budget line is modest in comparison to the cost of works, the aim is to incentivise owner investment to undertake repairs. Where owners of significantly deteriorating properties are reluctant to undertake maintenance, we will work with planning to use powers within Section 215 of the Town and Country Planning Act



# South Somerset District Council

1990 which allow SSDC to issue notice to require repair and if in default, funds within the budget could be used to undertake the works with the costs legally 'charged' against the property.

## Financial Implications

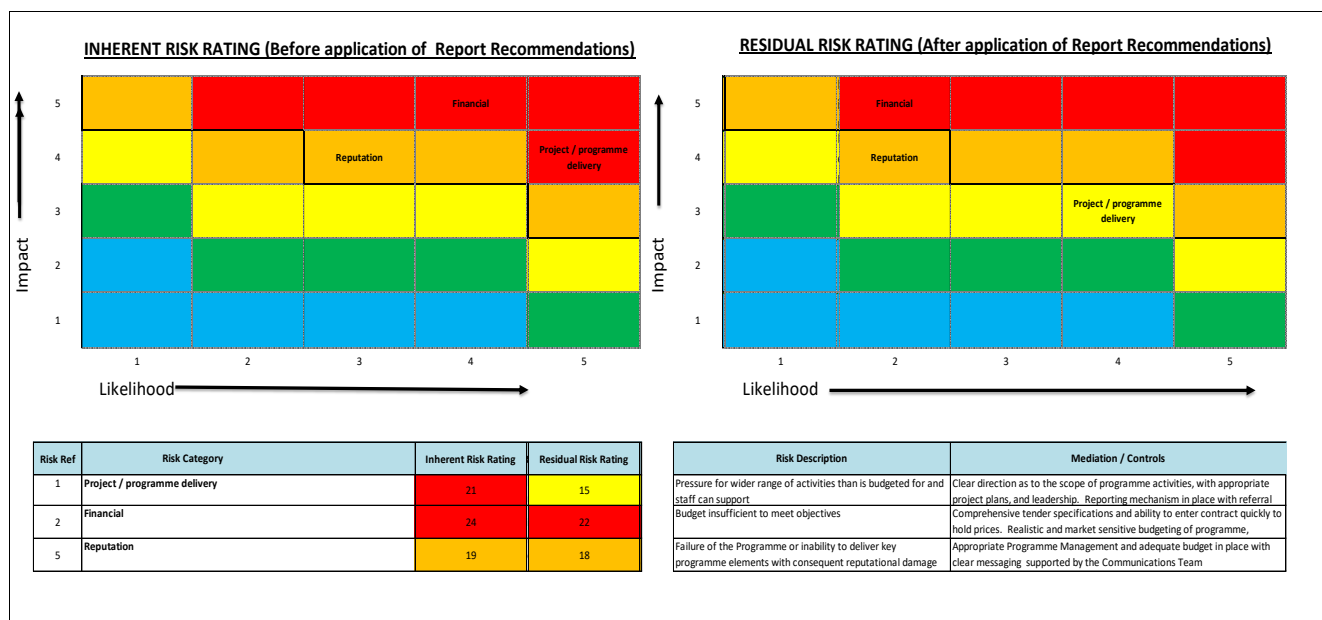
- 17. The current total approved budget of £5.673m is now forecast to be £2.392m.
- 18. Contingencies are included in this forecast to allow for inflation risks at 10% of cost, this is in addition to the corporate-contingency being proposed for the whole capital programme in the Budget Report on this committee's agenda.
- 19. The budget is planned to be funded in part from the disposal of assets, the net receipt for which is estimated to be £478k dependent on market conditions and the final level of selling costs It has taken time for the sale to conclude but the purchaser is committed to completing, with or without the resolution of access issues which have extended the conveyance period. This is forecast to leave £1,914k to be financed from SSDC reserves and borrowing, as previously agreed.

## Legal implications (if any) and details of Statutory Powers

- 20. None arising from this report.

## Risk Matrix

- 21. The risk matrix shows risk relating to the Council Plan headings.



## Council Plan Implications

- 22. The delivery of the Wincanton Town Centre Regeneration Programme is part of Priority Project 2 within the Council Plan. This report therefore directly links to and supports this priority.





### **Carbon Emissions and Climate Change Implications**

23. None directly arising from this report.

### **Equality and Diversity Implications**

24. This report itself has no direct implications as it relates to the programme budget only.

### **Privacy Impact Assessment**

25. There are no identified issues relating to this matter.

### **Background Papers**

26. None

**Appendix 1**
**Events and Activities**  
**Funding Awards October 2020 - December 2021**

Applicant	Project	Award Date	Award approved	Award Period 1-3 Years	Paid	Event now anticipated
Wincanton Town Festival	Wincanton in Lights	7.10.20	£5,000	1		December 2021
Bunker Bushcrafts	Winky Wacky Races	7.10.20	£8,032	1		June/July 2022
Wassail Theatre	Doorstep Panto	4.12.20	£4,000	2		December 21 + July 22
Carnival Club	Wincanton Carnival	16.12.20	£10,000	3		October 2022
SEED	Seeding the future	16.12.20	£10,000	3		Spring 2022
Bath Opera	Bath Opera at the Memorial Hall	01.05.21	£2,719	3		Year 1 Complete
Town Council	Christmas	27.11.21	£4,900*	3		December 2021 (*funding beyond year one tbc)

Completed Events						
Bootmakers	Town Tree	15.9.21	£800	1	No	Complete
Wincanton Town Festival	Wincanton Town Festival	21.06.21	£2,325	1	Yes	Complete
Secret Storyteller	Wincanton Storyteller	16.12.20	£5,000	1	Yes	Complete

# Equality Impact Relevance Check Form



The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. This tool will identify the equalities relevance of a proposal, and establish whether a full Equality Impact Assessment will be required.

What is the proposal?	
Name of the proposal	Wincanton Town Centre Regeneration Project
Type of proposal (new or changed Strategy, policy, project, service or budget):	Re-profiling of budget in final year of programme
Brief description of the proposal:	Adjustments to the budget allocation and project review
Name of lead officer:	Pam Williams

You should consider whether the proposal has the potential to negatively impact on citizens or staff in the following ways:

- Access to or participation in a service,
- Levels of representation in our workforce, or
- Reducing quality of life (i.e. health, education, standard of living)

A negative impact is any change that could be considered detrimental. If a negative impact is imposed on any citizens or staff with protected characteristics, the Council has a legal duty to undertake a full Equality Impact Assessment.

Could your proposal negatively impact citizens with protected characteristics? (This includes service users and the wider community)	<b>NO</b>
Could your proposal negatively impact staff with protected characteristics? (i.e. reduction in posts, changes to working hours or locations, changes in pay)	<b>NO</b>

<b>Is a full Equality Impact Assessment required?</b>	<b>NO</b>
<b>If Yes,</b> Please provide a brief description of where there may be negative impacts, and for whom. Then complete a full Equality Impact assessment Form	
<b>If No,</b> Please set out your justification for why not.	
No impacts on people from Protected Characteristics as a direct result of this overview report on a reprofiling of the budget and update on delivery. Individual initiatives within the overall Wincanton Town Centre Regeneration Project will be required to complete EIA's at the relevant stage so that provision can be made for adjustments to address neagative impacts.	
Service Director / Manager sign-off and date	N Fortt 21/01/22
Equalities Officer sign-off and date	Dave Crisfield 24 <sup>th</sup> January 2022





## Ensuring sufficient staffing capacity during 2022/23

Executive Portfolio Holder: Cllr Val Keitch  
Chief Executive: Jane Portman  
Contact Details: Jane.Portman@southsomerset.gov.uk or 01935 462101

## Purpose of the Report

1. To propose increases to the staffing budget for 2022/23, the creation of a contingency in the LGR reserve for funding extra capacity if required, and changes to the Senior Leadership Team (SLT).

## Forward Plan

2. This report appeared on the District Executive Forward Plan with an anticipated date of February 2022.

## Public Interest

3. This report sets out proposals from the Head of Paid Service (the Chief Executive) and the Chief Finance Officer (in terms of budget and funding requirements) to ensure the Council has sufficient officer capacity to deliver the following during 2022/23:
  - Essential on-going services to our residents
  - Service improvements
  - The Corporate Plan and the Action Plan priorities agreed by Members
  - SDDC's responsibilities in the Local Government Reorganisation Programme
4. These proposals, if agreed, will influence the figures included in SDDC's Budget Report (which is also on this agenda). For the benefit of doubt, the Budget Report at this stage assumes that these proposals will be agreed and therefore the increases shown in this report have been included in the overall budget proposals.

## Recommendations

5. That District Executive recommends to Full Council to:
  - a. Approve the requests to increase the staffing budget by £2,465,810 as set out in paragraph 11 and Appendix One.
  - b. Approve the increase in the LGR Reserve of £1m as set out in paragraphs 12 to 14, and its funding from the MTFP Support Fund reserve.
  - c. Delete the post of Director of Commercial Services and Income Generation from the staffing establishment budget as proposed in paragraphs 15 to 19.
  - d. Approve further changes to the Senior Leadership Team (SLT) as set out in paragraphs 19 and 20.
  - e. Note the line management arrangements for SLT for 2022/23 as set out in Appendix Two.



- f. Note the Portfolio Holder responsibilities and associated SLT leads for 2022/23 as set out in Appendix Three.
- g. Authorise the Monitoring Officer to make such changes to the Constitution as are necessary to reflect their decision.

## **Background**

6. South Somerset District Council (SSDC) has one last year of operation before the new Somerset Council comes into being on 1<sup>st</sup> April 2023.
7. 2022/23 is going to be a challenging and pressurised year for officers who will have to deliver:
  - Essential on-going services to our residents
  - Service improvements
  - The Corporate Plan and the Action Plan priorities agreed by Members; as well as
  - SSDC's responsibilities in the Local Government Reorganisation Programme.
8. There are potential risks that some officers could seek alternative employment prior to the new council being established which could put additional pressure on staff over the forthcoming year. Hiring additional people to fill the vacant posts will cost more than the salaries base budget as we will need to hire interims and fixed term posts.
9. In addition the organisation already has some planned tasks behind schedule due to staff being reallocated to Covid Response work tasks over the last two years.
10. This report sets out proposals to ensure that we have the staffing capacity, the financing, and the appropriate senior level structure to deliver the outcomes required during 2022/23.

## **Proposals to increase the employee's budget in 2022/23**

11. Appendix A gives details of the proposals. The increase in the 2022/23 budget is £2,465,810. Of this amount, £1,026,210 (42%) are one year only increases and do not therefore have any on-going implications for the new Somerset Council. £1,439,600 are on-going proposed increases to SSDC's employees budget and largely relate to service delivery to our residents particular in the Building Control, Development Management and Revenues & Benefits services.

## **Proposals to increase the LGR reserve in 2022/23**

12. Whilst any known capacity needs are proposed to be put into the relevant services' revenue budgets up-front (if agreed by Full Council), there are many potential unknowables for 2022/23. As stated above, officers may leave given the uncertainty of the LGR situation, and take up employment elsewhere. It may become necessary to take on extra capacity to deliver the capital programme, the corporate plan priorities, as well as SSDC's support to the LGR programme.

13. The Chief Finance Officer therefore proposes that £1m is added to the LGR reserve to provide a contingency fund to mitigate against these potential risks. This is proposed to be funded from the MTFP Support reserve. The consequences of this on the overall reserves position of the Council is shown in the 2022/23 Budget Report on this agenda.
14. The Senior Responsible Officer for the LGR reserve is the Chief Executive. Any proposals for using this reserve would be reviewed by Senior Leadership Team before decisions to allocate funds from the reserve were made under officer delegation. Any allocations made would be reported to District Executive in the quarterly revenue budget monitoring reports.

### **Proposals to change the Senior Leadership Team in 2022/23**

15. From 1<sup>st</sup> June 2021 the Director of Commercial Services and Income Generation was absent from work until her departure from the council on 21<sup>st</sup> October 2021.
16. Since 1<sup>st</sup> June, other members of the Senior Leadership Team (SLT) have collectively taken up her duties and this has continued to date.
17. On 16<sup>th</sup> August 2021 the new Chief Executive took up her post and following the departure of the Director of Commercial Services and Income Generation from the council, reviewed SLT arrangements as they relate to the duties of the former Director to assess their robustness and sustainability for the new financial year.
18. The need to fill this post has also been considered in the light of Local Government Reorganisation (LGR) which means the current staff will transfer into the new Somerset Council on 1<sup>st</sup> April 2023. The organisational design for the new council has yet to be agreed.
19. The Chief Executive has concluded that the current arrangements are robust and sustainable for the financial year 2022/2023 and recommends that the post of Director of Commercial Services and Income Generation be deleted.
20. In order to reflect best practice governance arrangements, for example those proposed by CIPFA in their guidance note entitled "*Role of the Chief Finance Officer in Local Government*", the Chief Executive has also concluded that the two statutory officer posts (the Section 151 Officer and the Monitoring Officer) should report directly into herself and have the same seniority in the organisation as her other direct reports.
21. The definition of SLT in rule 1 of the Council's Human Resources Management Rules does not reflect the Council's SLT membership and will need to be amended to bring it up to date.
22. In light of Local Government Reorganisation all members of SLT have taken up additional leadership roles in the programme. This has reduced their capacity to deliver their normal duties to the council. Therefore in order to ensure there is officer capacity to deliver SSDC's services and priorities at the most senior officer level the following has been undertaken/proposed:



- a. Peter Paddon has been appointed as Acting Director of Place and Recovery. Jan Gamon, Director of Place and Recovery, is now working for approximately 80% of her time on the LGR programme, so Peter is now leading on much of the business as usual across the Directorate and reports into Jan.
- b. Sharon Jones has been appointed Assistant Director of Service Delivery to assist Kirsty Larkins, Director of Service Delivery, who now is working for approximately 50% of her time on the LGR programme.
- c. James Divall has been appointed Assistant Director of Strategy and Support Services to assist Nicola Hix, Director of Strategy and Support Services, who is now working for approximately 50% of her time on the LGR programme.
- d. The growth proposals include the appointment of a Deputy Statutory Monitoring Officer to support the delivery of the LGR programme and assist Jill Byron, District Solicitor and Monitoring Officer, who currently spends approximately 50% of her time on the LGR programme.
- e. The growth proposals also include the appointment of 1.4 FTE (Full Time Equivalent) interim finance specialists to support the delivery of the LGR programme. 1.0 FTE is likely to be needed to move SSDC's financial data into a combined financial system and to align service budgets to a common classification across the five councils. Karen Watling, the Chief Finance Officer, currently spends approximately 20% of her time on the LGR programme but estimates this will increase to 60% once the 2022/23 budget has been agreed, and to approximately 80% when the budget setting process for the new Somerset Council commences later on this calendar year.

## Financial Implications

23. These proposals, if agreed, would increase the employees budget by £2.466m in 2022/23 and would have an on-going impact on Somerset Council's 2023/24 revenue budget of £1.440m (excluding the 2023/24 Pay Award).
24. The proposed increase of £1m to the LGR Reserve would require an equivalent transfer from the Medium Term Support Fund Reserve.
25. The implications of these proposals on the overall revenue budget and reserves position are set out in the 2022/23 Budget Report which is a separate report on District Executive's agenda. It has been assumed in the latter report that these proposals will be agreed.

## Legal implications (if any) and details of Statutory Powers

26. Under Article 12 of the Constitution, the Chief Executive, as Head of Paid Service is responsible for determining the overall departmental structure of the Council and

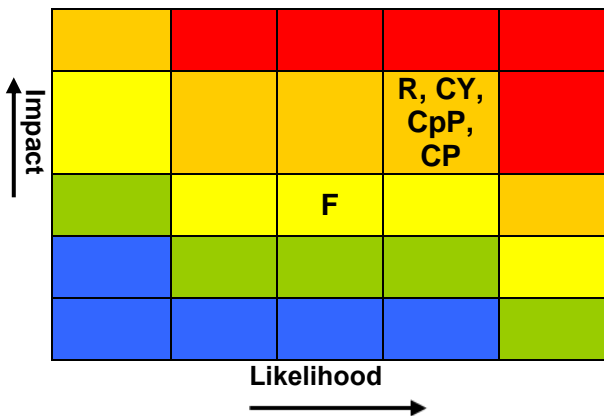


# South Somerset District Council

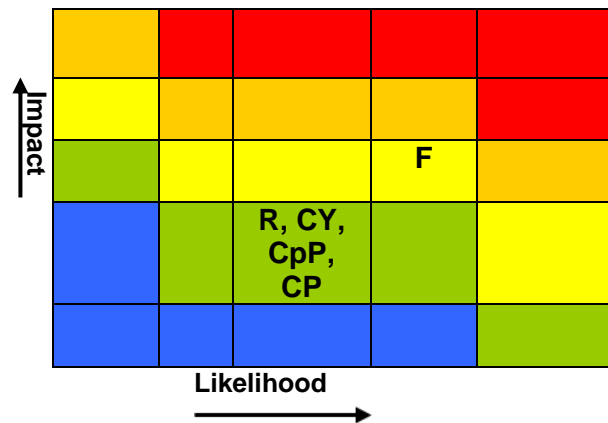
reporting to Council on how many officers are required to discharge the Council's functions. The Human Resources Management Rules set out in Part 4 of the Constitution require revisions to the Senior Management Structure to be approved by full Council.

## Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



### Key

Categories	Colours (for further detail please refer to Risk management strategy)
R - Reputation	High impact and high probability
CpP - Corporate Plan Priorities	Major impact and major probability
CP - Community Priorities	Moderate impact and moderate probability
CY - Capacity	Minor impact and minor probability
F - Financial	Insignificant impact and insignificant probability

## Council Plan Implications

The proposals are being made in order give officer capacity to deliver the Corporate Plan Action priorities.

## Carbon Emissions and Climate Change Implications

There are no direct implications arising from agreeing this report.

## Equality and Diversity Implications

There are no equality and diversity implications arising from this report. The proposal is to increase the staffing budget to ensure sufficient staffing capacity. This will not impact negatively on current staff sharing Protected Characteristics. However there is the potential to deliver positive impacts by enhancing the staffing capacity within specific service areas. There will be no negative impacts in respect of any new recruitment that takes place

## Privacy Impact Assessment

There are no privacy impacts arising from this report.

## **Background Papers**

2022/23 Budget Report: District Executive 17<sup>th</sup> February 2022

## **Appendices**

- One. Proposals to increase the employee's budget
- Two: Line Management Arrangements 2022/2023
- Three: Portfolio Holder responsibilities and associated Senior Leadership Team leads 2022/2023



## APPENDIX ONE - PROPOSED INCREASES TO THE STAFFING BUDGET IN 2022/23

SERVICE	DIVISION	POST	TOTAL	ONE YEAR FUNDING	REASON FOR GROWTH REQUEST
Chief Executive	SLT	Chief Executive budget increase	16,070	Yes	Cost of Fixed Term contract above establishment base salary budget. Agreed by Full Council on 08.07.21
		CFO budget increase	56,840	Yes	Cost of Fixed Term contract above establishment base salary budget. Agreed by Full Council on 21.10.21
		Monitoring Officer salary Increase	17,730	No	To reflect both additional line management responsibilities and budget holding responsibilities
	Local Government Reorganisation	Assistant Director Service Delivery post	78,600	Yes	To provide additional capacity at a senior level so the Director Service Delivery can support the LGR programme
		Assistant Director Strategy & Support Services post	22,210	Yes	To provide additional capacity at a senior level so the Director of Strategy and Support Services can support the LGR programme
		Finance Specialist Backfill	105,000	Yes	To provide a full time interim backfill for one of the Finance Specialists in order that she can support the Chief Finance Officer deliver the financial work needed from SSDC on LGR
		Interim Financial LGR Support	68,310	Yes	To provide interim support to the Chief Finance Officer to deliver the financial work needed from SSDC on LGR (0.4 FTE)
<b>Chief Executive Total</b>			<b>364,760</b>		
Commercial Services	Property Land & Dev Specialists	Property Specialist - Grade Increase	15,790	No	Increase in grade to reflect post holders responsibilities.
	Streetscene	Transport Manager	59,170	No	To ensure compliance with O Licence requirements.
<b>Commercial Services Total</b>			<b>74,960</b>		
Service	Building Control	Additional agency staff less vacant posts 3 x FTE's Specialists	337,090	No	Due to a severe national shortage of qualified Building Control Officers we are relying on agency staff to ensure the service continues to run. We will run another recruitment process and the cost may reduce.
	Development Management	Specialists:- 4 x FTE's to fill current vacancies 2 x FTE's for 12 months 3 x FTE's for 6 months 2 x FTE's for enforcement 2.5 x FTE's Case Officers	851,610	No	Due to a national shortage of planning officers we are having to rely on agency staff, we have also seen an increase in demand. From 2019/20 to 2020/21 we so a 26% increase in applications, and over the last year we have seen an increase of 17%. Reported enforcement cases have quadrupled. We have a large number of application held up in the planning process due to phosphates, once a solution is agreed there is likely to be high pressure on the team to determine these applications as quickly as possible.

Service Delivery	Revenues & Benefits	10 additional posts	337,970	Yes	During the high of the pandemic a decision was made to stop debt recovery action, to protect those most vulnerable in our communities and we have also had to support the many business support grant schemes. These actions have resulted in an increase in workload and a reduction in the amount of council tax we are collecting. the additional staff will help support recovery and ensure as we move forward into a new authority our data is of good quality.
	SD Case Team	One Team Co-ordinator Post	32,720	No	For several years we have been out of step with the other Districts, this post helps support community safety in South Somerset and enable us to manage more effective One Teams focussing on those most vulnerable in our communities
	Customer Focus	3 x additional grade 4 posts	92,190	Yes	To reflect the increased demand on phone lines and ongoing service improvements.
<b>Service Delivery Total</b>			<b>1,651,580</b>		
Strategy & Support Services	People Team	People Manager	67,880	Yes	No People Manager post established during Transformation but essential to ensure consistent management of people across the Council until 31/3/23.
		People Specialist	38,680	Yes	To ensure capacity to support LGR programme.
		Increase in Lead Specialist Grade	3,820	Yes	Temporary additional duties being picked up above current grade.
	Digital Mailroom	Additional posts x 2.5 FTE - Digital Mailroom	57,610	No	Increased capacity to cope with added volume of printing, scanning, indexing and post going through the digital mailroom, increased by agile working. Savings in printing budget helps fund this.
	Legal Team	Deputy Monitoring Officer	67,880	No	To provide additional capacity at a senior level so the Monitoring Officer can support the LGR programme and fulfil her statutory duties.
		Case Officer - additional 10 hours per week	7,860	Yes	Increased capacity to support increased enforcement work within service delivery.
		Legal Specialist - additional 10 hrs per week	14,870	Yes	Increased capacity to support increased enforcement work within service delivery.
		Complaints Officer - 10hrs per week	13,440	Yes	To provide additional capacity to enable complaints to be consolidated and dealt with in a timely manner.
<b>Strategy &amp; Support Services Total</b>			<b>272,040</b>		
Place & Recovery	Regeneration	Interim Regeneration Project Accountant	102,470	Yes	To provide specialist capacity to the Chief Finance Officer & Director of Place & Recovery to monitor the Regeneration Programme budgets and to give on-going financial advice (0.6 FTE). This will be funded from the Regeneration Fund reserve.

<b>Place &amp; Recovery Total</b>	<b>102,470</b>	
<b>Grand Total</b>	<b>2,465,810</b>	
<b>One-off increases to be incurred only in 2022/23</b>	<b>1,026,210</b>	
<b>On-going increases to the staffing budget</b>	<b>1,439,600</b>	



**APPENDIX TWO**

**SENIOR LEADERSHIP TEAM – LINE MANAGEMENT ARRANGEMENTS**

**2022/2023**

<b>SLT MEMBER</b>	<b>DIRECT REPORTS</b>
<p>Chief Executive Jane Portman</p>	<p>Director – Strategy and Support Services Nicola Hix</p> <p>Director – Place and Recovery Jan Gamon</p> <p>Director – Service Delivery Kirsty Larkins</p> <p>Chief Financial Officer Karen Watling</p> <p>District Solicitor and Monitoring Officer Jill Byron</p>
<p>Director – Strategy and Support Services Nicola Hix</p>	<p>Assistant Director James Divall</p> <p>Lead Specialist People Jenny Clayton</p> <p>Lead Specialist Digital Change Toffer Beattie</p> <p>People, Performance &amp; Change Lead Specialist Brendan Downes</p> <p>Lead Specialist Strategic Planning Jess Power</p> <p>Lead Specialist Communications, Marketing and Media Richard Birch</p> <p>People Manager Kim Williams</p> <p>People Manager Amanda Kotvics</p>

	<p>People Manager Sara Kelly</p> <p>Environmental Services Manager <i>Vacant</i></p>
<p>Director – Place and Recovery Jan Gamon</p>	<p>Acting Director/Lead Specialist, Economic Delivery Peter Paddon</p> <p>Programme Manager Natalie Fortt</p> <p>Arts and Entertainment Manager Adam Burgan</p>
<p>Director – Service Delivery Kirsty Larkins</p>	<p>Assistant Director- Service Delivery Sharon Jones</p> <p>Leisure and Recreation Manager Katy Menday</p> <p>Lead Specialist Built Environment John Hammond</p> <p>Lead Specialist Environment Vicki Dawson</p> <p>Lead Specialist Communities Leigh Rampton</p> <p>People Manager Sam Wenden de Lira</p> <p>People Manager Helen Morris</p> <p>Customer Connect Manager Marie Collins</p> <p>Localities Manager Tim Cook</p>
<p>Chief Financial Officer (S151 Officer) Karen Watling</p>	<p>Lead Specialist Finance (Deputy S151 Officer) Paul Matravers</p> <p>Regeneration Project Accountant Geetha Blood</p> <p>Finance Specialist – LGR Hannah Brown</p>

<p>District Solicitor and Monitoring Officer Jill Byron</p>	<p>Lead Specialist Legal (Deputy Monitoring Officer) <i>Vacant</i></p> <p>Specialist Democratic Services Angela Cox</p> <p>Specialist Elections Roger Quantock</p> <p>Commercial Property, Land and Development Manager Robert Orrett</p>
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**APPENDIX THREE: SOUTH SOMERSET DISTRICT COUNCIL**

**PORTFOLIO HOLDER RESPONSIBILITIES 2022/23**

	<b>PORTFOLIO HOLDERS</b>									
<b>SLT lead</b>	Cllr Val Keitch Leader	Cllr Peter Seib Deputy Leader	Cllr Tony Lock	Cllr John Clark	Cllr Sarah Dyke	Cllr Mike Best	Cllr Adam Dance	Cllr Henry Hobhouse	Cllr Peter Gubbins	Cllr Jason Baker
Jane Portman	Strategic direction of the Council  Overall policy and strategy  Local Government Reorganisation									
Nicola Hix	Human Resources  Corporate Plan  Corporate Performance  Civil Contingencies  Communications  Strategic Planning	Procurement	Digital Strategy  Organisational Development  People Strategy  Spatial planning		Street scene  Waste and Recycling		Area North			
Jan Gamon	Equalities and Diversity  Strategic Development			Economy  Economic Recovery		Arts and Culture  Octagon Theatre development		Area East  Wincanton Regeneration	Area South  Yeovil Refresh	Chard Regeneration
Kirsty Larkins	Housing  Customer Services	Revenues	Community Safety  Development Management  Area Development		Environment  Climate Change	Sport  Countryside  Health and wellbeing  Benefits	Licensing  Environmental Health			Area West
Karen Watling		Finance  Audit								
Jill Byron	Member Development	Strategic Asset Management	Commercial Strategy							

	<b>PORTFOLIO HOLDERS</b>									
<b>SLT lead</b>	Cllr Val Keitch Leader	Cllr Peter Seib Deputy Leader	Cllr Tony Lock	Cllr John Clark	Cllr Sarah Dyke	Cllr Mike Best	Cllr Adam Dance	Cllr Henry Hobhouse	Cllr Peter Gubbins	Cllr Jason Baker
<b>STRATEGIC PARTNERSHIPS</b>	LGR Joint Committee  HotSW LEP  Homefinder Somerset  Somerset Leaders and CXs  District Council Network  Town and Parish Councils liaison meetings	South- West Audit Partnership	Safer Somerset Partnership	Somerset Growth Board  Place Leadership Group	Somerset Waste Partnership  Somerset Rivers Authority	Somerset Health and Wellbeing Board  SAFCCP (Somerset Armed Forces Community Covenant Partnership)				

# Equality Impact Relevance Check Form



The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. This tool will identify the equalities relevance of a proposal, and establish whether a full Equality Impact Assessment will be required.

What is the proposal?	
Name of the proposal	Ensuring staffing capacity 2022/23
Type of proposal (new or changed Strategy, policy, project, service or budget):	Changes in SLT and increased budget for staffing
Brief description of the proposal:	To ensure staffing capacity in 2022/23
Name of lead officer:	Jane Portman

You should consider whether the proposal has the potential to negatively impact on citizens or staff in the following ways:

- Access to or participation in a service,
- Levels of representation in our workforce, or
- Reducing quality of life (i.e. health, education, standard of living)

A negative impact is any change that could be considered detrimental. If a negative impact is imposed on any citizens or staff with protected characteristics, the Council has a legal duty to undertake a full Equality Impact Assessment.

Could your proposal negatively impact citizens with protected characteristics? (This includes service users and the wider community)	<b>NO</b>
Could your proposal negatively impact staff with protected characteristics? (i.e. reduction in posts, changes to working hours or locations, changes in pay)	<b>NO</b>

<b>Is a full Equality Impact Assessment required?</b>	<b>NO</b>
<b>If Yes,</b> Please provide a brief description of where there may be negative impacts, and for whom. Then complete a full Equality Impact assessment Form	
<b>If No,</b> Please set out your justification for why not.	
The proposal is to increase the staffing budget to ensure sufficient staffing capacity. This will not impact negatively on current staff sharing Protected Characteristics. However there is the potential to deliver positive impacts by enhancing the staffing capacity within specific service areas. There will be no negative impacts in respect of any new recruitment that takes place.	
Service Director / Manager sign-off and date	Jane Portman 03.02.22
Equalities Officer sign-off and date	Dave Crisfield 3 <sup>rd</sup> February 2022



## 2022/23 Budget Report

Executive Portfolio Holder: Peter Seib, Finance and Legal Services  
SLT Lead: Karen Watling, Chief Finance (S151) Officer  
Lead Officers: Karen Watling, Chief Finance Officer  
Paul Matravers, Lead Specialist, Finance  
Hannah Brown, Finance Specialist  
Anthony Morris, Finance Specialist  
Emily Wilce, Finance Specialist  
Contact Details: karen.watling@southsomerset.gov.uk or 07521 460232

## Purpose of the Report

1. To provide District Executive with the information required to make proposals to Full Council on 28<sup>th</sup> February on the 2022/23 revenue and capital budgets and the 2022/23 Treasury Management Strategy.
2. The Budget Report giving the required information is attached in Appendix One.
3. The 2022/23 Council Tax setting report is a separate report with a separate vote by Full Council and is not included in this District Executive's agenda as the report cannot be compiled until we know the Council Tax requirements of the preceptors.
4. In February 2021 Council approved the 2021/22 revenue and capital budgets including an indicative financial forecast for future years. District Executive received a report at its October meeting refreshing these figures and the Council's overall financial position.
5. Given that 2022/23 is the last year of South Somerset District Council (SSDC) the Budget Report does not include a medium term financial plan or a Capital Strategy. Instead it presents revenue and capital budget proposals, including the Treasury Management Strategy, for the next financial year 2022/23 and preliminary estimates for 2023/24. The latter are based on continuing existing district services and will provide a base input into developing the new Somerset Council's budget for 2023/24. The capital budget does however give additional information on approved capital expenditure that is programmed to spend after 2023/24.
6. In addition this report seeks Council's agreement to adopt the principals included in the Finance and Assets Protocol agreed by LGR Joint Committee on 4<sup>th</sup> February 2022. The aim of the Protocol is that decisions and action taken in the existing councils, including SSDC, are made against the background of avoiding adverse financial pressures for the new Somerset Council. The Protocol if agreed by all five Somerset councils would take effect from April 2022 and is found in Appendix Two.

## Forward Plan

7. This report appeared on the District Executive Forward Plan with an anticipated Committee date in February 2022.

## Public Interest

8. The Budget Report sets out budget proposals to fund on-going services to our residents and to fund the priorities included in the 2022/23 Corporate Plan: Annual Action Plan. These proposals are from the Council's Leadership Team (District Executive Members and Senior Leadership Team (the latter includes the Chief Finance (S151) Officer)).
9. SSDC is legally required to set a balanced budget and Council Tax for the financial year starting on 1<sup>st</sup> April 2022 by no later than 11<sup>th</sup> March 2022. SSDC is the Billing Authority for its area and must set and collect the tax on behalf of Somerset County Council, Avon and Somerset Police & Crime Commissioner, and Devon and Somerset Fire Authority.
10. As well as its own expenditure on the provision of services, it must take account of local precepts issued by the parishes and towns in the District. In addition, the shadow Somerset Rivers Authority has for the seventh year been allowed by the DLUHC (Department for Levelling UP, Housing & Communities) to raise a precept of 1.25% on band D Council Tax to fund its activities.
11. The setting of the budget is a decision reserved for Full Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with Scrutiny Committee (and to Audit Committee for the Treasury Management Strategy) to allow for their comments to be considered before the final budget proposals are made to Full Council. Scrutiny Committee met on 15<sup>th</sup> February and Audit Committee on the 16<sup>th</sup> February: District Executive will be appraised of their comments and views at its meeting on 17<sup>th</sup> February 2022.
12. The Council's Chief Finance (s151) Officer has a statutory responsibility to advise Council on the robustness of the estimates and the adequacy of reserves as part of the budget setting report to Full Council. That advice is contained in the Budget Report (Appendix Two).

## Recommendations

13. District Executive is recommended to propose the following to Full Council for approval:

### **Increases to the revenue and capital budgets**

- a) Revenue budget increases of £2.108m as set out in the Budget Report in Table Five.



## South Somerset District Council

- b) New capital projects and increases on existing approved capital budgets of £21.521m as set out in the Budget Report in Table Twelve.
- c) The creation of a corporate capital contingency within the capital programme, included within the increase reported above in (b), of £4m to be allocated by District Executive on approved projects within the capital programme via a written report from the relevant senior officer.

### Use of reserves

- d) The use of £6.144m earmarked reserves to fund the revenue and capital budgets as described in the Budget Report in Section Five.
- e) An increase of £1m to the LGR Reserve, funded from the MTFP Support Fund reserve, to finance potential capacity issues as described in a separate report on this District Executive's agenda entitled "*Ensuring sufficient staffing capacity during 2022/23*".
- f) Transfer £0.350m from the MTFP Support Fund to the Treasury Management Reserve to support the funding of any increase in interest rates in 2022/23 should they rise above the rates assumed in this Budget Report.
- g) Create a reserve in 2023/24 of £4.8m for the Yeovil Refresh capital project, funded from the MTFP Support Fund reserve, should there be a requirement in that year to pay back the money received to-date from the Future High Streets Fund (FHSF).
- h) Transfer £2m from the Commercial Investments Risk Reserve to the MTFP Support Fund reserve to assist the 2023/24 position of the new Somerset Council in order to help fund potentially adverse local government finance reforms and the Yeovil Refresh reserve (see recommendation g above).

### 2022/23 Revenue Budget

- i) SSDC's revenue budget requirement (Net Budget) of £19,714,320 for 2022/23 as set out in Table One of the Budget Report.

### 2021/22 to 2023/24 Capital Programme

- j) SSDC's capital programme for 2021/22 to 2023/24 of £116.469m as set out in Table Eleven in the Budget Report and the consequential increase in SSDC's financing charges revenue budget of circa £1.272m per annum.

### Council Tax

- k) An assumption that there will be an increase in the 2022/23 Band D Council Tax of 2.82% representing a Band D Council Tax (excluding preceptors) of £182.11.

### Chief Finance Officer's Statement





## South Somerset District Council

- l) Note the advice given by the statutory S151 Officer on the robustness of the estimates, the adequacy of reserves, and the key financial risks arising from these budget proposals.

### **Treasury Management Strategy**

- m) The 2022/23 Investment and Treasury Management Strategy.
  - n) The proposed borrowing and investment limits included in the Treasury Management Strategy.
  - o) The prudential and investment indicators.
  - p) The Minimum Revenue Provision (MRP) Policy statement.
14. District Executive is also recommended to propose that the Assets and Finance Protocol, as agreed by LGR Joint Committee on 4<sup>th</sup> February 2022, is approved and adopted by Full Council.

### **2022/23 Budget Report**

15. The 2022/23 Budget Report is found in Appendix One.

### **Finance & Assets Protocol**

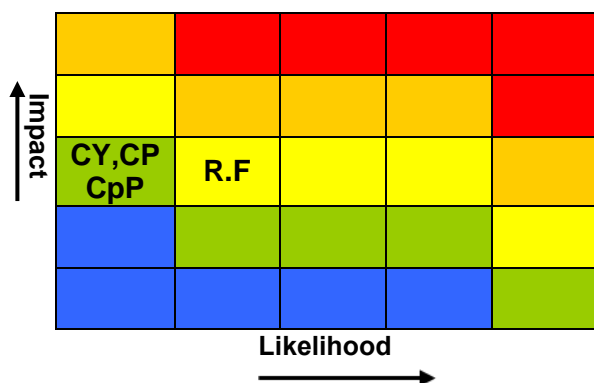
16. A new unitary council will come into existence from 1 April 2023 and all of the financial resources and commitments from the predecessor councils, including SSDC, will transfer to the new Somerset Council at this date.
17. On 4<sup>th</sup> February 2022 LGR Joint Committee agreed to adopt a voluntary Finance & Assets Protocol to ensure 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.
18. LGR Joint Board has recommended that each council adopts the Finance & Assets Protocol which is found in Appendix Two of this report.
19. Each Council will 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.
20. Under the Protocol each council should not enter into any new financial or asset-related commitments (beyond those specifically agreed within their approved budgets), or create any new liabilities on behalf of the new Council - subject to agreed limits of £100,000 for revenue and £1m capital.

21. Key areas covered by this protocol would include 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), write off of debts / loans, new capital schemes (including those with on-going financial commitments) and use of reserves above those already approved
22. Any new budget needs above the limits set would be reported to the LGR Finance Workstream Board (comprising the five S151 Officers of each council). Areas of contention will be reported onwards to the LGR CEO Programme Board should that be deemed necessary and ultimately to the LGR Joint Committee if required.
23. 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.

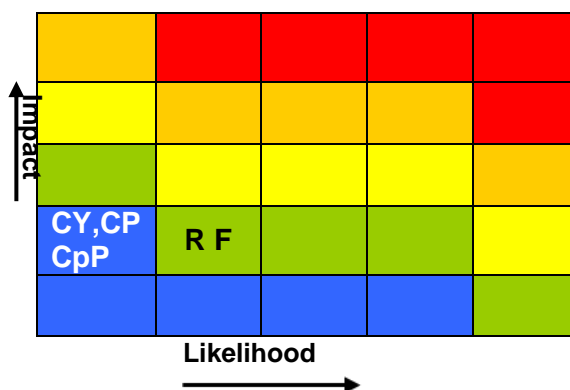
## Risk Matrix

The risk matrix below represents the risk assessment of the financial health of the Council based on performance during 2021/22, 2022/23 budget proposals, and estimated reserve position as at 31/03/2023.

**Risk Profile before officer recommendations**



**Risk Profile after officer recommendations**



### Key

<b>Categories</b>	<b>Colours</b> (for further detail please refer to Risk management strategy)
R - Reputation	High impact and high probability
CpP - Corporate Plan Priorities	Major impact and major probability
CP - Community Priorities	Moderate impact and moderate probability
CY - Capacity	Minor impact and minor probability
F - Financial	Insignificant impact and insignificant probability

## Legal implications (if any) and details of Statutory Powers

Under section 24 of the Local Government and Public Involvement in Health Act 2007, the Secretary of State has power to make a direction to control disposals, contracts

and reserves under which authorities that are to be dissolved (for example the Somerset councils) are prevented from:

- (a) Disposing of any land if the consideration for the disposal exceeds £100,000;
- (b) Entering into any capital contract where the amount payable exceeds £1,000,000 or can be varied; or
- (c) Entering into any non-capital contract under which the consideration payable by the relevant authority exceeds £100,000 if the period of the contract extends or may extend beyond a date specified; or
- (d) Including an amount of financial reserves in a calculation under section 31A(3) or 42A(3) of the Local Government Finance Act 1992;

without the written consent of the body specified in the direction.

The Protocol is intended as an informal non-legally binding way to avoid the need for a formal direction.

### **Council Plan Implications**

Section One of the Budget Report (found in Appendix Two) sets out how the budget proposals fund the Annual Corporate Plan Actions.

### **Carbon Emissions and Climate Change Implications**

The Decarbonisation Phase 2 capital project proposal, should it be agreed by Full Council, will have reduce carbon emissions from various council properties (see separate report on this District Executive's agenda).

### **Equality and Diversity Implications**

A review of the likely impact of our proposals on those with protected characteristics demonstrates that a full Equalities Impact Assessment is not needed. The Equalities Impact Relevance Check form is appended to this report. In setting our plans for capital and revenue expenditure, we have been mindful to deliver some positive benefits to some of those with protected characteristics and to avoid any negative impacts.

Through the planned extension and refurbishment of the Octagon theatre, for example, we will deliver improved disabled access and toilet facilities. As there is an element of community outreach included in our plans, we expect to bring the opportunity to participate in the arts to a wider audience. Our programmes in Chard and Wincanton are also benefitting community arts projects.

Through funding received by the Department for Work and Pensions, we are currently able to offer access to skills and employment training through three hubs across South Somerset for those who are either unemployed or in low paid work. In Yeovil, we will be replacing ageing play equipment at Ninesprings, in addition to numerous other community projects supported through our Area Committee grant funding.





## **Privacy Impact Assessment**

There is no impact.

## **Background Papers**

Budget Setting reports to Full Council in February 2021

Quarter Two Capital and Revenue Budget Monitoring reports to Full Council in December 2021

MTFP Refresh to District Executive in October 2021

APPENDIX ONE

# 2022/23 BUDGET REPORT



# South Somerset District Council

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## SECTION ONE: OVERVIEW, KEY PROPOSALS, & DELIVERY OF CORPORATE PLAN ANNUAL ACTIONS

### Overview

- 1. Introduction:** This report set outs proposals for South Somerset District Council's (SSDC) revenue and capital budgets for 2022/23 along with how these budgets are proposed to be funded. The 2022/23 budget will be the last budget of SSDC prior to the creation of the new Somerset Council from 1<sup>st</sup> April 2023: it does not therefore include a Medium Term Financial Plan nor a Capital Strategy.
- 2.** The overall financial environment for all local authorities over the last few years has been very challenging through increased demand for services, the impacts of reduced grant funding from central government, and, more recently, the impact of the Covid-19 pandemic. Nationally, a number of councils have been under extreme financial stress resulting in the issuing of Section 114 notices, applying for capitalisation directives (the use of capital resources to fund revenue expenditure), or entering into discussions with the Department for Levelling up, Housing & Communities (DLUHC).
- 3.** South Somerset District Council is not in the latter position. It has over the years purposefully and prudently built-up its reserve balances: for example, by transferring the New Homes Bonus grant and the gains from being part of the Somerset Business Rates Pool into reserves. It has invested in commercial property and subsidiary companies which have brought in new additional income to help finance the services it provides to residents. This Budget Report gives details of this income (in Section Three) along with the Reserves Position (in Section Five).
- 4. 2022/23 Revenue Budget:** SSDC is therefore able to set a balanced revenue budget position for 2022/23 as it is legally required to do so. Despite the significant increases to the revenue and capital budgets proposed in this report, a balanced budget is achievable because earmarked reserves will fund some of the increase in expenditure, the reforms to the local government funding regime have been delayed by central government for a further year and this benefits SSDC, and because a zero-based budget review has resulted in adjustments being made to historical estimates that have a net beneficial financial impact. However it is important to note that this beneficial position is for one year only and that a significant budget gap (of £4.535m) is forecast for 2023/24.
- 5. Local Government Reorganisation (LGR):** In July 2021, the Secretary of State made a decision to replace the existing local government structure in Somerset with a single unitary council. This means that the current structure of county plus four district councils will be replaced with a single Somerset Council from 1<sup>st</sup> April 2023.

6. The proposed budget for 2022/23 recognises that LGR will require significant resources to ensure services remain stable with minimal disruption as well as additional capacity to fund the implementation costs associated with this major reorganisation programme. In addition, in some service areas such as Development Management, extra capacity is being requested in this budget to improve current service levels prior to the new unitary council coming into being.
7. **2023/24 revenue estimates:** The report sets out an indicative position for the 2023/24 revenue budget (the first year of Somerset Council) based on a continuation of the services and delivery methods SSDC currently provides along with estimates of the potential impact of the local government funding reforms, anticipated to be introduced in that financial year. These estimates must be treated with caution particularly as there is a lack of current information on the reforms and it is difficult therefore to forecast their impact with any degree of accuracy. That said, it is widely anticipated that the reforms will redirect resources to help fund pressures in adult and children's services.
8. These 2023/24 estimates will be superseded and reviewed as part of the preparation needed to set Somerset Council's 2023/24 budget. A separate exercise will shortly be undertaken, once each council has set its 2022/23 budget in February 2022, to bring together the five councils estimates into one Somerset Medium Term Financial Plan.
9. **Capital Programme:** SSDC's capital budget proposals for its last year of existence reflect key priorities in the proposed Corporate Annual Action Plan. A number of new capital schemes and growth to existing capital budgets are proposed either in this Budget Report or in separate reports on this District Executive's agenda. Section Four of the Budget Report sets out the overall capital programme expenditure and funding proposals.
10. **Treasury Management Strategy:** The size and funding of the capital programme has an impact on the Council's cash flow position and the amount of money it needs to borrow. These issues are considered in the Treasury Management Strategy found in Section Seven of the report. Members should note that the amount of indebtedness, or borrowing needs, (as measured by the Capital Financing Requirement) has increased substantially in the last few years and will rise further if the capital budget proposals are agreed by Council.
11. **Chief Finance Officer's Statement:** The Chief Finance (S151) Officer's statutory statement, found in Section Six, sets out her advice on the robustness of the budget estimates, the adequacy of reserves, and the potential risks associated with these budget proposals. The Chief Finance Officer is able to offer good but not total assurance on the robustness of the estimates and advises that the level of reserves is adequate for SSDC's last year of existence as well as providing specific reserves to fund costs that will or may arise in 2023/24. The key risks identified relate to (1) ensuring SSDC has the capacity to deliver essential on-going services, the corporate annual plan actions, as well as LGR; (2) potential risks arising from the proposed capital programme (capacity to deliver, construction industry inflation, and grant funding issues),



and (3) the amount of SSDC's indebtedness and the risk of interest rate rises. The Budget Report includes proposals to help mitigate these key risks should they occur.

## Key proposals

12. The Budget Report contains the following key proposals for Council decision:

### **2022/23 Revenue Budget:**

- Balanced revenue budget position for 2022/23 (with a small estimated surplus of £140k).
- Net revenue budget requirement in 2022/23 of £19.714m representing an increase on the 2021/22 original approved estimate of £2.971m (17.75%).
- Revenue budget growth proposals totalling £2.108m.

### **2021/22 to 2023/24 Capital Programme:**

- Capital Programme of £117.873m an increase of £21.521m from the 2021/22 original approved estimate of £96.352m (an increase of 22%).
- The creation of a corporate capital contingency fund within the capital programme of £4m.
- Consequential increase in the revenue budget (financing costs) of £1.272m.

### **Reserves:**

- Use of £6.144m of earmarked reserves during 2022/23 to fund the revenue budget and the capital programme.
- Increase the LGR Reserve by £1m to fund potential staffing capacity gaps during 2022/23.
- Create a reserve in 2023/24 of £4.8m for the Yeovil Refresh capital project should there be a requirement in that year to pay back the money received to-date from the Future High Streets Fund (FHSF).
- Transfer £2m from the Commercial Investments Risk Reserve to the MTFP Support Fund reserve to assist the 2023/24 position of the new Council to fund potentially adverse local government finance reforms and the handing back of FHSF grant if required.
- Increase the Treasury Management Reserve by £0.350m to fund an increase in interest rates in 2022/23 should they rise above the rates assumed in this Budget Report.

### **Council Tax:**

- An assumption that the Council Tax will rise by 2.82% (SSDC's element excluding precepts) in 2022/23 to £182.11 (for Band D).

## How the budget will fund Annual Corporate Plan Actions

13. The corporate annual action plan priorities for consideration at District Executive for 2022/2023 are as follows:
- **Priority 1: (Environment)**  
To accelerate action to adapt to and mitigate the effects of climate change which includes reducing the Carbon footprint of the authority and enhancing the natural environment.
  - **Priority 2: (Healthy and Self-Reliant Communities)**  
To enable healthy communities which are cohesive, sustainable and enjoy
  - **Priority 3: (Economy and Covid-19 Recovery)**  
To assist businesses to recover from the Covid-19 pandemic whilst supporting growth within the South Somerset economy in partnership with other organisations.
  - **Priority 4: (Places where we live)**  
To enable housing and communities to meet the existing and future needs of residents and employers
  - **Priority 5: (Local Government Reorganisation)**  
To effect a safe and legal transition to the new Somerset Council on 1st April 2023
14. The Council's budget has included proposals to deliver the Council's Annual Action Plan for 2022-2023. Some of the key projects are highlighted below:-
- Develop the Octagon Theatre into a flagship Theatre and Cultural Hub (capital)
  - Invest in the South Somerset Families Programme to operate across the district (revenue)
  - Work with Somerset Waste Partnership to pilot an electric refuse vehicle in South Somerset to understand which routes could be suitable for more electric vehicles (capital)
  - Invest in key local volunteer sector organisations (Spark and Citizens Advice South Somerset) to support local people and groups (revenue).
  - Continue our Regeneration programmes in Chard, Wincanton and Yeovil (capital)
  - Staff to support and deliver key aspects of the Environment Strategy (revenue)
  - A contribution towards the Local Government Reorganisation (LGR) implementation plan (revenue)
  - There are also funds included to help with the delivery of the Covid 19 recovery plan (revenue)

## SECTION TWO: LOCAL ISSUES AND THE NATIONAL PICTURE

### Somerset Local Government Reorganisation

15. In July 2021, the Secretary of State made a decision to replace the existing local government structure in Somerset with a single unitary. This means that the current structure of county plus four district councils will be replaced with a single Somerset Council from 1<sup>st</sup> April 2023, which is vesting day for the new authority.
16. An extensive Local Government Reorganisation (LGR) Programme has been developed to support the transition of the five councils into the new unitary. The programme started in September 2021 and will continue beyond vesting day, with the first checkpoint in January 2022 signalling the move from the planning to the implementation phase. The main role of the unitary programme is to ensure that the new Somerset Council is compliant and able to operate safely from 1<sup>st</sup> April 2023. This phase is referred to as 'transition' and continues through to vesting day. Beyond vesting day, it is likely that additional work will be needed to align services and implement collective ambitions for the new authority. This phase is referred to as 'transformation' and experience from other areas that have implemented an LGR programme suggests that this phase will continue for two years or more following vesting day.
17. All five authorities are proactively collaborating on the shaping of the new council and have committed to providing resources to the programme. Currently, there are more than 60 SSDC employees working part-time on the programme and we expect this to rise substantially over the course of the next year.
18. We are also required to take a share in the costs of implementation which, for the district councils, means a proportionate share of 20% of the overall implementation costs of £16.53m over the financial years 2022/23 and 2023/24, with the county council bearing the majority 80% share of the costs. We are required to ensure that the share for 2023/24 is set aside in a reserve so that the funding is available on vesting day when all assets and liabilities of the five councils are moved to the new Somerset Council.
19. The LGR programme is playing a significant role in our planning for the remaining year of SSDC. It is essential that we continue to deliver high quality services to our residents, communities and businesses over the transition period, whilst also contributing to the development of the new council. In respect of timing, the vesting day for the new authority neatly frames the timescale within which we may deliver against our ambitions and leave a legacy for our residents, whilst recognising that some of our major projects will need to be made ready for adoption by the new authority. There is no doubt that the resources of SSDC will be stretched by the demands upon them over the next



financial year and proposals have been made in the budget to ensure there is staffing capacity to deliver.

20. The impact of LGR on SSDC's 2022/23 budget proposals are as follows:

- An increase in staffing capacity to support and/or back fill existing officers to deliver LGR (costing £2.466m).
- An increase to the LGR reserve of £1m in 2022/23 to fund unknown capacity issues arising through the year whether that is ensuring service delivery continues and/or funding increased capacity to deliver LGR.
- An increase in the budget of £989,856 to fund SSDC's share of the overall Somerset LGR Implementation costs: (£755,856 in 2022/23 and £233,926 in 2023/24).

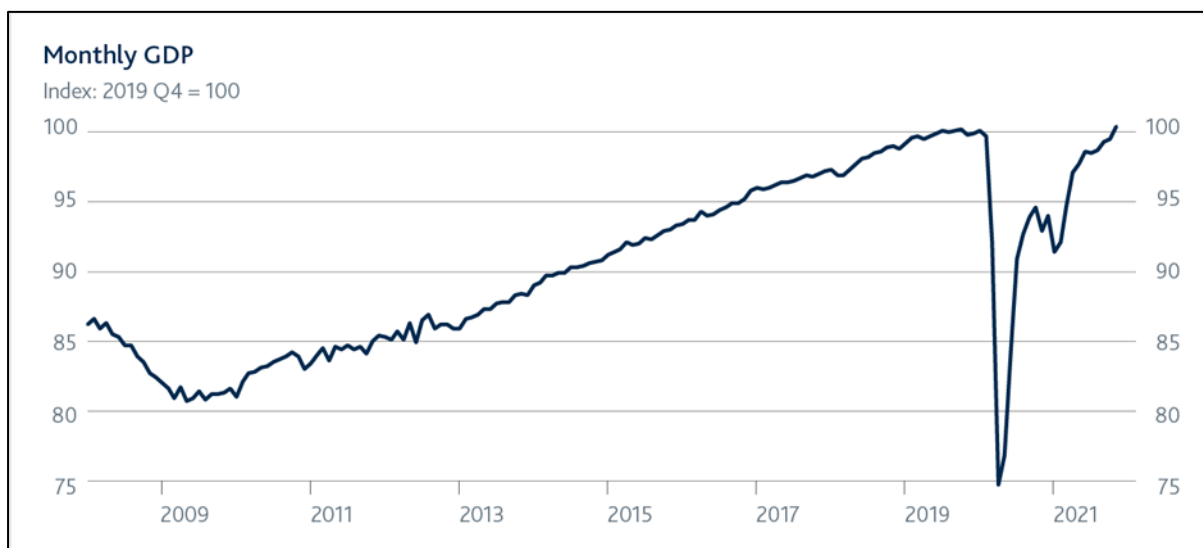
## **Covid - 19**

21. The COVID-19 pandemic continues to have an impact on the council not only financially but on service delivery. Across a large number of areas (Revenues, Development Management, Housing, Enforcement) we have seen an increased demand for services. In addition, government has recently provided further grant assistance to businesses, which is delivered by the Revenues team thereby diverting their activity away from their primary work. The Benefits team has seen an increase in the take up of self-isolation grants, which impacts there day to day work.
22. The financial impact of Covid in the 2020/21 financial year was considerable and if it were not for the additional funding from central Government the Council would have significantly exceeded its approved net revenue budget by £4.3m.
23. A grant of £0.84m has been received from central government in 2021/22: the grant and the use of earmarked reserves are anticipated to cover the cost impact in 2021/22.
24. The 2022/23 budget proposals assume that no additional grants will be received from central government due to the pandemic. The income from fees and charges and the impact on the relevant budgets will be continually monitored in the year. The 2022/23 income budgets have not been restored to the pre pandemic levels due to the ongoing uncertainty with Covid.
25. There is a risk the pandemic continues in a way currently not anticipated, requiring further response or impact on the Councils service provision and/or financial standing. In this instance, as we have seen during the past two financial years, we would expect the Government to step in to support the entire sector.

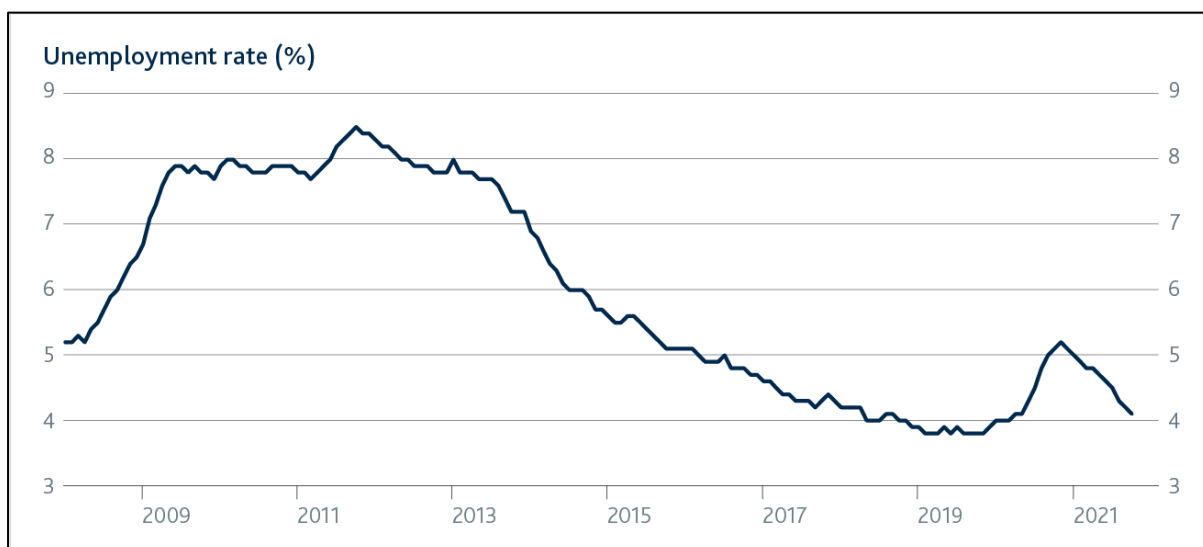
## National Economic outlook

26. The UK economy continues to recover (see Chart One). In November last year, economic activity was back to where it was before the pandemic. Since then, the spread of Omicron has meant that people have been spending less but as the number of new cases falls, it is expected that spending will go up again. The number of people out of work is going down (see Chart Two). The unemployment rate is only slightly higher than it was before the start of the pandemic.

**Chart One: Monthly GDP from 2019 to-date (source: Bank of England website)**



**Chart Two: Unemployment rate from 2009 to-date (source: Bank of England website)**

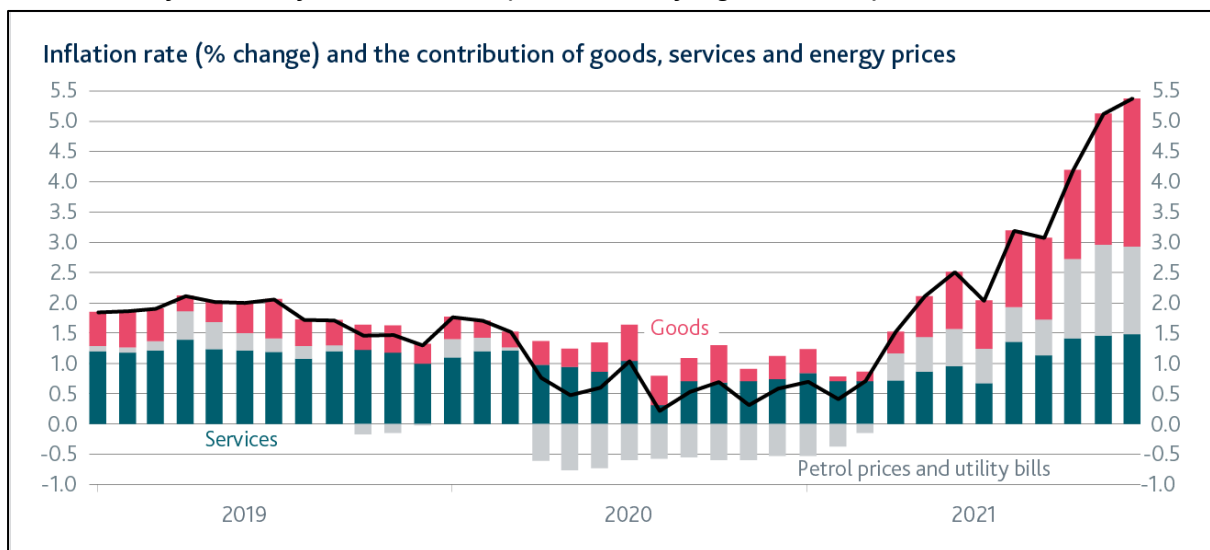


27. Inflation (the pace of price rises) has risen above national government's 2% target (see Chart Three below). Prices rose by 5.4% last year. Higher energy

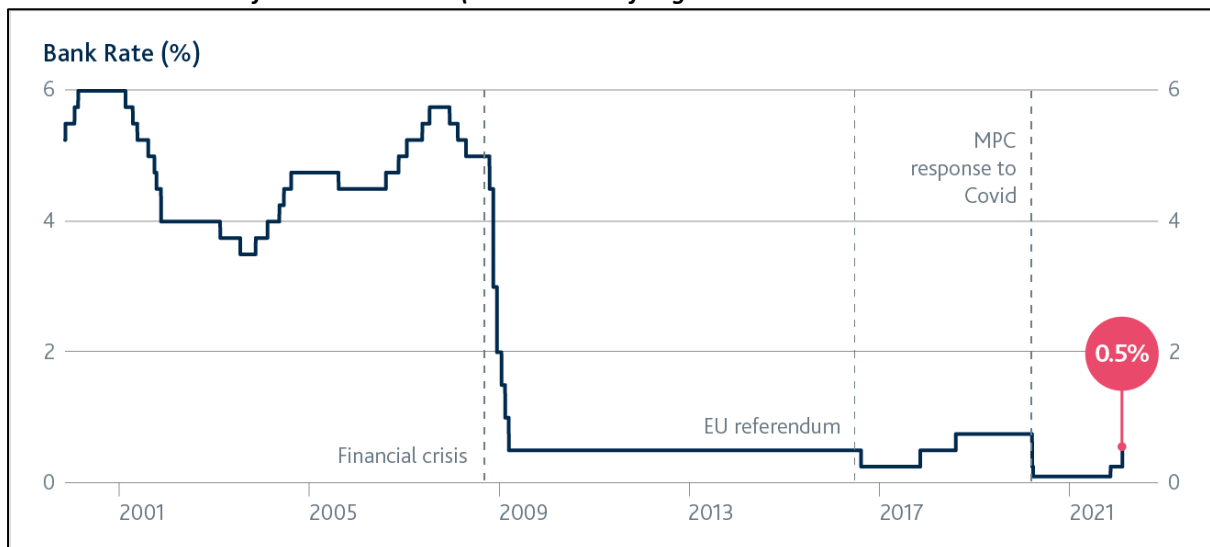
prices is one of the main reasons for this. Large increases in oil and gas prices have pushed up petrol prices and utility bills.

28. Higher prices for goods that we buy from abroad have also played a big role. As economies reopened around the world, people started to buy more goods. This extra demand, was held back by, for example, shortages of materials and workers. That pushed up their costs and led to higher prices for consumers.
29. These effects are likely to continue pushing inflation up in the coming months. The Bank of England's Monetary Policy Committee (MPC) has stated (3<sup>rd</sup> February 2022) that it expects inflation to rise to around 7% in the spring and to fall back from the middle of this year. It also expects inflation to be close to the national 2% target in around two years' time.

**Chart Three: Inflation rate from 2019 to-date (source: Bank of England website)**



**Chart Four: Bank Rate from 2001 to-date (source: Bank of England website)**





30. The MPC at its meeting 15<sup>th</sup> December 2021, voted to increase Bank Rate by 0.15 percentage points, to 0.25%. A second rise in interest rates was agreed at the MPC's meeting on 3<sup>rd</sup> February 2022 to bring the Bank Rate to 0.5%. Further likely increases are expected later in the year as the MPC tries to influence inflation rates to return to the national 2% target.
31. The impact of the national economic outlook on SSDC's 2022/23 budget proposals are as follows:

- An interest rate assumption for calculating estimated financing charges arising from borrowing in 2022/23 of 0.75%. (An estimate of 1% in 2023/24).
- An increase to the Treasury Management reserve of £0.350m to fund a possible further increase in interest rates to 1% in the 2022/23 financial year.
- No inflationary increases included against individual groups such as premises. Budgets adjusted to account for the price increase built into large value contracts.
- A £4m corporate capital contingency to fund possible inflationary rises in the capital programme.

## Local Government Financial Settlement

32. On 8<sup>th</sup> February, the Secretary of State for Levelling Up, Housing, and Communities published the 2022/23 Local Government Finance Settlement for each council in England.
33. **One year settlement:** The 2021 Spending Review covering the whole of the government finances for the period 2022/23 to 2024/25 was published in October 2021. That set out that, on a like for like basis, the increase in local government funding would be £4.9bn over the period, or around 1.0% annually in real terms. However, only a one-year settlement for 2022/23 has been announced for local government. This is because the Chancellor expects to introduce reforms to the local government funding regime in 2023/24.
34. **Business Rates:** The business rates multiplier will be frozen again for 2022/23. It will remain at 49.9p (small business multiplier) and 51.2p (national business multiplier). Councils will continue to receive compensation in 2022/23 for the under-indexing of the business rates multiplier in this and previous years via a Section 31 grant.
35. **Council Tax:** For 2022/23, shire district councils will be able to increase their Band D council tax rate by up to 2%, or up to and including £5, whichever is higher (referendum limit).
36. **New Homes Bonus:** There is a final legacy payment of the New Homes Bonus due in 2022/23 which the government has confirmed it will continue to pay. In

addition the government will also fund a new round of NHB payments in 2022/23 using the 2021/22 methodology. There will be no new legacy payments arising from the new 2022/23 grant allocation. The allocations for 2022/23 will be funded through a £554 million top slice of the Revenue Support Grant.

37. **The Lower Tier Services Grant:** was expected to be a one-off grant in 2021/22 however, as the primary purpose of this grant is to ensure that no authority has a reduction in Core Spending Power (CSP) the government has continued it for a further year in 2022/23, maintaining the grant at the same level as for 2021/22.
38. **Service Grant:** This is a new grant worth £822m nationally. This will be a one-off grant for 2022/23 and government expects that it will be partly used to fund the 1% increase in National Insurance being introduced from April 2022.
39. The impact of the Local Government Finance Settlement on SSDC's 2022/23 budget proposals are as follows:

- We had assumed in previous forecasts that the government would introduce the long awaited local government funding reforms in 2022/23. However, this has not happened and the 2021/22 grants have “rolled forward” into 2022/23 along with amounts from a new grant (Services Grant). The roll forward and deferment of the reforms has benefitted SSDC by £4.4m.
- Details of SSDC's provisional Local Government Finance Settlement are given in Section Three of this report.

## Changes to the local government funding regime

40. As highlighted above the financial settlement covers only 2022/23, with the government implementing a 'roll forward' in terms of resources. This means a further delay to the longer-term local government financial reforms.
41. The Secretary of State announced on 16<sup>th</sup> December that guidance and a timeline for introducing changes to local government funding would be presented as in the early New Year.
42. The Secretary of State also commented that government is committed to ensuring that future funding allocations for councils are based on an up-to-date assessment of their needs and resources. He pointed out that the data used to assess this has not been updated in several years, dating from 2013/14 to a large degree, and even as far back as 2000. He also stated that over the coming months, the Department for Levelling Up Housing and Communities (DLUHC) will work closely with the sector and other stakeholders to update this data and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

43. The 2023/24 preliminary estimates include assumptions on how the changes could impact on SSDC if it remained a sovereign organisation. It is assumed that the funding reforms would move resources from districts such as SSDC to county councils. It is also assumed that there would be a baseline reset to initially reduce the amount of Business Rates councils who have had high growth of businesses in their area, such as SSDC, can retain. However the figures do need to be treated with caution given that it is uncertain whether government will take forward previous proposals to reform local government finance and what the impact will be on the new Somerset Council.

## Changes to legislation and statute

44. **Changes to the Prudential Code:** A revised Prudential Code was published by CIPFA (Chartered Institute of Public Finance & Accountancy) in December 2021. A briefing on the changes was given to Full Council at its December 2021 meeting (as part of the Quarter Two Capital Monitoring report). In light of the revised code Full Council agreed that SSDC would no longer undertake “investment purely for yield” commercial activity (such as buying commercial property with a sitting tenant).
45. The revised code does not require the forced sale of existing commercial investments nor does it hinder proactive property management and works to existing investments. It does require however, that in the case where a council has borrowing needs, an annual review is undertaken on whether these assets should be sold and the proceeds used to reduce the council’s overall indebtedness.
46. **Changes to the Treasury Management Code:** The main change is the introduction of the Liability Benchmark as a Treasury Management indicator for local government bodies. This is covered in more detail in the Council’s Treasury Management Strategy (Section Seven).
47. **Consultation on Changes to the Capital Framework – Minimum Revenue Provision (MRP):** The government published a consultation document on the above topic on 30<sup>th</sup> November 2021. The key issue for SSDC is consultation on introducing a requirement to charge MRP costs on capital loans outstanding to third parties. SSDC, like several other authorities, lends to subsidiary companies at a commercial interest rate. Currently the council’s MRP policy provides that no MRP charge is to be made where there is sufficient evidence to demonstrate that repayment of the loan will be made. This assumption is tested on an annual basis. Any statutory change to the MRP Policy would mean that increased MRP costs would be charged to the revenue budget from 2023/24 onwards.
48. The impact of the statutory changes on SSDC’s 2022/23 budget proposals are as follows:

- Council decision made on 16<sup>th</sup> December 2021 to no longer undertake commercial “investment purely for yield”.
- The introduction of the Liability Benchmark in SSDC’s 2022/23 Treasury Management Strategy.
- Additional MRP charges added into the 2023/24 estimates for outstanding loans to third parties.



## SECTION THREE: REVENUE BUDGET

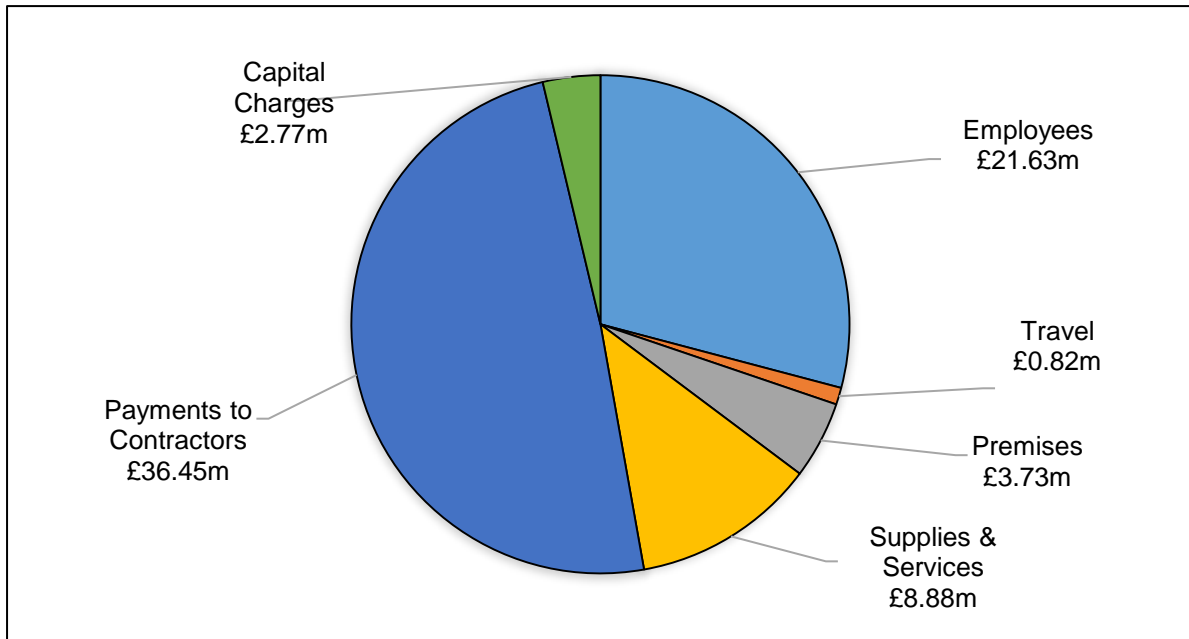
### Overall Position

**Table One: 2022/23 Balanced Budget Position**

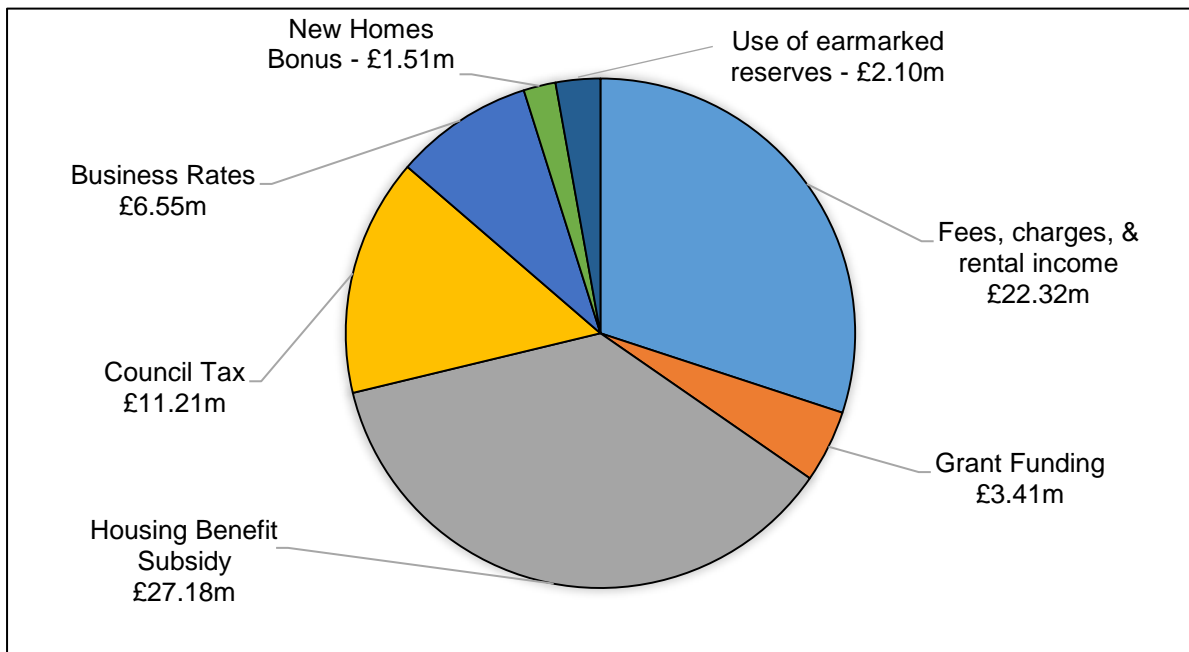
	2021/22		2022/23	2023/24
	Original	Revised	Proposed	Estimate
<b>Net Budget Requirement</b>	<b>16,743,010</b>	<b>16,563,970</b>	<b>19,714,320</b>	<b>20,048,510</b>
<b>Funding</b>				
Service Grant (2022/23 Only)	0	0	-252,810	0
Rural Services Delivery Grant	-174,500	-174,500	-174,500	0
Lower Tier Services Grant	-156,180	-156,180	-164,500	0
New Homes Bonus Grant	-1,171,010	-1,171,010	-1,510,850	0
Business Rates Retention	-5,824,873	-5,824,873	-6,546,500	-4,281,828
Council Tax	-10,718,716	-10,718,716	-11,317,600	-11,345,186
<b>Less: Council Tax Paid to Somerset Rivers Authority</b>	<b>113,133</b>	<b>113,133</b>	<b>112,191</b>	<b>113,604</b>
<b>Total Funding</b>	<b>-17,932,146</b>	<b>-17,932,146</b>	<b>-19,854,569</b>	<b>-15,513,410</b>
<b>Budget Gap or (Surplus - if negative)</b>	<b>-1,189,137</b>	<b>-1,368,176</b>	<b>-140,249</b>	<b>4,535,100</b>
<b>Reserve Transfers to balance budget</b>				
MTFP Support Fund Reserve	162,497	1,368,176	140,249	-4,535,100
Other Earmarked Reserves	1,026,640	0	0	0
<b>Total Reserve Transfers</b>	<b>1,189,137</b>	<b>1,368,176</b>	<b>140,249</b>	<b>-4,535,100</b>

49. Table One above shows that the proposed Net Budget Requirement for 2022/23 of £19.714m, can be funded by government grants, the proposed Council Tax proposals, and retained Business Rates to produce an overall balanced budget with a small surplus of £140k estimated (0.7% of the Net Budget Requirement). It is proposed that the surplus is transferred into the MTFP Support Fund Reserve.
50. A preliminary forecast for 2023/24, based on SSDC continuing its services, shows a deficit of £4.535m, which is largely the result of assumptions made about the local government finance reforms to be introduced in that year and the likely adverse impact of the changes. Caution needs to be taken on this preliminary estimate as government's intentions are not clear at this point in time.
51. The overall 2022/23 gross revenue expenditure budget for SSDC is £74.28m. Charts Five and Six illustrate how this budget is planned to be spent and how it is financed.

**Chart Five: 2022/23 Gross Revenue Budget Expenditure (£74.28m) by type of expense**



**Chart Six: Funding of 2022/23 Gross Budget of £74.28m**



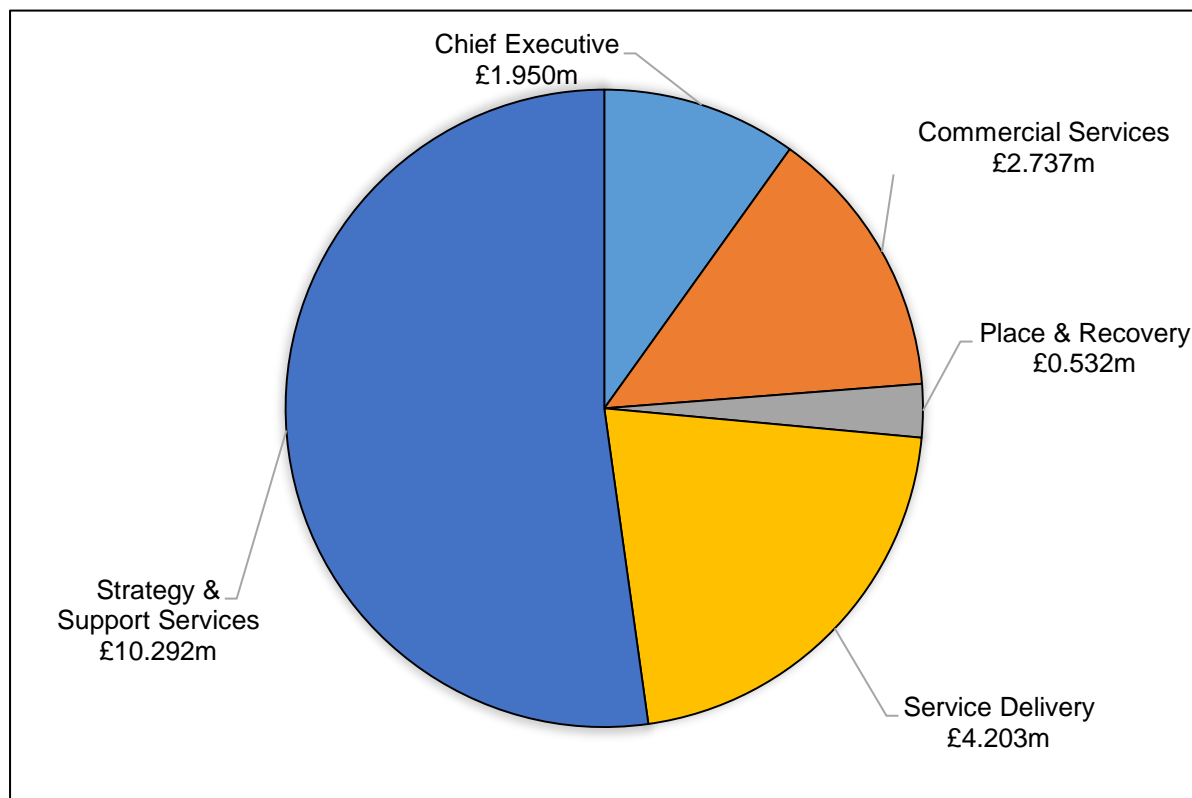
## 2022/23 Net Expenditure Budget

### Net Budget Requirement

52. The Net Budget Requirement for 2022/23 is **£19,714,320** which is an increase of **£2,971,310** over the original budget approved for 2021/22 of **£16,743,010** (a **17.75%** increase).

53. The Net Budget Requirement is the amount of net expenditure that needs to be funded from Council Tax, Business Rates, central government grants, and, if there is a budget gap position, any use of the Council's reserves.
54. The 2022/23 Net Budget Requirement is made up of £74.28m of expenditure and £54.57m of income (the latter comprising fees, charges, rental income, service specific grants and the use of earmarked reserves).

**Chart Seven: 2022/23 Net Revenue Budget (£19.714m) for each Service Area**



55. The rest of this section provides an explanation of the key changes and movements from the 2021/22 approved budget to the 2022/23 proposed budget along with any assumptions made.

**Budget approach taken for 2022/23:**

56. The general approach to budgeting in local government is to use the previous financial year's approved budget as a starting point (the base budget) and to forward forecast from this point (known as incremental budgeting). Some elements of the budget however are reviewed on a zero base budget approach: effectively where the budget is estimated from scratch and not from the base budget, for example SSDC has always estimated its employees budget using a zero based budgeting approach.

**Table Two: Analysis of revenue budget movements proposed from 2021/22 to 2022/23**

Nominal Group	2021/22 Base budget £m	Pay Inflation £m	General Inflation £m	Inescapables £m	Realignment £m	Savings £m	Growth Bids £m	2022/23 Base Budget £m
Employees	17.631	1.483	0.033	0.107	(0.035)	(0.257)	2.536	21.498
Travel	1.002				0.002	(0.044)		0.960
Premises	3.166		0.109	0.228	(0.009)	(0.073)	0.022	3.444
Supplies & Services	6.923		0.014	1.989	0.780	(0.383)	0.134	9.459
Payments to Contractors	34.748		0.003	1.441		(0.011)		36.181
Capital Charges	4.565		0.000	0.005	(1.686)			2.884
Reserves	(0.188)	(0.551)	0.000	(0.354)	(0.649)	(0.013)	(0.488)	(2.242)
Income	(51.104)		(0.098)	0.010	(0.520)	(0.605)	(0.153)	(52.470)
<b>Grand Total</b>	<b>16.743</b>	<b>0.932</b>	<b>0.062</b>	<b>3.427</b>	<b>(2.116)</b>	<b>(1.386)</b>	<b>2.052</b>	<b>19.714</b>

57. This year Finance Specialists have undertaken zero based budgeting and in-depth reviews in many areas of the base budget, along with Budget Managers and Senior Leadership Team, with the result that significant changes have been made in updating budget figures and in amending historical budget positions and assumptions. The movements fall into the following broad categories:

- **Pay and price inflation** – including increases arising from a review of SSDC’s large contracts to ensure budgets meet the contractual inflationary uplifts in the agreements.
- **Inescapables** – Changes to the budget where SSDC effectively has no choice, for example, our share of the Somerset Waste Partnership’s increased costs and our share of LGR implementation costs. The in-depth review of budgets also found that increases to some budgets were needed which had not been fully budgeted for in the past.
- **Realignment** – Moving of budgets within a service area to reflect spend or income trends or moving of budgets from one service area or directorate to another. This category also includes the readjustment of the financing charges budget which has historically been overstated in previous SSDC budgets.
- **Savings** – Budget reductions or additional income identified by budget managers and Senior Leadership Team.
- **Growth Bids** – New requests for additional resources which are required to support and enhance service delivery and the delivery of corporate priorities and increased service demands. These require Full Council approval.

### **Pay Award and National Insurance**

58. **Pay Award:** The 2022/23 proposed budget incorporates a 2% pay increase on all salaries. It should be noted however that the 2021/22 pay award has not yet been agreed to-date. The latest offer from the local government employers was a 2% increase.



59. The 2022/23 budget assumes that the 2% pay offer for 2021/22 is agreed. If the 2021/22 pay increase is significantly different this will impact on the 2022/23 salary budgets.
60. **National Insurance:** The new Health & Social Care Levy, which is being introduced from 6<sup>th</sup> April 2022, through an increase of 1.25% in National Insurance rates, has been incorporated into the 2022/23 proposed budget. The additional budget growth is in the region of £120k.
61. Government expects that this increase will be funded from the one-off Services Grant that was announced as part of the 2022/23 Local Government Finance Settlement.

### **Price Inflation**

62. As part of the 2022/23 budget setting cycle the Finance Specialists reviewed budgets for contracts and realigned the budget to required level to account for the price increase built into the each contract. No inflationary increases were included against individual groups such as supplies and services or premises.
63. However, particular attention was given to the utilities budgets as it is known that energy prices have risen significantly recently. The budgets for these areas have been adjusted and inflated where required.

### **Changes arising from the zero base budget reviews undertaken**

64. It is not proposed to list out all the changes in detail. There have been numerous movements and changes to the base budget arising from the in-depth reviews undertaken. Increased work on budget preparation was considered necessary this year because of LGR and the need to ensure that the 2022/23 budgets for each Council, including SSDC's, were as up-to-date as they could be. The base budget reviews have resulted in budget changes that have been classified as inescapables, realignments and savings. The commentary in the tables below relate only to changes over £100k.
65. Table Three includes the budget movements classified as inescapables. The budget pressures are additional requirements identified which are unavoidable, an example being the Council's contribution to the implementation costs as a result of local government reorganisation in Somerset. The net bottom line increase for this category is £3.427m

**Table Three: Budget movements over £100k classified as inescapable**

Service Area	Description	£
Management Board	SSDC's 2022/23 share of Somerset LGR Implementation Costs	£756,000
Commercial Investments	Unavoidable additional budgets for premises maintenance, insurance, NNDR	£231,120
Waste & Recycling	SSDC's share of the increase in Somerset Waste Partnership's costs	£235,120
Development Management	Consultants, professional fees, legal costs & appeals work	£109,590
Housing & Welfare	Homeless Bed & Breakfast increase in demand	£120,000
Sports Facilities	Legally committed costs for new Leisure contract before management fee income is received by SSDC	£693,150
Digital Services	IT Maintenance & Software costs - increase to reflect actual current spend and commitments (e.g. the number of licence agreements actually held)	£491,840

66. Budget realignments comprise of numerous budgets moving from one service area to another, as an example: the employee budgets for the Chief Finance Officer and Monitoring Officer have been moved to the Chief Executive's budget from the Strategy and Support Services budget.
67. The net bottom-line saving of £2.176m shown for this category in Table Two largely the result of adjusting the financing charges base budget which has been overstated in previous budgets. This is described more fully below in the Financing Charges paragraphs.

**Table Four: Budget movements over £100k classified as savings**

Service Area	Description	£
Management Board	Director of Commercial Services post removed from establishment	(£107,970)
Finance Corporate Costs	Additional income from treasury investments	(£337,540)
	Removal of one year funded additional budget	(£150,000)
Across the council	Increase in various fees & charges income estimates	(£314,480)

### **Budget Growth proposals**

68. The growth being proposed in the revenue budget for 2022/23 totals £2.535m (ignoring funding from reserves). The majority of this is to provide staffing capacity and is described in the report entitled "Ensuring sufficient staffing capacity during 2022/23" which is found on this District Executive's agenda.

69. All the other growth proposals are detailed in Table Five below.

**Table Five: Revenue budget growth requests for 2022/23**

Service Area	Description	£
Revenues & Benefits	S13a Discretionary Discounts budget	£7,000
Community Safety	Enforcement on high-profile Anti-social behaviour and enforcement of Publish Space Protection Orders	£24,000
Procurement, Contract and Risk Management	Additional consultants fees	£5,500
Performance, People & Change	Additional Consultants Fees budget	£15,000
Digital Services	Additional IT Consumables	£3,000
	Additional equipment tools and materials	£15,000
Across the Council	Ensuring sufficient staffing capacity during 2022/23	£2,465,810
<b>Total growth proposals for 2022/23</b>		<b>£2,535,310</b>

### **Financing charges**

70. Historically SSDC's budget included Interest and Minimum Revenue Provision costs in the Commercial Investment budget as a notional internal borrowing charge with the amount charged for interest charges credited to the Treasury Management budget at year-end. There was no budget in the Treasury Management cost centre for this credit so the year-end position always showed "extra" income at the year end. In addition the notional charges to the Commercial Investment Budget were overstated being well above the actual costs incurred on financing charges. This meant that the budget position for financing charges was overstated with the reality of the situation then rectified at year-end in the Statement of Accounts.
71. Whilst SSDC has not lost any income by using this budget methodology it is not very transparent so we have decided to stop internal borrowing and only include realistic corporate financing charges for the year in question. This change in methodology has resulted in a one-off saving of £1.8m in the 2022/23 proposals as compared to the 2021/22 original base budget.

**Table Six: Budgeted financing charges 2021/22 to 2023/24**

	2021/22 Original	2021/22 Revised	2022/23 Proposed	2023/24 Estimate
Interest charges	2,860,830	210,580	1,153,830	1,595,690
Minimum Revenue Provision	1,641,970	1,198,910	1,548,870	1,685,550
<b>Total financing charges</b>	<b>4,502,800</b>	<b>1,409,490</b>	<b>2,702,700</b>	<b>3,281,240</b>

72. The saving masks the fact that financing charges are estimated to increase in real terms over the medium term due to the increase in the amount of borrowing needed to fund the capital programme, rising external interest rates, and an increased need to use external rather than internal borrowing (the latter is more

beneficial in financing terms) because of the Council's December 2021 decision to use its capital earmarked reserves to fund the capital programme which will result in the Council having less cash funds available for internal borrowing. Table Six indicates this position: the 2022/23 financing budget is £1.3m above the 2021/22 revised "corrected" budget position.

73. Using advice from our external Treasury Management advisers Arlingclose interest rates on external borrowing has been assumed at 0.75% in 2022/23 with a further rise in 2023/24 to 1.00%. A recommendation is being made to increase the Treasury Management reserve by £0.350m to provide for any increase in rates to 1% in 2022/23.
74. The Department for Levelling Up, Housing and Communities issued a consultation on the 'changes to the capital framework: Minimum Revenue Provision' in November 2021. If the changes become a legislative requirement the council will need to increase its Capital Financing Requirement in 2023/24 by some £39.7m in respect of outstanding loans to third parties. This would result in an increase in MRP costs charged to the revenue budget of some £483k (given the interest rates currently prevailing).

### **Income from Treasury Management Investments**

75. The Council currently has £23.5m saved in treasury investments, which are classified as strategic long-term investments. The 2022/23 Treasury Management Strategy Statement includes more detail on these investments which can be found in Section Seven of this report.
76. The income budget from treasury investments, which are mainly pooled funds, is estimated at £1m for 2022/23 and the following year.
77. The Council reviews the performance of these investments on a quarterly basis with its treasury advisor (Arlingclose). Part of the role of the treasury advisor is to continually provide updates on the performance of pooled funds and other investments and to advise if the portfolio spread should be changed based on risk and return.

### **Income from commercial investments made purely for yield**

78. HM Treasury has defined "investment primarily for yield" as an investment that has one or more of the following characteristics:
  - Buying land or existing buildings to let out at market rate.
  - Buying land or buildings that were previously operating on a commercial basis which is then continued by the Council without any additional investment or modification.
  - Buying land or buildings other than housing that generate income and are intended to be held indefinitely.
  - Lending to third parties and/or purchase of shares undertaken purely for gain.



79. In light of the revised Prudential Code Full Council agreed in December 2021 that it would no longer invest purely for yield.
80. The Council's commercial strategy approved a budget of £150m for investment in commercial property, the investment as at the end of 2021/22 will be just under £140m. £97m has been invested in commercial property and £43m in the Council's subsidiary, SSDC Opium Power Limited.
81. The table below details the projected position on rental income from commercial property investments for 2021/22, 2022/23 and 2023/24.

**Table Seven: Income from Commercial Property Portfolio**

	<b>Projected 2021/22</b>	<b>Budget 2022/23</b>	<b>Estimate 2023/24</b>
	<b>£</b>		
<b>Gross Rental Income</b>	<b>(£6,463,116)</b>	<b>(£6,695,600)</b>	<b>(£6,352,690)</b>
<b>Less</b> Revenue costs	£10,883	£11,220	£11,480
<b>Less</b> Commercial Team Costs	£335,490	£335,490	£335,490
<b>Net Receipt</b>	<b>(£6,116,743)</b>	<b>(£6,348,890)</b>	<b>(£6,005,720)</b>
Transfer to Commercial Risk Reserve	£137,290		
<b>Net Gain to Revenue</b>	<b>(£5,979,453)</b>	<b>(£6,348,890)</b>	<b>(£6,005,720)</b>

82. The risks associated with the investments are mainly around the non-payment of rent loan repayments. The gross income receivable (in the region of £6.5m) from commercial property is included in the revenue budget and a 5% shortfall of income would cause a budget gap of £0.3m.
83. However, as part of the Commercial Strategy a Commercial Investment Risk Reserve was created with transfers to the reserve being made if the rental income exceeded the budget in a particular year. This reserve therefore mitigates a large element of the risks associated with the commercial property investments and should be sufficient to cover any 'gap' in the commercial investment budget should it arise.
84. An element of the £140m spend has been invested in the Council's subsidiary, SSDC Opium Power Limited. The investment to date is £41.04m with another £1.69m to be spent before the 31 March 2022. The investments are capital loans which have repayment periods of 7 and 25 years.
85. The interest received on the loan repayments is included in the revenue budget to reflect the repayments due from the company. The interest receivable in 2022/23 in respect of the loans is £1.33m which is included in the treasury

management income budget. There are dividends payable from the company in addition to the loan repayments, the dividend payments are not due in 2022/23 so no budget adjustments have been made for this element of commercial investments.

### **Fees and charges**

86. The S151 Officer has delegated authority to agree the fees and charges. No inflationary increase was added to the 2021/22 fees and charges and this has not changed for 2022/23.

### **Use of earmarked reserves and specific grant income**

87. The 2022/23 service expenditure of £74.28m has been funded by:
- Using earmarked reserves to the value of £2.101m.
  - Specific government grant income (including Housing Benefit Subsidy) of £28.015m.
  - Other contributions and miscellaneous government grants income of £1.805m.

## **Funding of the 2022/23 Net Expenditure Budget**

### **Council Tax Income**

88. The Secretary of State has confirmed within the Provisional Settlement that Shire Districts are able to increase Council Tax by the greater of 2% or £5 (on a Band D) in 2022/23 without the need for a referendum. For SSDC the maximum £5 increase equates to a 2.82% increase from £177.11 in 2021/22 to £182.11 in 2022/23.
89. The proposed Band D charge of £182.11 includes £180.26 for SSDC and £1.85 in respect of the Somerset Rivers Authority (SRA).
90. In 2016/17 the Government amended Somerset Council Tax levels to allow each of the Somerset authorities to raise a precept on behalf of the SRA. The Band D charge of £1.85 will raise £112,191 of funding, which will be paid to the SRA.
91. The tax base for 2022/23 is 60,643.62 Band D equivalents, which is a reduction of 509.33 (0.8%) compared to 2021/22. The reduction in the tax base is mainly due to a change in the debt collection rate to more accurately reflect the current position; the collection rate has been reduced from 99% to 97%.
92. The draft budget estimate for Council Tax income for SSDC is  $60,643.62 \times £180.26 = £10,931,619$ , which represents an increase of £213,966 compared to the previous year, see below:

**Table Eight: Proposed Council Tax Income for 2022/23**

Description	£
Council Tax Income Budget 2021/22	10,717,653
Reduction due to change in tax base (Band D equivalents)	(91,812)
Increase due to proposed 2.82% increase in council tax	305,778
<b>Estimated Council Tax Income 2022/23</b>	<b>10,931,619</b>

93. As a billing authority, SSDC has to calculate a basic level of tax based on its own spending plans, to which is added the precepts from Somerset County Council, Devon and Somerset Fire Authority, Avon and Somerset Police Authority and any town/parish council.
94. The Council Tax setting report is a separate report that will go to Full Council for approval on 28<sup>th</sup> February 2022 once preceptors' Council Tax needs are known.

### **Business Rates Retention**

95. Local authorities receive a significant proportion of their funding through the Business Rates Retention (BRR) system. The Council must set its business rates budget estimate by 31 January each year, and the Council has delegated responsibility for this to the Chief Financial Officer because of the considerable time constraints in place.
96. As billing authority, the Council collects business rates income on behalf of itself, Central Government, Somerset County Council and the Fire and Rescue Authority under the Business Rates Retention funding system. The shares for 2022/23 will be Central Government 50%, SSDC 40%, SCC 9% and Fire 1%.
97. The table above shows a breakdown of the SSDC business rates income estimate for 2022/23 that has been included in the proposed budget along with the prior year for comparison.

**Table Nine: 2022/23 Estimated Business rates income**

Description	2021/22 £'000	2022/23 £'000
Standard share of net business rates income (40%)	18,051	16,661
S31 grant compensation for Government-funded reliefs	2,504	4,925
Renewable energy schemes business rates income (100%)	465	451
Tariff payment	(13,864)	(13,864)
Levy cost	(1,332)	(1,627)
<b>Total BRR Funding Estimate</b>	<b>5,825</b>	<b>6,546</b>

98. The standard share of business rates income has reduced in 2022/23 because the Government has introduced some new reliefs for businesses impacted by

the Covid pandemic. These include the Transitional Relief & Supporting Small Business Scheme and the Retail, Hospitality and Leisure Relief. The application of these reliefs to business rate accounts reduces the income received by the Council. In order to mitigate the impact of these reliefs the Government fully compensates the Council with additional income in the form of a S31 grant.

99. The Council is able to retain 100% of any business rates generated from renewable energy schemes. The income is broadly the same year on year: there has been a small reduction in 2022/23 due to the application of Small Business Rate Relief to some of the accounts.
100. The Tariff payment to Government, is set through the Finance Settlement and has remained unchanged year on year.
101. The Government set a Levy calculation to recoup a share of the financial benefit some authorities will see as a result of business rates base increases. The Levy is a proportion of the authority's business rates income over and above the Baseline. As this Council is part of the Somerset Business Rates Pool, the Levy is paid to the Pool Lead authority.
102. The formal decision to remain in the Somerset Business Rates Pool has been delegated to the Chief Finance Officer in consultation with the Finance & Legal Services Executive Portfolio Holder. The Chief Finance Officer confirmed SSDC's intention to remain in the Pool in December 2021.
103. All the authorities within the Somerset Pool must complete their NNDR1 return before the Pool Lead authority can calculate an estimated pooling gain, and at the time of writing, we do not have this information. The Council does not include an estimate of the pooling gain within its revenue budget, but on receipt, any gain is added to the Regeneration Fund reserve.
104. The risks associated with business rates income are around write offs of uncollectible debt and alterations of lists and appeals against rateable values.
105. The level of arrears is monitored on a monthly basis and the Chief Financial Officer in consultation with the Revenues Team have reviewed the current provision and agreed an increase to cover potential write offs. Providing that there is an adequate bad debt provision in place, any write offs will be charged to the provision and will not affect the forecast income.
106. The most challenging risk to business rates income is the uncertainty around alterations of lists and appeals against rateable values. The Valuation Office provide 'Non-domestic rating: challenges and changes, 2017 and 2010 rating lists', which are reviewed on a monthly basis. We have decided to make a modest increase to our appeals provision to protect the authority from this risk.

### **Local Government Finance Settlement**



107. The finance settlement was announced on 8<sup>th</sup> February 2022, the table below provides details of the central government grants received. The 2021/22 original figures are shown as a comparator. There is an increase of £348,160 compared to the 2021/22 funding figures included in the 2021/22 budget.

**Table Ten: 2022/23 Provisional Finance Settlement**

	2021/22	2022/23	Increase
	£	£	£
Service Grant (2022/23 Only)	0	-252,810	-252,810
Rural Services Delivery Grant	-174,500	-174,500	0
Lower Tier Services Grant (new 2021/22)	-156,180	-164,500	-8,320
New Homes Bonus Grant	-1,171,010	-1,510,850	-339,840
<b>Total</b>	<b>-1,501,690</b>	<b>-1,849,850</b>	<b>-348,160</b>

### **Use of general reserves**

108. There is an estimated surplus of £140,249 on the 2022/23 budget, meaning that no general reserves are required to finance the budget. The surplus is proposed to be transferred into the MTFP Support Fund reserve.

### **2023/24 Revenue Estimates**

109. As reported elsewhere in this Budget Report the estimates for 2023/24 are preliminary forecasts and are based on SSDC continuing as a separate authority and delivering the same services as it currently does. This forecast will provide a base input into the development of the new Somerset Council's 2023/24 budget and Medium Term Financial Plan.

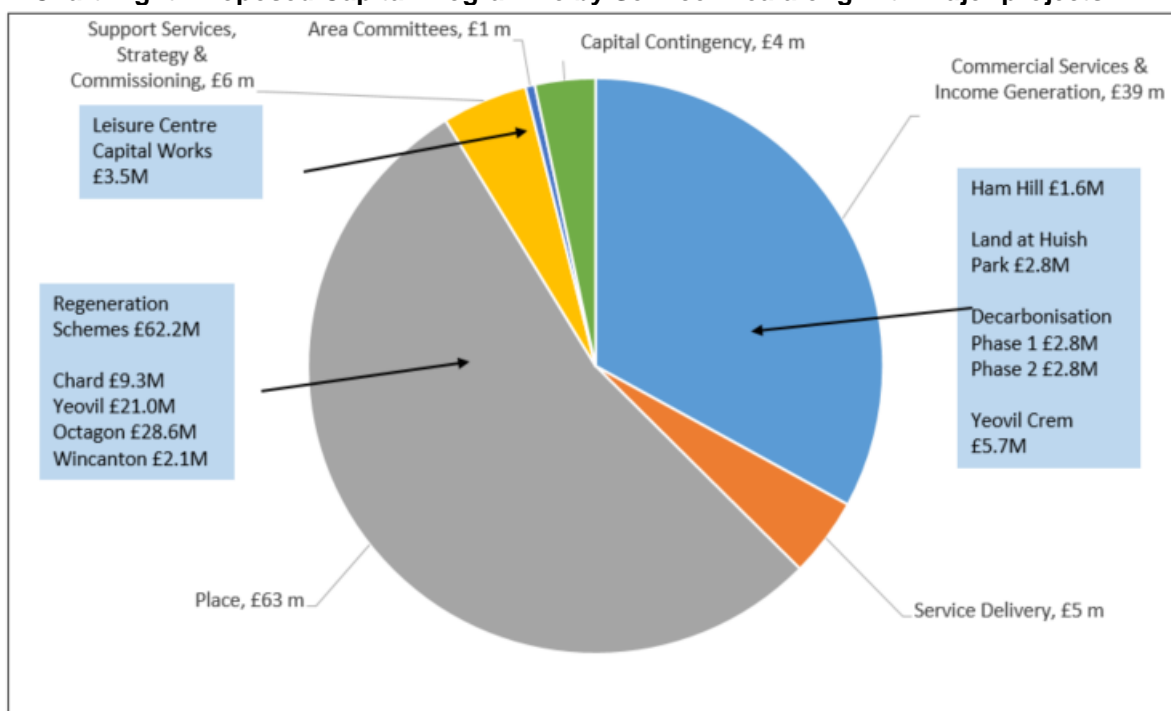
110. The estimates have been based on the following key assumptions:

- A 2% Pay Award and Inflation of 2%.
- Interest rate charges of 1%.
- An increase in the MRP budget arising from likely legislative changes requiring MRP costs to be charged for outstanding loans to third parties.
- An assumption in calculating the financing charges that the capital programme will spend as profiled in the budget.
- The one-off growth in the 2022/23 revenue budget for staffing capacity (of £1.026m) removed from the 2023/24 estimates.
- Loss arising from changes to the local government funding reforms of some £4.4m (loss due to Business Rates baseline reset of £2.3m, loss of New Home Bonus Grant of £1.5m, and loss of other grants received in 2022/23 of £0.6m).

## SECTION FOUR: CAPITAL BUDGET

### Proposed capital programme 2021/22 to 2023/24 and future years

**Chart Eight: Proposed Capital Programme by Service Area along with major projects**



**Table Twelve: Proposed Capital Expenditure Budget 2021/22 to 2025/26**

	2021/22 Revised £'000	2022/23 Proposed £'000	2023/24 Estimate £'000	Future Years £'000	TOTAL £'000
Approved Capital Programme	40,055	34,083	14,081	8,133	96,352
Growth Proposals	-	13,307	4,824	3,390	21,521
<b>TOTAL</b>	<b>40,055</b>	<b>47,390</b>	<b>18,905</b>	<b>11,523</b>	<b>117,873</b>

111. The proposed total capital programme for the years 2021/22 to 2023/24 (and ongoing expenditure until 2025/26) is £117.873m. Details of the capital projects included in the programme and profiled expenditure for each scheme are included in Appendix B.

112. New capital proposals and increased expenditure on existing approved schemes are proposed to the value of £21.521m. These amounts are included in Appendix B in the rows highlighted in blue. Proposals relating to increased expenditure on existing approved schemes have the scheme name highlighted in blue and the year in which the increased budget is needed is also highlighted.

## Capital Expenditure Growth Proposals

113. Capital growth proposals totalling £21.521m for the years 22/23 and beyond are included in the capital programme. The request relating to 2022/23 is £13.307m. This takes the total capital programme from £96.352m to £117.873m, an increase of 22%.
114. The total capital programme includes the recommendations made by District Executive at its meeting on 10th February to make increases to the programme of £782k and reductions totalling £5.156m (see Quarter Three capital budget monitoring report).
115. The growth proposals increase SSDC's indebtedness (Capital Financing Requirement) by £21.476m (an increase of 14.84% on the 2021/22 position) and requires a full year rise in capital financing charges of approximately £1.272m per annum.
116. A summary of the proposed schemes and increases on existing budgets are found in Appendix C. Any specific funding of the expenditure is shown in the Appendix.
117. A number of reports on this District Executive's agenda give details of some of the capital growth requested, namely: Decarbonisation Phase 2 (£2.76m), Yeovil Crematorium (£0.821m), Yeovil Refresh (£1.059m), and the Octagon Redevelopment (£5.558m).
118. Other significant proposals for capital investment include the following:
  - **Ham Hill (£1.624m):** This is a project to improve the country park infrastructure and facilities. The site is currently on Historic England's 'At Risk' register. Total expenditure is estimated to be £1.6m with £1.3m funded by National Lottery heritage grant.
  - **Huish Park (£2.8m):** District Executive at its meeting in December 2020 agreed to purchase the land at Huish Park in Yeovil, including the land occupied by the Yeovil Town Football Club, in order to secure the public amenity provided by the site. The conditions precedent to the District Executive decision continue to be met and the owner of the land is now ready to proceed with the sale.
  - **Capital works on commercial property (£1.648m):** A number of works maybe necessary on our existing commercial property portfolio (investments made purely for yield) depending on the scale of dilapidations needed when tenancy leases expire. Other work is pre-planned improvement to the property. This expenditure on existing investments made for yield is permissible under the revised Prudential Code and is proposed to be fully funded from the Commercial Investment Risk Reserve.
  - **Corporate Capital Contingency Budget (£4m):** The Chief Finance Officer proposes that a capital contingency of £4m is included in the capital budget

to fund the risk of budgets needing to be increased due to the exceptional high inflation currently being experienced in construction. This is on top of the contingency budgets already included in the larger capital budgets (e.g. in the Regeneration Programme budgets). Any request to use this contingency would be submitted to District Executive during the year by the Senior Responsible Officer.

## Funding the capital programme

Table Thirteen: Funding the capital programme

	2021/22 Revised £'000	2022/23 Proposed £'000	2023/24 Estimate £'000	Future Years £'000	TOTAL £'000
<b>Specific Funding:</b>					
Grants & Contributions	7,157	12,853	9,481	4,171	33,662
S106 Developers Contributions	733	329	400	0	1,462
Regeneration Fund (earmarked reserve)	659	1,107	0	0	1,766
Cremator Replacement earmarked reserve	0	549	0	0	549
Other Reserves	550	1,235	975	113	2,873
CIL Funding	0	1,335	0	0	1,335
Loan Repayments (capital receipts) from SSDC Opium Ltd and SWP	2,126	2,099	2,691	3,102	10,018
<i>Subtotal</i>	11,224	19,507	13,547	7,386	51,664
<b>Corporate Funding</b>					
Capital Fund (earmarked reserve)	1,167	1,666	0	0	2,833
Useable Capital Receipts	16,172	1,827	935	0	18,934
Borrowing	11,492	24,390	4,423	4,138	44,442
<i>Subtotal</i>	<b>28,831</b>	<b>27,883</b>	<b>5,358</b>	<b>4,138</b>	<b>66,209</b>
<b>Total Financing</b>	<b>40,055</b>	<b>47,390</b>	<b>18,905</b>	<b>11,524</b>	<b>117,873</b>

119. **Use of reserves:** Full Council at its December 2021 meeting agreed that reserves held for capital funding purposes (for example the Capital Fund, the Useable Capital Receipts Reserve and the Regeneration Fund reserve) should be fully utilised in 2021/22 and 2022/23 to fund SSDC's capital programme and thereby reduce the amount of borrowing required (for the benefit of SSDC and



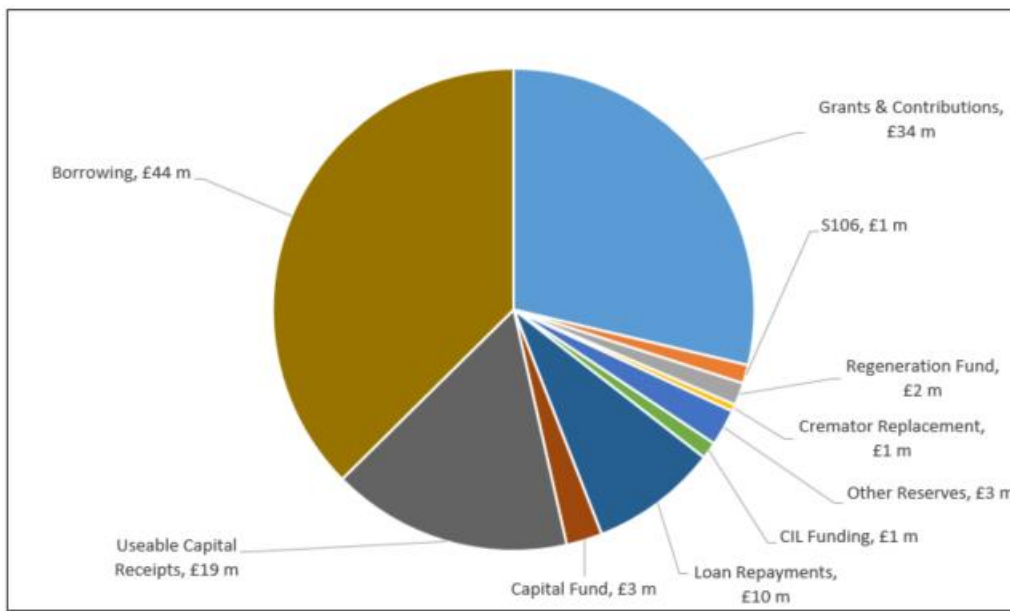
the successor Somerset Council). The funding of the capital programme shown above fully reflects this decision.

120. **Community Infrastructure Levy (CIL):** The Strategic Development Board agreed in early December 2021 to spend current CIL receipts as follows: £194,000 for Chard Leisure Centre Public Access project and £1,141,000 for Yeovil Refresh 'Triangle' project.
121. **Grants and Contributions:** Table Eleven below shows a breakdown of all the anticipated grants and contributions. A report elsewhere on this agenda describes how the grant from the Future High Street Fund, for the Yeovil Refresh public real works may need to be repaid in 2023/24.

**Table Fourteen: Capital grants and contributions**

<b>Scheme</b>	<b>Amount £'000</b>	<b>Description</b>
Ham Hill	1,300	National Lottery Heritage Fund
Decarbonisation of operational buildings	2,800	Government energy grant – Salix Finance
Yeovil Crematorium Refurbishment	103	Yeovil Without Parish Council
Disabled Facilities Grant	2,771	Better Care Fund
Barnabus House	23	Next Steps Accommodation Programme
Chard Regeneration	1,248	Historic England Grant
Yeovil Refresh	14,888	Future High Streets Fund £9.757M Private Sector Contributions £5.131M
Octagon Redevelopment	10,250	DCMS Grant and fundraising
Lyde Road Pedestrian & Cycle Way	150	Government Active Travel Fund
Lyde Road Strategic Cycleway	129	Government Active Travel Fund

**Chart Nine: Funding of the overall Capital Programme**



## SECTION FIVE: RESERVES

122. The Council holds earmarked revenue reserves for a variety of good financial management reasons. Some reserves are for specific expenditure that will occur in the future, some reserves are held to mitigate possible risk, and others are reserves specifically built up over the past to help support the Medium Term Financial Plan. We also hold reserves for each Area Committee.
123. Earmarked reserves are either revenue reserves (which can be used to fund both revenue and capital expenditure) or capital reserves which, unless the Secretary of State gives the council a specific dispensation, can only be used to fund capital expenditure. The capital reserves showing in the table below are primarily comprised of capital receipts.
124. Further detail can be found in Appendix D.

**Table Fifteen: Estimated Reserves Position**

Reserves Summary	Balance as at 01/04/2021	Movement	Balance as at 01/04/2022	Movement	Balance as at 01/04/2023	Movement	Balance as at 31/03/2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Reserves	(9,081)	(4,426)	(13,507)	(1,381)	(14,888)	4,784	(10,104)
Capital Reserves	(18,222)	16,162	(2,060)	1,981	(79)	0	(79)
Revenue Earmarked Reserves	(21,991)	8,918	(13,073)	5,544	(7,529)	1,209	(6,320)
<b>Total Reserves</b>	<b>(49,294)</b>	<b>20,654</b>	<b>(28,640)</b>	<b>6,144</b>	<b>(22,496)</b>	<b>5,993</b>	<b>(16,503)</b>

125. The Council held £49.294m in capital and revenue reserves as at the beginning of the financial year, 2021/22. In December 2021 Full Council agreed to use its capital reserves (and some revenue reserves that had been set aside to fund capital expenditure) to fund the capital programme and thereby reduce the council's borrowing needs. In addition Full Council agreed to delete some small reserves and move the NNDR volatility reserve into the MTFP Support Fund reserve. The latter and the General Fund Balance have been described as corporate reserves in the table above.
126. The Budget Report recommends movements in the reserves during 2022/23 as follows. This is estimated to leave £22.496 in reserves at the end the year.
- Use of £6.144m of earmarked reserves during 2022/23 to fund the revenue budget and the capital programme.
  - Increase the LGR Reserve by £1m to fund potential staffing capacity gaps during 2022/23.
  - Increase the Treasury Management Reserve by £0.350m to fund an increase in interest rates in 2022/23 should they rise above the rates assumed in this Budget Report.

- Create a reserve in 2023/24 of £4.8m for the Yeovil Refresh capital project should there be a requirement in that year to pay back the money received to-date from the Future High Streets Fund (FHSF).
- Transfer £2m from the Commercial Investments Risk Reserve to the MTFP Support Fund reserve to assist the 2023/24 position of the new Council to fund potentially adverse local government finance reforms and the handing back of FHSF grant if required.



## SECTION SIX: CHIEF FINANCE OFFICER'S STATEMENT

### Statutory requirements

127. Section 25 of the Local Government Act 2003 places specific responsibilities on the Chief Finance Officer (S 151 Officer) to report on the robustness of the budget and the adequacy of proposed financial reserves when the council is considering its budget requirement. The council is required to have regard to this statement when it sets the budget. This statement includes a consideration of the key potential risks of the budget proposals.

### Robustness of Reserves

128. Budget estimates are exactly that – estimates of spending and income made at a point in time and which will change as circumstances change. This statement about the robustness of estimates cannot give a 100% guarantee about the budget but gives Members reasonable assurance on whether the budget has been based on the best information and assumptions available at the time.
129. **Revenue Budget:** In relation to the 2022/23 General Fund Revenue budget: a considerable amount of extra work this year has been undertaken both by the Finance Specialists and by Budget/Service Managers in reviewing the base budget and in undertaking zero based budget reviews. The outcomes from this work have also been critically reviewed on several occasions by the Senior Leadership Team. The additional work was undertaken not only to follow good financial management principles but also in preparation for LGR – where an accurate robust estimate of all five councils' budgets will be required to provide an initial consolidated base budget position. This work at SSDC has resulted in a number of historic budget assumptions and estimates being thoroughly revised and adjusted to reflect up-to-date estimates.
130. I am therefore satisfied that the proposed revenue budget estimates are robust.
131. **Capital Budget:** As with the revenue budget a lot of work has been undertaken since April 2021 in reviewing the capital programme budget estimates. In particular, the Director of Place and Recovery and Chief Financial Officer have undertaken deep dive reviews of the Regeneration Programme budgets - including the financing assumptions made in the original Business Cases – which have resulted in more realistic estimates being agreed by Council and an enhanced transparent way of reporting these projects to District Executive (for example including the total budget and not just the “net” figure that SSDC is expected to finance). Given the significant financial sums (and risks) of this programme a specific resource, the interim Regeneration Project Accountant, has been employed to continue to critically review and provide financial advice on these projects.
132. The rest of the capital programme has also been reviewed in depth both in order to propose 2021/22 Revised Estimates for the capital programme at Full

Council in December 2021 and also to make the capital budget proposals for 2022/23.

133. Despite all of these reviews caution needs to be applied to the capital estimates at this time given the significant inflationary pressures we are currently experiencing when going out to tender for the capital works required. It is recommended that a £4m corporate capital contingency is approved in the 2022/23 budget to help mitigate this inflationary risk.
134. Whilst I am comfortable in giving assurance to Full Council that the majority of the capital estimates are robust, dependent on the corporate capital contingency budget proposal being agreed by Full Council, what is less certain, based on historic performance, is the actual phasing of expenditure. Also I am unable to give full assurance on two particular projects, namely:
- **Octagon Theatre Refurbishment:** whilst the estimates shown in the budget report are based on costing undertaken in the last two months and are therefore up-to-date – these costs are at RIBA Stage Two and are not yet based on final detailed designs (RIBA Stage Three). There is the potential therefore that these could change prior to the Final Business Case being approved in November 2022.
  - **Yeovil Refresh:** The capital expenditure budget for this programme shown in this report includes estimates for the development of two key sites (Cattle Market and Glovers Walk) that may not be taken forward. A full update report will be taken to District Executive later this calendar year once proposals are firmer. If it should be the case that these projects do not proceed then the capital budget is overstated by £9.023mm. In addition the Yeovil Refresh report on this District Executive's agenda has described the risks of new Somerset Council having to potentially hand back Future High Street Funding Grant in 2023/24 of £4.8m. These budget proposals recommend that a new reserve is created to fund this risk should it arise.
135. In summary I can give partial but not complete assurance over the robustness of the capital budget estimates given the inflationary pressures currently existing in the construction industry, which are not in SSDC's control, and given the quantum of the budget for the two particular projects highlighted above.
136. In addition I am concerned that the council may not have the capacity to deliver this capital programme, particularly given the LGR work required. We still don't know the full extent of the work required for LGR, which may reduce capacity across the organisation and impact on the capital program. To try and mitigate any impact we are proposing that the LGR Reserve is increased by £1m to provide extra capacity if it is required.

## **Adequacy of Reserves**

137. In giving an assurance on the adequacy of reserves a S151 Officer would usually take a medium term view over whether there was sufficient reserves over the next three to five years based on the organisation's revenue and

capital medium term expenditure plans and an understanding of the amount of grants and resources likely to be available from the local government finance settlement. However given that SSDC is in its last year of existence, that the local government finance settlement is also for one year only, and the future medium term spending plans of the new Somerset Council have not yet been agreed, then my assurance on the adequacy of SSDC's reserves position can only be assessed using a very short time scale. I am able therefore to give assurance to Full Council that the reserves are adequate for the 2022/23 financial year.

## Financial Risks

138. The following table sets out the key financial risks in 2022/23 for SSDC and the mitigations and/or management of these risks.

**Table Sixteen: Assessment of key financial risks**

RISK	DESCRIPTION AND ANY MITIGATION
<b>Staffing capacity</b>	<p><b>Risk:</b> There is the possibility that SSDC may lose staff during 2022/23. There is also additional work load arising from LGR implementation. There is a risk therefore that there may not be sufficient capacity to maintain service delivery, deliver the corporate annual action plan, as well as LGR implementation.</p> <p><b>Mitigation:</b> On-going proactive management of staffing resources. Increase LGR Reserve by £1m to fund any additional capacity requirements over those proposed in these budget proposals.</p>
<b>Interest Rates</b>	<p><b>Risk:</b> Whilst interest rates remain low at 0.5% there is now an expectation that they will rise to at least 1% over the next two financial years to help curb rising inflation rates. SSDC has a high Capital Financing Requirement (indebtedness) and currently borrows on a short term basis through peer-to-peer lending, which is cheap and also does not fetter the flexibility of the new Somerset Council to manage its future borrowing needs.</p> <p><b>Mitigation:</b> Regular meetings with our external Treasury Management advisers are held to inform us of the potential risks and any need for action. A 0.75% interest rate is assumed in the 2022/23 budget estimates. The CFO is proposing an increase of £0.350m in the Treasury Management Reserve to fund any rise of interest rates to 1% in 2022/23. Discussions will be held with the S151 officers in the other Somerset councils on whether some long term borrowing should be acquired in order to fix interest rates for some of the borrowing needed.</p>

RISK	DESCRIPTION AND ANY MITIGATION
<b>Pay Award</b>	<p><b>Risk:</b> The 2021/22 pay award for local government services employees remains unresolved as the unions have rejected the employer's offer. Negotiations on the pay award for 2022-23 do not form part of this year's dispute and will be considered separately once the pay award for 1 April 2021 has been finalised. There is a risk that the pay award maybe above the amounts estimated in these budget proposals.</p> <p><b>Mitigation:</b> SSDC holds sufficient reserves to fund any increase for this year and next.</p>
<b>Price Inflation</b>	<p><b>Risk:</b> General inflation is expected to peak at 7% in the first quarter of the 2022/23 financial year whilst inflation on fuel, gas and electricity is even higher (for example inflation on gas prices was some 28% in December 2021). Construction inflation is currently running at 20% to 40%.</p> <p><b>Mitigation:</b> The risk is most acute for the delivery of the capital programme. Whilst agreed budgets for the council's major projects already have a contingency amount within the approved budget the CFO is proposing the creation of a corporate capital contingency of £4m to help mitigate this risk.</p>
<b>Business Rates, Income</b>	<p><b>Risk:</b> The funding from business rates is based on the accurate calculation of the NNDR1 form. There is volatility in the estimates due to various factors, such as anticipated discretionary and mandatory reliefs, growth in the rateable value, bad debts, and volume of appeals. All of these factors can affect the surplus or deficit position on the collection fund that will affect the next financial year's revenue budget.</p> <p><b>Mitigation:</b> The Collection Fund estimates have been produced using recommended guidance from CIPFA (Chartered Institute of Public Finance &amp; Accountancy), and a review of the figures has been undertaken by LG Futures, an external consultancy firm.</p>
<b>Covid-19</b>	<p><b>Risk:</b> The pandemic could continue in 2022/23 and in future years in a way that requires further responses which impacts on the Councils service provision and/or financial standing.</p> <p><b>Mitigation:</b> In this instance, as we have seen during the past two financial years, we would be expecting the Government to be stepping in to support the entire sector if the impacts were high.</p>



## SECTION SEVEN: TREASURY MANAGEMENT STRATEGY

### Introduction

139. Treasury management is the management of the Council's cash flows, borrowing and investments and the associated risks. The Council has borrowed and invested substantial sums of money and is, therefore, exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are, therefore, central to the Council's prudent financial management.
140. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
141. Investments held for service purposes and for commercial income generation (investments undertaken purely for yield) are also considered in this section of the Budget Report.
142. All the indicators required to be published under CIPFA's (Chartered Institute of Public Finance & Accountancy) and DLUHC (Department for Levelling Up, Housing & Communities) Investment Code are found in Appendix E.

### Overall Position to-date and medium term forecast

143. On 31st December 2021, the Council had external borrowing of £121m and £31m of treasury investments. These balances are summarised below.

**Table Seventeen: Existing Debt and Investment Position**

	01/04/2021 Balance £'000	31/12/2021 Balance £'000
External Borrowing:		
Local Authorities	(98,000)	(121,000)
<b>Total External Borrowing</b>	<b>(98,000)</b>	<b>(121,000)</b>
Treasury Investments:		
Covered Bonds (secured)	1,000	0
Term Deposits (Other LA's and Banks)	0	0
Money Market Funds & Business Reserve	0	7,500
Property and Pooled funds	23,500	23,500

<b>Total Treasury Investments</b>	24,500	31,000
<b>Net Debt(-)/Investment</b>	<b>(73,500)</b>	<b>(90,000)</b>

144. Forecast changes in these sums are shown in the balance sheet analysis in the table below.

**Table Eighteen: Balance Sheet Summary and Forecast**

	2020/21 Actual £'000	2021/22 Projection £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Capital Financing Requirement	133,985	144,761	166,238	169,068	171,534
Less: External Borrowing	(98,000)	(122,000)	(145,976)	(150,807)	(155,273)
Less: Other Debt Liabilities (Leases)	(20)	0	0	0	0
<b>Internal Borrowing</b>	<b>35,965</b>	<b>22,761</b>	<b>20,261</b>	<b>18,261</b>	<b>16,261</b>
Less: Usable Reserves	(69,437)	(42,777)	(27,213)	(21,555)	(17,146)
Less: Working Capital Surplus (-) / Deficit	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)
<b>Treasury Investments / New Borrowing (-)</b>	<b>(36,273)</b>	<b>(22,816)</b>	<b>(9,751)</b>	<b>(6,093)</b>	<b>(3,685)</b>

## Borrowing Strategy

145. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investments. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
146. The Council has an increasing CFR due to the planned spending within the capital programme including significant expenditure on regeneration schemes. The trend of increased expenditure indicates it will be required to borrow up to £160m over the forecast period.
147. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. The table 3 included in Appendix E includes information on the Council's total debt position and demonstrates that the projected level of outstanding debt is lower than the CFR for the period.
148. The Council currently holds £121m of loans (as at 31 December 2021), compared to £98m on 1 April 2021, as part of its strategy for funding previous

years' capital programmes. The balance sheet forecast in table eighteen shows that the Council expects to borrow up to £146m in 2022/23. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the proposed authorised limit for borrowing of £195m as set out in Appendix E.

149. The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective. In addition, given that a new unitary authority will come into being on 1st April 2023 there is need to not undertake longer term loan agreements, unless required, in order to give maximum flexibility to the new council to best manage the consolidated Capital Financing Requirement of the five councils.
150. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short term to either use internal resources, or to borrow short term loans instead. By doing so, the Council is able to reduce net borrowing costs (despite foregoing investment income) and reduce overall treasury risk.
151. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
152. Discussions will also be held with the other S151 Officers within Somerset to assess on a combined basis whether it is beneficial that the council/s borrow additional sums in 2022/23 at long-term fixed rates.
153. Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period (although forward loan interest rates will usually factor in an allowance for interest rate risk during the intervening period).
154. Additionally, the Council may borrow further short term loans to cover unplanned cash flow shortages.
155. The approved sources of long-term and short-term borrowing are:
  - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
  - Any institution approved for investments (see below)
  - Any other bank or building society authorised to operate in the UK
  - Any other UK public sector body
  - UK public and private pension funds (except Somerset County Pension

- Fund)
    - Capital market bond investors
    - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
156. Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- Leasing
  - Hire purchase
  - Private finance initiative
  - Sale and leaseback
157. Debt rescheduling: The HM Treasury's PWLB lending facility allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

## **Treasury Investment Strategy**

158. The Council invests funds that it holds for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
  - to support local public services by lending to or buying shares in other organisations (service investments), and
  - to earn investment income (known as commercial investments where this is the main purpose).
159. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018.

## **Treasury Management Investments**

160. The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and Central Government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to fluctuate between £30m and £60m during the 2022/23 financial year.



161. The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.
162. The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
163. Given the increasing risk and very low returns from short-term unsecured bank investments, the Council has diversified into more secure and/or higher yielding asset classes during 2020/21 and 2021/22. The Council has increased its strategic (long-term) investments from £23.25m at the start of the financial year to £23.50m and it is estimated to remain at this level as at the end of 2021/22. We do not plan to make any new strategic investments but will continue to review the portfolio with Arlingclose and will make any necessary investments based on risk and return.
164. The Council will continue to monitor the risk and returns on its strategic (long-term) investments and will work closely with its treasury advisors ensuring that strategic investments continue to be an appropriate option for the Council.
165. A proportion of the Council's surplus cash is currently invested in short-term unsecured bank deposits, money market funds and other local authorities.
166. Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's 'business model' for managing them. The Council aims to achieve value for money from its internally managed treasury investments by a business model of collecting the contractual cash flows and, therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
167. **Approved Counterparties:** The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

**Table Nineteen: Approved investment counterparties and limits**

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£3 m 5 years	£6 m 20 years	£6 m 50 years	£3 m 20 years	£3 m 20 years
AA+	£3 m	£6 m	£6 m	£3 m	£3 m

	5 years	10 years	25 years	10 years	10 years
AA	£3 m 4 years	£6 m 5 years	£6 m 15 years	£3 m 5 years	£3 m 10 years
AA-	£3 m 3 years	£6 m 4 years	£6 m 10 years	£3 m 4 years	£3 m 10 years
A+	£3 m 2 years	£6 m 3 years	£3 m 5 years	£3 m 3 years	£3 m 5 years
A	£3 m 13 months	£6 m 2 years	£3 m 5 years	£3m 2 years	£3 m 5 years
A-	£3 m 6 months	£6 m 13 months	£3 m 5 years	£3 m 13 months	£3 m 5 years
None	n/a	n/a	£6 m 25 years*	n/a	£3 m 5 years
<b>Money market funds, Strategic pooled funds and real estate investment trusts</b>		£10m (nominal value) per fund or trust			

166. **Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
167. **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
168. **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
169. **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £2m per company as part of a diversified pool in order to spread the risk widely.
170. **Registered providers (unsecured):** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These

bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

171. **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
172. **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
173. **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.
174. **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £200,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.
175. **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
  - no new investments will be made
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

176. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
177. **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
178. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.
179. **Investment Limits:** The Council’s revenue reserves available to cover investment losses are forecast to be £3m on 31 March 2022. In order that no more than 20% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

**Table Twenty: Investment limits**

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£20m per group



Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee account	£30m per broker
Foreign countries	£12m per country
Registered providers and registered social landlords	£8m in total
Unsecured investments with building societies	£8m in total
Loans to unrated corporates	£4m in total
Money market funds	£20m in total
Real estate investment trusts	£10m in total

180. **Liquidity management:** The Council uses an in-house spreadsheet based cash flow forecasting model to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

181. The Council will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## Service Investments – Loans

182. The Council lends money to local businesses, local charities, other local authority partnerships, and local residents to support local public services and priorities, and stimulate local economic growth. Currently the Council has loans invested with:

- Hinton St George Shop
- Somerset Waste Partnership – for waste vehicles, with added benefit of keeping waste contract costs down

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to minimise this risk and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

**Table Twenty One: Loans for Service Purposes**

Category of Borrower	Actual as at 31/03/2021			2022/23 Approved Limit £k
	Balance Owing £k	Loss Allowance £k	Net Figure in Accounts £k	
Local Businesses	140	0	140	200
Local Authorities	4,363	0	4,363	7,500
Community (small) Loans	0	0	0	1,000
Employees	12	0	12	100
<b>Total</b>	<b>4,515</b>	<b>0</b>	<b>4,515</b>	<b>8,800</b>

183. Accounting standards require the Council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Councils statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
184. No loss allowance is set aside for the current loans made for service purposes. In the case of the loan to the local business and the loan to the joint operation, the Council has a charge over the asset. The asset values are currently higher than the value of the balance owing on the respective loans, therefore no loss allowance is currently required. Assets are revalued in line with the accounting policies and the loss allowance will be revised if asset value reduces to a level below the balance outstanding on the loan.
185. The Council assesses the risk of loss before entering into and whilst holding service loans by working up a robust business case and applying due diligence to all requests for service loans, and proportionate monitoring of credit risk of borrowers. For example, with loans to key businesses the Council's finance specialist team (qualified accountants) will review financial statements and service officers will maintain communication with the borrower in order that emerging risks are identified promptly. The Council will use credit rating information where available, and will use external specialist advisors if appropriate.

#### **Service Investments – Shares**

186. The Council does not currently hold any direct investment in the shares of subsidiaries, its suppliers or local businesses.

#### **Commercial Investments – Property**

187. The Council has invested in a diverse investment property portfolio both locally and nationally with the intention of generating surplus income that will be spent on local public services delivered within the district. This was in response to significant reductions in government funding over recent years and in order to meet service delivery objectives and the place making role of the Council.

188. The Council agreed at its meeting on 16th December 2021 to no longer make such investments due to changes in the revised Prudential Code that no longer allowed such investments to be undertaken.
189. The total value of property acquired for investment purposes as at 31 December 2021 is £99.251m. The current value in the accounts in respect of these purchases is not known at the stage as the gains and losses on properties are undertaken as part of the closure of accounts.
190. In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. The Council also recognises that asset values may increase and decrease over time due to market volatility, and takes a long term perspective with the assumption that capital values are likely to hold or grow over the life of the asset.
- **Where value in accounts is at or above purchase cost:** A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2021/22 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- Or
- **Where value in accounts is below purchase cost:** The fair value of the Council's investment property portfolio is no longer sufficient to provide security against loss, and the Council is therefore taking mitigating actions to protect the capital invested. These actions include: planning to hold the assets for the long term; maintaining assets to appropriate quality; mitigating risk of realised losses through maintaining adequate funds in an Investment Risk Reserve, and reducing capital borrowing through its MRP policy.
191. The Council assesses the risk of loss whilst holding property investments by undertaking appropriate due diligence including full valuation surveys and operating an asset management plan. The Council also considers strength of local market conditions to give confidence on future re-letting and also considers possible alternative uses if appropriate, and actively monitors the portfolio to ensure tenant obligations for maintaining assets are fulfilled.
192. Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council actively manages cash flow through its treasury management arrangements and plans to under-borrow against its CFR so that it can temporarily borrow at short notice if required.

193. The Council's asset disposal policy includes the approved process for asset disposal and performance indicators (property management indicators) which provide the information on the performance of each property. The performance indicators provide information on assets which are not yielding the level of return required.
194. The Council uses industry standard software, to track the performance of its investment portfolio. The software is capable of monitoring running yields asset by asset and across the portfolio, and adopting multiple scenarios. By continually reviewing the market, the tenant covenant and unexpired lease term of each property, the Council is able to find the optimum time to dispose of assets.

### Other Categories of Investment

*Table Twenty Two: Other Investments*

Category of Borrower	Actual as at 31/03/2021			2022/23 Approved Limit £k
	Balance Owing £k	Loss Allowance £k	Net Figure in Accounts £k	
Joint Operations	31,600	0	31,600	35,000
<b>Total</b>	<b>31,600</b>	<b>0</b>	<b>31,600</b>	<b>35,000</b>

195. **Special Purpose Vehicles** - The Council has setup a special purpose vehicle (SSDC Opium Power Ltd) which has successfully delivered a renewable energy project, a second project is nearing completion and a third project is in the early stages of development. The Council's is continuing its journey into ownership and development of renewable energy which will provide essential support to the National Grid for balancing power demand and storing renewable energy. The company is 50:50 owned between the Council and Opium Power Limited, with the Council providing a secured term loan facility to the SPV. A repayment schedule for both projects has been agreed with the SPV as part of the loan conditions.

### Proportionality

196. The table below shows the extent to which the expenditure planned to meet the service delivery objectives and place making role of the Council is dependent on achieving the expected net income from investments over the lifecycle of the Medium Term Financial Plan.
197. Should it fail to achieve the expected net income, the Council's contingency plans for continuing to provide these services including holding adequate funds in an earmarked Investment Risk Reserve as well as carrying adequate General Reserves. Budget estimates are also set using prudent assumptions about net income from the portfolio.



**Table Twenty Three: Proportionality of Investments**

	2020/21 Actual £'000	2021/22 Projection £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Gross Service Expenditure	81,003	66,988	74,279	69,807	72,618
Investment Income:					
Treasury Investments	3,958	1,973	2,486	2,906	2,587
Commercial Investments	5,744	8,213	7,410	5,732	5,385
<b>Total Investment Income</b>	<b>9,702</b>	<b>10,186</b>	<b>9,896</b>	<b>8,638</b>	<b>7,972</b>
<b>Proportion %</b>	<b>11.98%</b>	<b>15.21%</b>	<b>13.32%</b>	<b>12.37%</b>	<b>10.98%</b>

198. Investment income shown in the above table is the gross income included in the budget estimates, disregarding asset management and capital financing costs.

### **Borrowing In Advance of Need**

199. Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Up to December 2021, the Council has chosen not to follow this guidance and borrowed for this purpose to generate income to lessen the impact of reductions in grant funding from Government.

200. On the 16 December 2021, Council agreed not to undertake any new commercial investments in order to be compliant with the revised prudential code.

### **Related Matters**

201. **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

202. The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

203. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit

rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

204. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
205. **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the S151 Officer believes this to be the most appropriate status.

### Financial Implications

206. The budget for investment income and debt interest in 2022/23 is summarised as follows:

*Table Twenty Four: Interest Income and Costs Budget Estimates*

	2022/23 Investment Income £'000	2022/23 Average Interest Rate %	2022/23 Interest Costs £'000	2022/23 Average Interest Rate %	2022/23 Net Income or Costs £'000
<b>Total</b>	(2,486)	2.00%	1,197	1.00%	(1,289)

207. If actual levels of investments and borrowing, or actual interest rates differ from those forecast, performance against budget will be correspondingly different. Significant variances will be identified in budget monitoring reports to the Senior Leadership Team and the District Executive.

### Other Options Considered

208. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer, having consulted the Portfolio Holder for Finance believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

**Table Twenty Four: Other options considered**

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## Appendix A - 2022/23 Service Budgets

### CHIEF EXECUTIVE

Service with Elements	21/22 Original Budget	Pay Inflation	General Inflation	Inescapables	Realignment	Savings	Growth Bids	22/23 Original Budget
	£	£	£	£		£	£	£
MANAGEMENT BOARD	£629,100	£14,080	£0	£756,000	£277,620	(£107,970)	£380,750	£1,949,580
<b>TOTAL CHIEF EXECUTIVE</b>	<b>£629,100</b>	<b>£14,080</b>	<b>£0</b>	<b>£756,000</b>	<b>£277,620</b>	<b>(£107,970)</b>	<b>£380,750</b>	<b>£1,949,580</b>

### COMMERCIAL SERVICES & INCOME GENERATION

Service with Elements	21/22 Original Budget	Pay Inflation	General Inflation	Inescapables	Realignment	Savings	Growth Bids	22/23 Original Budget
	£	£	£	£		£	£	£
STREETSCENE	£1,810,340	£115,670	£5,330	£0	£0	(£35,210)	£59,170	£1,955,300
WASTE & RECYCLING	£4,973,580	£0	£0	£235,120	£0	£0	£0	£5,208,700
OCTAGON	£778,770	£85,820	£3,000	£0	(£392,260)	(£63,860)	£0	£411,470
WESTLANDS	£445,010	£28,800	£3,300	£6,300	(£197,830)	(£33,950)	£0	£251,630
COUNTRYSIDE	£344,740	£51,870	£300	£55,030	£0	(£67,260)	£0	£384,680
YEOVIL RECREATION CENTRE	£185,590	£47,060	£6,400	£0	£0	(£11,740)	(£55,970)	£171,340
TOURISM AND HERITAGE	£199,030	£900	£0	£0	£0	(£8,260)	£0	£191,670
INCOME & OPPORTUNITIES DEVELOPMENT	(£115,270)	£9,930	£0	£89,420	£0	(£33,200)	£0	(£49,120)
BIRCHFIELD	£64,290	£0	£0	£0	£0	£0	£0	£64,290
PROPERTY, LAND & DEVELOPMENT - CASE OFFICERS	£292,260	£12,500	£0	£0	(£39,950)	£0	£0	£264,810
LAND DRAINAGE	£72,000	£0	£0	£0	£0	£0	£0	£72,000
OPERATIONAL PROPERTIES	£674,010	£680	£0	£91,610	£0	(£64,170)	£0	£702,130
COMMERCIAL PROPERTY	(£126,990)	£0	£0	£9,780	£0	£0	£0	(£117,210)
PROPERTY, LAND & DEVELOPMENT - SPECIALISTS	£144,280	£10,210	£0	£0	£39,950	£0	£15,790	£210,230
COMMERCIAL INVESTMENTS	(£2,417,630)	£12,570	£0	£231,120	(£4,104,110)	£0	£0	(£6,278,050)
CAR PARKING	(£722,700)	£2,520	£0	£56,180	(£3,340)	(£50,090)	£0	(£717,430)
ENGINEERING & PROPERTY SERVICES	£5,260	£0	£0	£0	£0	£0	£0	£5,260
<b>TOTAL COMMERCIAL SERVICES &amp; INCOME GENERATION</b>	<b>£6,606,570</b>	<b>£378,530</b>	<b>£18,330</b>	<b>£774,560</b>	<b>(£4,697,540)</b>	<b>(£367,740)</b>	<b>£18,990</b>	<b>£2,731,700</b>

### SERVICE DELIVERY

Service with Elements	21/22 Original Budget	Pay Inflation	General Inflation	Inescapables	Realignment	Savings	Growth Bids	22/23 Original Budget
	£	£	£	£		£	£	£
CUSTOMER CONNECT	£685,240	£9,490	£0	£0	£0	(£14,000)	£93,390	£774,120
CASE TEAM	£1,672,330	£224,150	£0	£38,780	£0	(£25,000)	£32,720	£1,942,980
SERVICE DELIVERY - LEAD SPECIALISTS	£253,670	£15,160	£0	£0	£64,760	£0	£0	£333,590
SERVICE DELIVERY - MANAGERS	£255,370	£6,400	£0	£0	(£125,010)	£0	£0	£136,760
AREA EAST	£32,690	£0	£0	£0	£0	£0	£0	£32,690
AREA NORTH	£15,960	£0	£0	£0	£0	£0	£0	£15,960
AREA SOUTH	£61,990	£0	£0	£0	£0	£0	£0	£61,990
AREA WEST	£27,410	£0	£0	£0	£0	£0	£0	£27,410
LOCALITY TEAM	£568,580	£10,790	£0	£0	£0	£0	£0	£579,370
PEST CONTROL	£1,980	£0	£0	£10,250	£0	(£1,130)	£0	£11,100
PLAY, HEALTH & WELLBEING	£72,640	£0	£0	£4,510	£0	(£7,070)	£0	£70,080



Service with Elements	21/22 Original Budget	Pay Inflation	General Inflation	Inescapables	Realignment	Savings	Growth Bids	22/23 Original Budget
	£	£	£	£		£	£	£
ENFORCEMENT & COMPLIANCE	£51,360	£3,820	£0	£0	£0	£0	£0	£55,180
REVENUES & BENEFITS	£6,280	£11,260	£760	£2,220	(£118,310)	(£10,510)	£7,000	(£101,300)
HOUSING BENEFIT SUBSIDY	(£570,960)	£0	£0	£0	£0	(£22,800)	£0	(£593,760)
HOUSING STANDARDS	£21,560	£4,350	£0	£0	(£450)	(£23,110)	£0	£2,350
ENVIRONMENTAL HEALTH & COMMUNITY PROTECTION	£348,190	£24,420	£0	£0	(£8,630)	(£13,910)	£0	£350,070
HOUSING	£642,100	£94,930	£0	£153,840	(£97,230)	(£92,190)	£0	£701,450
LICENSING	(£209,640)	£6,840	£0	£18,430	£0	(£110)	£0	(£184,480)
CARELINE	(£213,930)	£0	£0	£0	£0	£280	£0	(£213,650)
ENFORCEMENT	£53,440	£0	£1,780	£0	£0	(£4,090)	£0	£51,130
LAND CHARGES	(£388,020)	£0	£0	£0	(£380)	(£820)	£0	(£389,220)
RIGHTS OF WAY	£2,810	£0	£0	£0	£0	£0	£0	£2,810
BUILDING CONTROL	(£102,450)	£21,020	£0	£4,100	£0	£0	£335,590	£258,260
DEVELOPMENT MANAGEMENT	(£700,410)	£23,740	£0	£109,590	(£250)	(£8,040)	£849,610	£274,240
STREET NAMING AND NUMBERING	(£16,970)	£0	£0	£0	£0	(£5,820)	£0	(£22,790)
COMMUNITY SAFETY	£3,000	£0	£0	£0	£0	£0	£24,000	£27,000
<b>TOTAL DIRECTOR OF SERVICE DELIVERY</b>	<b>£2,574,220</b>	<b>£456,370</b>	<b>£2,540</b>	<b>£341,720</b>	<b>(£285,500)</b>	<b>(£228,320)</b>	<b>£1,342,310</b>	<b>£4,203,340</b>

Service with Elements	21/22 Original Budget	Pay Inflation	General Inflation	Inescapables	Realignment	Savings	Growth Bids	22/23 Original Budget
	£	£	£	£		£	£	£
<b>PLACE &amp; RECOVERY</b>								
Service with Elements	21/22 Original Budget	Pay Inflation	General Inflation	Inescapables	Realignment	Savings	Growth Bids	22/23 Original Budget
	£	£	£	£		£	£	£
ECONOMIC DEVELOPMENT	£141,560	£64,600	£200	£10,910	£28,550	(£3,000)	£0	£242,820
REGENERATION	£0	£0	£0	£0	£0	£0	£0	£0
VOLUNTARY, COMMUNITY & SOCIAL ENTERPRISE	£277,970	£2,170	£0	£9,240	£0	£0	£0	£289,380
<b>TOTAL DIRECTOR OF PLACE &amp; RECOVERY</b>	<b>£419,530</b>	<b>£66,770</b>	<b>£200</b>	<b>£20,150</b>	<b>£28,550</b>	<b>(£3,000)</b>	<b>£0</b>	<b>£532,200</b>
<b>STRATEGY &amp; SUPPORT SERVICES</b>								
Service with Elements	21/22 Original Budget	Pay Inflation	General Inflation	Inescapables	Realignment	Savings	Growth Bids	22/23 Original Budget
	£	£	£	£		£	£	£
PROCUREMENT, CONTRACT & RISK MANAGEMENT	£58,090	£0	£0	£0	£0	(£9,640)	£5,500	£53,950
PLACE PLANNING	£313,420	£23,140	£0	£11,230	(£7,460)	(£10,030)	£0	£330,300
SPORT FACILITIES	£241,880	£0	£0	£693,150	£0	(£22,150)	£0	£912,880
CIVIL CONTINGENCIES & HEALTH & SAFETY	£56,870	£0	£0	£0	£0	£0	£0	£56,870
DEMOCRATIC SERVICES	£666,470	£5,600	£0	£41,280	(£5,490)	(£8,210)	£0	£699,650
ELECTIONS	£203,720	£2,170	£0	£1,410	(£11,310)	(£1,010)	£0	£194,980
PEOPLE, PERFORMANCE & CHANGE	£336,940	£7,240	£4,390	£0	(£57,680)	(£6,950)	£15,000	£298,940
COMMUNICATIONS	£97,170	£3,400	£0	£0	(£1,770)	(£5,700)	£0	£93,100
STRATEGY & COMMISSIONING - LEAD SPECIALISTS	£214,210	£8,220	£0	£0	£0	(£9,600)	£67,880	£280,710
STRATEGY & COMMISSIONING - CASE OFFICERS	£373,360	£19,080	£0	£12,750	£0	(£250)	£0	£404,940
SUPPORT SERVICES - CASE OFFICERS	£946,860	£28,730	£0	£0	£27,190	(£500)	£65,470	£1,067,750
SUPPORT SERVICES - CASE WORK	£295,370	£0	£4,180	£13,130	(£21,450)	(£56,410)	£0	£234,820
SUPPORT SERVICES - LEAD SPECIALISTS	£501,730	£17,790	£0	£0	(£167,580)	£0	£71,250	£423,190
SUPPORT SERVICES SPECIALISTS	£1,259,970	£73,290	£0	£0	£43,500	(£300)	£67,070	£1,443,530
FINANCE CORPORATE COSTS	£244,250	(£172,710)	£32,170	£70,350	£2,521,920	(£547,950)	£0	£2,148,030
SUPPORT SERVICE FUNCTIONS	£703,280	£0	£130	£691,440	£241,010	£0	£18,000	£1,653,860
<b>TOTAL DIRECTOR OF STRATEGY &amp; SUPPORT SERVICES</b>	<b>£6,513,590</b>	<b>£15,950</b>	<b>£40,870</b>	<b>£1,534,740</b>	<b>£2,560,880</b>	<b>(£678,700)</b>	<b>£310,170</b>	<b>£10,297,500</b>
<b>TOTAL SSDC</b>	<b>£16,743,010</b>	<b>£931,700</b>	<b>£61,940</b>	<b>£3,427,170</b>	<b>(£2,115,990)</b>	<b>(£1,385,730)</b>	<b>£2,052,220</b>	<b>£19,714,320</b>

## APPENDIX B: Capital Programme 2021/22 - 2023/24 (and Future Years)

Scheme	2021/22 Forecast Spend £000s	2022/23 Forecast Spend £000s	2023/24 Forecast Spend £000s	Future Years Unitary Authority £000s	Total Capital Expenditure £000s
<b>COMMERCIAL SERVICES &amp; INCOME GENERATION</b>					
Westlands Building Improvement Works	130	521	0	0	651
Upgrade Joanna France Building	27	0	0	0	27
Fleetmaster Replacement - Fleet Management Software	57	0	0	0	57
Ham Hill	0	56	1,114	454	1,624
Riverside Park Planting Scheme	5	1	0	0	6
Works to Chard Reservoir Dam & Outlets	15	3	0	0	18
Chard Reservoir Dam	0	21	0	0	21
Yeovil Rec - J O'Donnell Pavilion upgrade	257	0	0	0	257
Huish Park Land Acquisition	0	2,800	0	0	2,800
Commercial Lending - OPIUM Fareham	8,430	0	0	0	8,430
Prior years' commercial property investments	202	0	0	0	202
Investment in Commercial Property - Costa Coffee	700	0	0	0	700
Investment in Commercial Property - Lyndon House, Birmingham	2,663	0	0	0	2,663
Investment in Commercial Property - Fitness First, Poole	5	0	0	0	5
Investment in Commercial Property - St John's Retail Park	6,460	0	0	0	6,460
Sherwood Road, Bromsgrove (Capital works on existing commercial investment)	7	0	0	0	7
Alchemy, WGC (Capital works on existing commercial investment)	20	0	40	0	60
Trafalgar House, Taunton (Capital works on existing commercial investment)	5	10	0	25	40
King William House, Bristol (Capital works on existing commercial investment)	0	200	300	0	500

Lyndon Place, Birmingham (Capital works on existing commercial investment)	350	450	0	0	800
Reevesland Ind Est, Newport (commercial investment)	0	0	177	0	177
Imperial House, Newport (commercial investment)	0	0	270	0	270
D1 Christchurch Business Park (commercial investment)	0	0	175	0	175
Bell House, MK (commercial investment)	0	0	13	20	33
B&Q, Glastonbury (commercial investment)	0	0	0	68	68
New Car Parks	3	210	0	0	213
Car Park Improvement Works	4	90	0	0	94
West Hendford Car Park Crime Reduction Improvements	50	0	0	0	50
Enhancement to SSDC Bldgs	30	0	0	0	30
Brympton Way Building Improvement Works	82	0	0	0	82
Capital Works to Council Portfolio	2	0	0	0	2
Decarbonisation of Operational Buildings - Phase 1	2,800	0	0	0	2,800
Decarbonisation of Operational Buildings - Phase 2	0	2,760	0	0	2,760
District Wide CCTV Contribution to new system	25	0	0	0	25
Digital Upgrade of Yeovil Town Centre CCTV Cameras	0	65	0	0	65
Birchfield Leachate Pumping Station	23	0	0	0	23
Prigg Lane Garage Roof Renewal	13	0	0	0	13
Yeovil Small Business Centre Roof Renewal	0	65	0	0	65
Chard Business Park, Roadway Adoption	0	125	0	0	125
Demolition of Public Conveniences, West Street, Crewkerne	20	0	0	0	20
Refurbishment and accessibility improvements to public toilets at Ham Hill and Yeovil Recreation Centre	0	80	0	0	80
Turners Barn Lane Changing Rooms Demolition	0	30	0	0	30
Yeovil Bus Station Toilet Refurbishment	0	50	0	0	50
Innovation Centre Automatic Door Replacement	0	17	0	0	17
Westlands Fire Alarm	0	37	0	0	37
Footbridge Assessment & Works	5	35	0	0	40
Rowan Way Embankment Landslip	15	35	0	0	50
Lufton Depot Surfacing and Drainage Works	20	45	0	0	65
DELETTI EV Charger Project	250	0	0	0	250
Yeovil Crematorium Refurbishment	305	3,426	0	0	3,731



Yeovil Crematorium	0	821	0	0	821
Gas Control System - Birchfield	25	65	350	0	440
Environmental Services Fleet Vehicles Street Scene	0	35	0	0	35
Environmental Services Fleet Vehicles Arboriculture & Operations	0	264	0	0	264
Environmental Services Fleet Vehicles Horticulture	0	172	0	0	172
Environmental Services Fleet Vehicles Workshop & MOT	0	55	0	0	55
Environmental Services Fleet Vehicles Nursery and Lufton Depot	0	30	0	0	30
ISUZU GRAFTER 35.125 (T) SWB E6 Boxed Tipper	30	0	0	0	30
ISUZU GRAFTER 35.125 (T) SWB E6 Boxed Tipper	30	0	0	0	30
ISUZU GRAFTER 35.125 (T) SWB E6 Boxed Tipper	30	0	0	0	30
ISUZU GRAFTER 35.125 (T) SWB E6 Boxed Tipper	30	0	0	0	30
ISUZU GRAFTER 35.125 (T) SWB E6 Boxed Tipper	30	0	0	0	30
Trimax mower	13	0	0	0	13
Telehandler - Merlo TF42.7	32	0	0	0	32
Woodchipper Forst ST6p	15	0	0	0	15
4.5 Tonne Compact Sweeper	76	0	0	0	76
Iseki SF224 Mower	18	0	0	0	18
<b>Total for Commercial Services &amp; Income Generation</b>	<b>23,309</b>	<b>12,574</b>	<b>2,439</b>	<b>567</b>	<b>38,889</b>
<b>SERVICE DELIVERY</b>					
Disabled Facilities Grants	1,228	1,543	0	0	2,771
Careline Product Development	4	16	0	0	20
Empty Property Grants	0	61	0	0	61
Home Repairs Assistance	19	0	0	0	19
Home Repairs Assistance 2021-22	0	20	0	0	20
HMO Grants	24	60	0	0	84
Barnabus House	22	0	0	0	22
<b>LOCALITY (PHW)</b>					
Grant for Youth Facilities	0	5	0	0	5
West Coker Pavilion and Play Projects	300	0	0	0	300
Castle Cary and Ansford various projects	0	100	0	0	100
Henstridge PC - Ash Walk Rec	26	0	0	0	26
Crewkerne Aqua Centre	33	0	0	0	33

Gainsborough Play Area, Milborne	31	0	0	0	31
Lightgate Ln Playground S Petherton	62	0	0	0	62
Wyndham Park Play Area Equipment	0	72	0	0	72
Jarman Way, Chard - Play Area Equipment	28	0	0	0	28
Ilminster Recreation Ground	44	0	0	0	44
Old Kelways Play Area, Langport	0	13	0	0	13
Flagship Play Area	8	15	0	0	23
Grant to Milborne Port Rec	0	99	0	0	99
Langport Memorial Ground New Changing Facilities	0	4	0	0	4
Renewal of Skate Park provision in Area South	0	340	0	0	340
Huish Episcopi Swimming Pool	71	0	0	0	71
Yeovil Country Park Play Area	0	220	0	0	220
Holyrood Sports Hall	3	0	0	0	3
Ilminster Cricket Club	0	35	0	0	35
Caryford Community Hall	21	0	0	0	21
South Petherton Cricket Club	0	5	0	0	5
Wyndham Park Community Facilities	0	0	400	0	400
Home Farm, Somerton	0	298	0	0	298
<b>Subtotal for Service Delivery</b>	<b>1,925</b>	<b>2,906</b>	<b>400</b>	<b>0</b>	<b>5,231</b>
<b>PLACE</b>					
Chard Regeneration	7,783	1,130	433	0	9,346
Yeovil Refresh	3,642	17,036	330	0	21,008
Octagon Redevelopment	671	1,638	15,303	10,956	28,568
Wincanton Regeneration	64	2,055	0	0	2,119
Affordable Housing - North Street, Crewkerne	234	26	0	0	260
Affordable Housing - 4 Properties Chard Working Mens Club (Stonewater)	54	0	0	0	54
Affordable Housing - Gap funding from LA x 4 units Lyde Road	80	0	0	0	80
Affordable Housing - The Link Day Centre	5	0	0	0	5
Affordable Housing - Unallocated	0	1,263	0	0	1,263
Affordable Housing - Bought not Built Allocation	19	390	0	0	409
Market Towns Vision	172	173	0	0	345

<b>Subtotal for Place</b>	<b>12,723</b>	<b>23,711</b>	<b>16,066</b>	<b>10,956</b>	<b>63,456</b>
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<b>SUPPORT SERVICES, STRATEGY &amp; COMMISSIONING</b>					
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Leisure Centre Capital Works	239	3,256	0	0	3,495
Lyde Road Pedestrian & Cycle Way, Yeovil	0	250	0	0	250
Lyde Road Strategic Cycleway	0	129	0	0	129
Lufton 2000, Yeovil - All Phases	26	214	0	0	240
Capitalised Salaries	150	0	0	0	150
Loan to Somerset Waste Partnership for Vehicles	875	0	0	0	875
E5 Upgrade	63	0	0	0	63
Firewalls & Security (Civica Upgrade)	15	0	0	0	15
Omni-Channel Telephony	10	0	0	0	10
Online Form Building Package (SX)	18	0	0	0	18
Home Working Furniture	12	0	0	0	12
ICT Replacement	36	0	0	0	36
Digital Capital Reserve Programme	135	0	0	0	135
Data Centre Network Switch Stack	0	100	0	0	100
Digital Capital Reserve Programme 2022/23	0	100	0	0	100
Meeting Room AV Upgrade	50	0	0	0	50
<b>Subtotal for Support Services, Strategy &amp; Commissioning</b>	<b>1,629</b>	<b>4,049</b>	<b>0</b>	<b>0</b>	<b>5,678</b>

<b>AREA COMMITTEES</b>					
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<b>AREA NORTH</b>					
Support of Economic Vitality in Area North (Signage for marketing programme)	3	0	0	0	3
Hamdon Community Arts Project (HCAP)	13	0	0	0	13
RAMA CIC	11	0	0	0	11
Langport Transport Group	6	0	0	0	6
South Petherton Tennis Club	13	0	0	0	13
Long Sutton Cricket Club	13	0	0	0	13
Stoke Sub Hambdon Parish Council	17	0	0	0	17
South Petherton Bowls Club	13	0	0	0	13
Petherton Arts Trust	10	0	0	0	10
Kirkham Street Community Trust	13	0	0	0	13

Muchelney Church All Ability Accessible Toilet	13	0	0	0	13
Unallocated Budget North	38	0	0	0	38
<b>AREA SOUTH</b>					
Yeovil to Ilchester Multi User Pathway-Feasibility	2	0	0	0	2
West Coker Commemoration Fund (WCCF)	7	0	0	0	7
Yeovil Swan Theatre Theatre Company	13	0	0	0	13
Unallocated Budget South	36	100	0	0	136
<b>AREA EAST</b>					
Wincanton-Pedestrian/Cycle Link Common Lane	5	0	0	0	5
Retail Support Initiative Schemes	1	0	0	0	1
9 Seat Minibus for Community Transport	12	0	0	0	12
Mudford Memorial Village Hall	3	0	0	0	3
Parish Infrastructure Fund	4	0	0	0	4
Bruton Town Council - Weather Resistant Path	4	0	0	0	4
Wincanton Memorial Hall Toilet Facilities	6	0	0	0	6
Radio Ninesprings	6	0	0	0	6
Unallocated Budget East	65	0	0	0	65
<b>AREA WEST</b>					
Chard Town Centre Gateway and Seating Area.	52	0	0	0	52
Ilminster Tennis & Bowling Club	13	0	0	0	13
Horton Parish Council Playing Field Project	13	0	0	0	13
Ilchester Hall, Chiselborough	13	0	0	0	13
North Perrott Cricket Club	11	0	0	0	11
Chard Town Council - Market Stalls	6	0	0	0	6
Hinton St George Pre-School Appeal	13	0	0	0	13
Combe St Nicholas Primary School Running Track	6	0	0	0	6
Radio Ninesprings	3	0	0	0	3
Unallocated Budget West	18	50	0	0	68
<b>Subtotal for Area Committees</b>	<b>469</b>	<b>150</b>	<b>0</b>	<b>0</b>	<b>619</b>
<b>CORPORATE</b>					
Capital Contingency	0	4,000	0	0	4,000
<b>Total Gross Capital Programme</b>	<b>40,055</b>	<b>47,390</b>	<b>18,905</b>	<b>11,523</b>	<b>117,873</b>



## APPENDIX C: Summary of Proposed Capital Growth

Scheme Name	Brief Description	2022/23 £'000	2023/24 £'000	Future £'000	Total £'000	Specific funding proposals £'000	Total after specific funding £'000	Funding Information
Decarbonisation Phase 2	Fulfils original scope of project after phase 1 heating systems	2,760	0	0	2,760	-300	2,460	£300k already approved in Leisure capital works budget
Yeovil Crematorium	Increased budget required to fulfil original scope of project	821	0	0	821	0	821	
Huish Park land acquisition	To get council budget approval to effect DX decision made in December 2020 to purchase site	2,800	0	0	2,800	0	2,800	
Yeovil Refresh	To fund increased costs for delivering the public realm and transport schemes	1,059	0	0	1,059	0	1,059	
Octagon Theatre	To fund the increased costs of the redevelopment now estimated from the RIBA stage 2 design process	0	2,735	2,823	5,558	0	5,558	
Private Sector Housing Grants	To continue to provide Private Sector Housing Grants in 2022/23 across the district	40	0	0	40	-40	0	Seeking Grant funding from Gov - this has been provided in the past
Yeovil Country Park Play Area	Replacement of Nine Springs children's play equipment which is at end of serviceable life. New equipment could address disability access	220	0	0	220	-20	200	Use of £20k S 106 allocation
Data Centre Network Switch Stack	Replace current switch stacks at end of life. The switch stacks provide connectivity between on-premise systems, internet and cloud based systems. Addresses potential security vulnerabilities	100	0	0	100	0	100	
Digital Capital Reserve Programme 2022/23	Device standardisation/refresh £85k. Security upgrade £15k. Allows responses to potential LGR workstreams	100	0	0	100	0	100	
Chard Reservoir Dam	Sluice mechanism works resulting from the 10 year inspection under s10 of the Reservoirs Act 1975.	21	0	0	21	0	21	
Ham Hill	To improve the country park infrastructure and facilities. The site is currently on Historic England's 'At Risk' register.	56	1,114	454	1,624	-1,300	324	Applying for external funding from National Lottery Heritage Fund of £1.3m.
Turners Barn Lane Changing Rooms Demolition	Disused unsafe structure that is an antisocial behaviour and health & safety risk	30	0	0	30	0	30	
Environmental Services Fleet Vehicles Street Scene	Smart Bin Software (enables efficiency reducing need for vehicles)	35	0	0	35	-33	2	Capital receipts from sale of 3x leaf blowers, 2x quad snow ploughs, 12T sweeper, 3.5t box tipper, 682 return to lease co, 1x mini sweeper
Environmental Services Fleet Vehicles Arboriculture & Operations	Changing of work practices. Using new purchases creates a more efficient process. Purchase of tractor fend £148k, stonga hook loader £28k, front mounted flail £11k, composter trailer £54k, connel side arm flail £24k	264	0	0	264	-238	26	Capital receipts of 4 x small vans £10k and tractor mounted mower deck £10k plus virement of budget from footpaths £218k
Environmental Services Fleet Vehicles Horticulture	Purchase of tree risk / grass management software £45k, Batwing £88k, Cut & collect small £14k, new mowers £25k each	172	0	0	172	-69	103	Capital receipts from sales of 6 mowers £10k, trimax snake £5k, 3 small vans £10k, transit tipper £30k, 3trailers £3k, tractor £4k, jupiter grinder £1k, 1x flail £6k
Environmental Services Fleet Vehicles Workshop & MOT	Purchase of mobile brake tester £30k, telematics software £25k	55	0	0	55	-6	49	Capital receipts from sale of jupiter grinder £1k, ranger £5k
Environmental Services Fleet Vehicles Nursery and Lufton Depot	Purchase pump house and water management system (saves £6k on water per year)	30	0	0	30	0	30	
Refurbishment and accessibility improvements to public toilets at Ham Hill and Yeovil Recreation Centre	To address cess pit issues at Ham Hill and ensure accessibility becomes legally compliant. The Recreation Ground facilities are so old they cannot be cleaned effectively.	80	0	0	80	0	80	
Yeovil Bus Station Toilet Refurbishment	Current facilities in place mean are unable to be maintained due to their age and condition	50	0	0	50	0	50	
Innovation Centre Automatic Door Replacement	Two sets of doors to be replaced. Only one currently works with the other frequently failing.	17	0	0	17	0	17	
Westlands Fire Alarm	Replacement of fire alarm system which has failed its most recent 46.2 inspection	37	0	0	37	0	37	
Alchemy, WGC (Capital works on existing commercial investment)	End of tenancy refurbishments not covered by dilapidations settlement	0	40	0	40	-40	0	Funding requested from Commercial Investment Risk reserve
Trafalgar House, Taunton (Capital works on existing commercial investment)	New mains supplied fire alarm and WC to unit 5 on tenant vacation.	10	0	25	35	-35	0	Funding requested from Commercial Investment Risk reserve

King William House, Bristol (Capital works on existing commercial investment)	2022/23 for refurbishing GF WC and converting reception to bike store. 2023/24 for improved access to roofs & part replacement of roofs	100	300	0	400	-400	0	Funding requested from Commercial Investment Risk reserve
Lyndon Place, Birmingham (Capital works on existing commercial investment)	Proprietary leak prevention system, resolving car parking issue to include new fencing around parking to East of building.	450	0	0	450	-450	0	Funding requested from Commercial Investment Risk reserve
Reevesland Ind Est, Newport (commercial investment)	Cost to remove AIB on internal walls prior to reletting.	0	177	0	177	-177	0	Funding requested from Commercial Investment Risk reserve
Imperial House, Newport (commercial investment)	End of tenancy refurbishment not covered by dilapidations settlement	0	270	0	270	-270	0	Funding requested from Commercial Investment Risk reserve
D1 Christchurch Business Park (commercial investment)	End of tenancy refurbishment not covered by dilapidations settlement	0	175	0	175	-175	0	Funding requested from Commercial Investment Risk reserve
Bell House, MK (commercial investment)	End of tenancy refurbishment if not covered by dilapidations settlement	0	13	20	33	-33	0	Funding requested from Commercial Investment Risk reserve
B&Q, Glastonbury (commercial investment)	End of tenancy refurbishment if not covered by dilapidations settlement	0	0	68	68	-68	0	Funding requested from Commercial Investment Risk reserve
Capital Contingency	To put a corporate capital contingency in the budget given inflation levels and for this to be allocated by DX	4,000	0	0	4,000	0	4,000	
	<b>Total of All Capital Bids</b>	<b>13,307</b>	<b>4,824</b>	<b>3,390</b>	<b>21,521</b>	<b>-3,654</b>	<b>17,867</b>	

**Notes:**

CFO to recommend the need to set aside £4.8m in earmarked reserves in 2023/24 to pay back FHSF grant for Yeovil Refresh if required by government (the grant has already been received and if we had to repay would fall due in 2023/24).

Some of the works to existing investment properties are contingency amounts and are largely dependent on the extent of dilapidations work required when the site is vacant. Some are planned enhancement works. CFO will review these to split between definite planned scheme of works and a smaller contingency element for dilapidations works.

## Appendix D - Reserves

Reserves Summary	Balance as at 01/04/2021 £'000	Movement £'000	Balance as at 01/04/2022 £'000	Movement £'000	Balance as at 01/04/2023 £'000	Movement £'000	Balance as at 31/03/2024 £'000
Corporate Reserves	(9,081)	(4,426)	(13,507)	(1,381)	(14,888)	4,784	(10,104)
Capital Reserves	(18,222)	16,162	(2,060)	1,981	(79)	0	(79)
Revenue Earmarked Reserves	(21,991)	8,918	(13,073)	5,544	(7,529)	1,209	(6,320)
<b>Total Reserves</b>	<b>(49,294)</b>	<b>20,654</b>	<b>(28,640)</b>	<b>6,144</b>	<b>(22,496)</b>	<b>5,993</b>	<b>(16,503)</b>

Corporate Reserves	Balance as at 01/04/2021 £'000	Movement £'000	Balance as at 01/04/2022 £'000	Movement £'000	Balance as at 01/04/2023 £'000	Movement £'000	Balance as at 31/03/2024 £'000
Medium Term Financial Plan Support Fund	(4,880)	(3,971)	(8,851)	619	(8,232)	4,784	(3,448)
General Fund Balance	(4,201)	(455)	(4,656)	(2,000)	(6,656)	0	(6,656)
<b>Corporate Reserves Total</b>	<b>(9,081)</b>	<b>(4,426)</b>	<b>(13,507)</b>	<b>(1,381)</b>	<b>(14,888)</b>	<b>4,784</b>	<b>(10,104)</b>

Corporate Earmarked Capital Reserves	Balance as at 01/04/2021 £'000	Movement £'000	Balance as at 01/04/2022 £'000	Movement £'000	Balance as at 01/04/2023 £'000	Movement £'000	Balance as at 31/03/2024 £'000
Usable Capital Receipts	(18,073)	16,162	(1,911)	1,832	(79)	0	(79)
Internal Borrowing Reserve	(149)	0	(149)	149	0	0	0
<b>Capital Reserves Total</b>	<b>(18,222)</b>	<b>16,162</b>	<b>(2,060)</b>	<b>1,981</b>	<b>(79)</b>	<b>0</b>	<b>(79)</b>

Revenue Earmarked Reserves	Balance as at 01/04/2021 £'000	Movement £'000	Balance as at 01/04/2022 £'000	Movement £'000	Balance as at 01/04/2023 £'000	Movement £'000	Balance as at 31/03/2024 £'000
Local Government Reorganisation Reserve	(91)	91	0	(234)	(234)	234	0
Commercial Investment Risk Reserve	(6,606)	245	(6,361)	2,540	(3,821)	975	(2,846)
Cremator Replacement Capital Reserve	(549)	0	(549)	549	0	0	0
Yeovil Athletic Track Repairs Fund	(198)	(13)	(211)	(9)	(220)	0	(220)
Artificial Grass Pitch Reserve	(162)	(8)	(170)	5	(165)	0	(165)
Waste Reserve	(100)	0	(100)	100	0	0	0
YIC Maintenance Reserve	(40)	(20)	(60)	(20)	(80)	0	(80)
Regeneration Fund	(3,109)	1,195	(1,914)	1,110	(804)	0	(804)
Picket Levy Reserve	(120)	(15)	(135)	56	(79)	0	(79)
COVID Recovery Reserve	0	(454)	(454)	454	0	0	0
Revenues and Benefits Reserve	(1,291)	506	(785)	713	(72)	0	(72)
Housing & Homelessness Reserve	(441)	143	(298)	298	0	0	0
Park Homes Replacement Reserve	(286)	286	0	0	0	0	0
Business Support Scheme (Flooding)	(101)	15	(86)	19	(67)	0	(67)
Closed Churchyards Reserve	(19)	19	0	0	0	0	0
Climate Change Fund	(167)	(97)	(264)	204	(60)	0	(60)
Community Housing Fund	(170)	170	0	0	0	0	0
Community Initiatives Reserve	(163)	163	0	0	0	0	0



Community Resilience Reserve	(126)	97	(29)	12	(17)	0	(17)
Community Safety Reserve	(43)	43	0	0	0	0	0
Area Committee Reserves	(113)	6	(107)	0	(107)	0	(107)
Planning Obligations Admin Reserve	(30)	30	0	0	0	0	0
Planning Delivery Reserve	(16)	16	0	0	0	0	0
Deposit Guarantee Claims Reserve	(12)	12	0	0	0	0	0
Bristol to Weymouth Rail Reserve	(72)	72	0	0	0	0	0
Spatial Policy Reserve	(258)	194	(64)	64	0	0	0
Election Reserve	(214)	(40)	(254)	(40)	(294)	0	(294)
Sports Facilities Reserve	(51)	51	0	0	0	0	0
Health Inequalities	(31)	31	0	0	0	0	0
Replacement Reserve	(10)	0	(10)	10	0	0	0
COVID Grant Reserve	0	0	0	0	0	0	0
Revenue Grants Reserve	(525)	103	(422)	63	(359)	0	(359)
NDR Volatility Reserve	(4,592)	4,592	0	0	0	0	0
Internal Borrowing Repayments	(321)	321	0	0	0	0	0
Capital Reserve	(1,164)	1,164	(0)	0	(0)	0	(0)
Insurance Fund	(50)	50	0	0	0	0	0
Treasury Management Reserve	(750)	(50)	(800)	(350)	(1,150)	0	(1,150)
<b>Revenue Earmarked Reserves Total</b>	<b>(21,991)</b>	<b>8,918</b>	<b>(13,073)</b>	<b>5,544</b>	<b>(7,529)</b>	<b>1,209</b>	<b>(6,320)</b>

## APPENDIX E – Prudential and Investment Indicators

### Capital Expenditure Estimates

Capital expenditure is incurred where the Council spends money on constructing or acquiring assets such as land and buildings, vehicles, plant and equipment, which will be used for more than one year, as well as larger scale maintenance works that maintain or enhance the Councils existing assets.

In 2021/22, the Council is planning capital expenditure of £46m as summarised below:

**Table 1: Prudential Indicator: Actual and Estimates of Capital Expenditure**

	2020/21 Actual £'000	2021/22 Projection £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
General Fund Services	11,330	21,708	45,986	18,905	10,901
Capital Investments	30,847	18,842	0	0	0
<b>Total</b>	<b>42,177</b>	<b>40,550</b>	<b>45,986</b>	<b>18,905</b>	<b>10,901</b>

### Capital Financing Requirement

The Council's cumulative amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP repayments and capital receipts used to replace debt. Based on the above figures for expenditure and financing the Council's estimated CFR is as follows:

**Table 2: Prudential Indicator – Actual and Estimated Capital Financing Requirement**

	2020/21 Actual £'000	2021/22 Projection £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
CFR Balance B/F	96,933	133,985	144,761	166,238	169,068
Capital Expenditure	42,177	40,550	45,986	18,905	10,901
MRP	(951)	(1,209)	(1,510)	(1,593)	(1,672)
Capital Receipts used to replace Debt	(2,146)	(16,172)	(2,891)	(975)	0
Grants and Contributions	(2,028)	(12,392)	(20,109)	(13,507)	(6,763)
<b>Total CFR</b>	<b>133,985</b>	<b>144,761</b>	<b>166,238</b>	<b>169,068</b>	<b>171,534</b>

### Total Debt Position

Projected levels of the Council's total outstanding debt are shown below, compared with the CFR (as detailed above). Statutory guidance is that actual debt should

remain below the CFR, except in the short-term. As can be seen from the table the Council expects to comply with this in the medium term.

**Table 3: Prudential Indicator – Gross Debt and the CFR**

	2020/21 Actual £'000	2021/22 Projection £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Debt	98,000	122,000	145,976	150,807	155,273
CFR	133,985	144,761	166,238	169,068	171,534

## Affordable Borrowing Limit

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach this limit. The Operational Boundary has been calculated based on the forecast CFR plus a tolerance for variations in spending plans during the year and possible volatility in availability of internal and external resources.

**Table 4: Prudential Indicator – Authorised Limit and Operational Boundary for external debt**

	2020/21 Actual £'000	2021/22 Projection £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Operational Boundary:					
Borrowing	120,000	130,000	160,000	160,000	160,000
Leases	15,000	20,000	20,000	20,000	20,000
<b>Total Operational Boundary</b>	<b>135,000</b>	<b>150,000</b>	<b>180,000</b>	<b>180,000</b>	<b>180,000</b>
Authorised Limit:					
Borrowing	140,000	140,000	170,000	170,000	170,000
Leases	20,000	25,000	25,000	25,000	25,000
<b>Total Authorised Limit</b>	<b>160,000</b>	<b>165,000</b>	<b>195,000</b>	<b>195,000</b>	<b>195,000</b>

## Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans/leases and capital debt repayment provisions are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

**Table 5: Prudential Indicator – Proportion of financing costs to net revenue stream**

	2020/21 Actual	2021/22 Projection	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Financing Costs £'000	(2,133)	(3,062)	(2,904)	(2,991)	(1,644)
Proportion of Net Revenue Stream %	-14.04%	-18.83%	-14.73%	-16.11%	-8.51%

## Liability Benchmark

To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. With an assumption that cash and investment balances are kept to a minimum level of £30m at each year-end to maintain sufficient liquidity but minimise credit risk.

**Table 6: Prudential Indicator - Liability benchmark**

	2020/21 Actual £'000	2021/22 Projection £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Total CFR	133,985	144,761	166,238	169,068	171,534
Less: Usable Reserves	(69,437)	(42,777)	(27,213)	(21,555)	(17,146)
Less: Working Capital	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)
Plus: Minimum Investments	30,000	30,000	30,000	30,000	30,000
<b>Liability Benchmark</b>	<b>31,747</b>	<b>69,184</b>	<b>106,225</b>	<b>114,713</b>	<b>121,588</b>

## Total Investment Exposure

This indicator shows the Council's total exposure to potential investment losses. It includes amounts the Council is contractually committed to lend but have yet to draw down and the guarantees the Council has issued.

**Table 7: Total Investment Exposure**

	01/04/2021 Actual £'000	31/03/2022 Estimate £'000	31/03/2023 Estimate £'000	31/03/2024 Estimate £'000
Treasury Management Investments - Strategic Funds	23,500	30,000	30,000	30,000
Treasury Management Investments - Other	2,480	2,000	2,000	2,000
Service Investments - Loans	4,503	4,913	4,412	3,911
Commercial Investment - Property	79,809	96,699	96,699	96,699
Other investments - SPV	31,555	42,958	40,634	37,204
<b>Total Investments</b>	<b>141,847</b>	<b>176,570</b>	<b>173,745</b>	<b>169,814</b>
Guarantees Issued on Pension Liabilities	496	496	496	496
<b>Total Commitments and Guarantees</b>	<b>496</b>	<b>496</b>	<b>496</b>	<b>496</b>
<b>Total Exposure</b>	<b>142,343</b>	<b>177,066</b>	<b>174,241</b>	<b>170,310</b>



## How Investments are funded

Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, it is difficult to comply with this guidance. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of need.

**Table 8: Investments funded by Borrowing**

	01/04/2021 Actual £'000	31/03/2022 Estimate £'000	31/03/2023 Estimate £'000	31/03/2024 Estimate £'000
Treasury Management Investments	0	0	0	0
Service Investments - Loans	4,503	4,913	4,412	3,911
Commercial Investment - Property	79,809	96,699	96,699	96,699
Other investments - SPV	31,555	42,958	40,634	37,204
<b>Total Funded by Borrowing</b>	<b>115,867</b>	<b>144,570</b>	<b>141,745</b>	<b>137,814</b>

## Rate of Return Received

This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

**Table 9: Investment Net Rate of Return**

	01/04/2021 Actual %	31/03/2022 Estimate %	31/03/2023 Estimate %	31/03/2024 Estimate %
Treasury Management Investments	2.77%	2.00%	2.00%	2.00%
Service Investments - Loans	1.98%	2.72%	2.72%	2.72%
Commercial Investment - Property	3.71%	3.50%		
Other Investments - SPV	5.00%	6.00%	6.00%	6.00%
<b>Total All Investments</b>	<b>13.46%</b>	<b>3.56%</b>	<b>3.56%</b>	<b>3.56%</b>

## Other Investment Indicators

The Government's investment guidance suggests authorities should consider a range of other quantitative indicators to show risks and opportunities in respect of investment and borrowing. The table below summarises three additional indicators shown by this Council.

**Table 10: Other investment indicators**

	01/04/2021 Actual	31/03/2022 Estimate	31/03/2023 Estimate	31/03/2024 Estimate
Commercial Income to Net Service Expenditure %	37.82%	50.49%	37.59%	30.88%
Investment Cover Ratio	1.43	1.37	1.25	1.19
Loan to Value Ratio	70.45%	69.72%	78.07%	81.25%

Commercial Income to Net Service Expenditure: Indicates dependence on commercial income to deliver core services.

Investment cover ratio: The total net income from commercial property investment compared to the interest expense relating to investment properties funded by borrowing.

Loan to value ratio: The amount of debt compared to the total assets value on the Council's balance sheet.

## Voluntary Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

### Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating 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.

Credit Risk Indicator	Target
Portfolio Average Credit Rating	5

## Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity Risk Indicator	Target
Total cash available within 3 months	£10m

## Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£200,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£150,000

## Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The limits set for each category within this indicator is wide since the indicator is only to cover the risk of replacement loans being unavailable, not interest rate risk. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing Rate Risk Indicator	Upper limit	Lower limit
Under 12 months	100%	100%
12 months and within 24 months	100%	100%
24 months and within 5 years	100%	100%
5 years and within 10 years	100%	100%
10 years and above	100%	100%

## Principal Sums Invested For Periods Longer Than a Year

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price Risk Indicator	2022/23	2023/24	2024/25
Limit on principal invested beyond year end	£25m	£25m	£25m



## **APPENDIX F: Minimum Revenue Provision (MRP) Policy Statement**

1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Levelling Up, Housing and Communities's Guidance on Minimum Revenue Provision (the DLUHC Guidance) most recently issued in 2018.
2. The broad aim of the Guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.
3. The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.
4. For capital expenditure incurred before 1st April 2008, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £9,113k.
5. For capital expenditure on operational assets incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset by either of the following methods:
  - a. In equal instalments
  - b. Using an annuity basis
6. For freehold land, MRP will be applied over 50 years, except where there is a structure on the land which the Council considers to have a life of more than 50 years where in such cases the longer life may also be applied to the land.
7. For capital expenditure not related to council assets but which has been capitalised by regulation or direction (e.g. capital grants to third parties) will be charged in equal instalments over a period of up to 25 years.
8. For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
9. For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

10. For investment properties, MRP will be calculated over a period of no more than 50 years, and MRP may be calculated by either of the following methods:
  - a. In equal instalments
  - b. Using an annuity basis
  - c. Weighted to reflect projected net income cash flows over the expected life of investment (up to 50 years)
11. MRP will be charged from the start of the financial year after the expenditure is incurred, meaning capital expenditure incurred during 2022/23 will not be subject to a MRP charge until 2023/24.
12. Based on the Council's latest estimate of its capital financing requirement (CFR) on 31 March 2022, the budget estimate for MRP has been set as follows:

<b>Capital Financing Requirement and MRP</b>	31/03/2022	2022/23
	Estimated CFR	Estimated MRP
	£'000	£'000
Capital Expenditure before 1 April 2008	9,113	0
Unsupported Capital Expenditure since 31 March 2008	115,036	1,549
Voluntary overpayment or use of prior year overpayments	0	0
<b>Total</b>	<b>124,149</b>	<b>1,549</b>

13. MRP Overpayments: In earlier years, the Council has made no voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is not planned to make an overpayment in 2022/23, however the S151 Officer may determine such an overpayment during the year and report this through the Outturn Report.

## **APPENDIX TWO: SOMERSET FINANCE & ASSETS PROTOCOL**

### **Background**

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.
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 during 2022/23 for 2023/24 and beyond.
3. It is envisaged that the Secretary of State may issue a Direction 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 Direction is to protect the finances and interests of the new Unitary Council. This has previously allowed the Secretary of State to direct that a relevant authority may not without the written consent of a person or persons specified to:-
  - dispose of any land if the consideration payable for the disposal exceeds £100,000;
  - enter into any capital contract under which the consideration exceeds £1m or which includes a term allowing the consideration payable to be varied;
  - enter into any non-capital contract under which the consideration exceeds £100,000;
  - Commit existing financial reserves by a specified amount.
4. The s24 Direction cannot be issued until after the SCO comes into force. DLUHC officers have recommended that the 5 Somerset councils come together with a voluntary protocol.
5. Each Council has a Section 151 Officer who has responsibility for the stewardship of the Council's finances. Their duty is obviously to their employing Council. However, they also have a wider fiduciary duty concerning public funds. This Protocol is the product of discussion at Somerset LGR Finance Workstream – the group consisting of the five S151 officers and their deputies - and represents the proposed protocol for the 5 Somerset Councils.



6. It is suggested that the LGR Finance workstream formally takes on the key role of ensuring application of this protocol once agreed and assisting with negotiations with DLUHC on any Section 24 Direction.

## **Principles**

7. It is proposed that all Councils sign up to these principles during the transition period and that they come into effect from April 2022 and apply to the 2022/23 financial year.
8. 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;
9. All five councils are committed to ensuring that the new Council is in the best possible financial position on vesting day in the interests of future taxpayers;
10. Councils should not enter into any new financial or asset-related commitments (beyond those specifically agreed within their approved budgets), or create any new liabilities on behalf of the new Council - subject to agreed limits of **£100,000 for revenue** and **£1m capital**.
11. Key areas covered by this protocol would include 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), write off of debts / loans, new capital schemes (including those with on-going financial commitments) and use of reserves above those already approved
12. That this protocol to control spending needs to be agile to avoid introducing delays and risks to decision making. It also needs to be able to adequately provide for unforeseen emergencies
13. As this protocol is in advance of a Section 24 Direction, it is voluntary and non-binding upon the constituent members. However, it creates an environment and framework that should provide confidence that all five councils can all operate functionally until vesting day while safeguarding the new council and our shared taxpayers. It may be that this protocol can continue for the period after a SCO has been enacted should the Secretary of State choose not to introduce a Section 24 Direction.
14. For the purposes of this Protocol “any new commitments” are deemed to be those that arise in addition to any existing approved 2022/23 revenue and capital budgets.



### **Implementation of this Finance & Assets Protocol**

15. This protocol requires the Section 151 Officer of each Council to report into the LGR Finance Workstream on any matters of concern or areas that may “breach” the principles set out in this document. This will ensure that all councils and Section 151 Officers have a clear understanding of the overall financial picture and associated risks. Areas of contention will be reported onwards to the LGR CEO Programme Board should that be deemed necessary and ultimately to the LGR Joint Committee if required.
16. A high level review of the 2022/23 budgets for the five existing Councils has been conducted as part and parcel of the work being undertaken by the LGR Finance Workstream. This work is an essential first step in establishing the parts that will subsequently combine to produce the new Council’s draft budget for 2023/24.
17. It is recognised that there may be situations that arise that will need practical application of flexibilities whilst remaining within the spirit of this Protocol. Examples of this may include emergency response, unforeseen additional costs on capital schemes (where there is already commitment to deliver) and opportunities to bid for external funding, including where there may be some form of contribution from one or more of the councils. Rather than try to legislate for all possible eventualities, this Protocol will rely upon the principles set out in this document, alongside the suggested thresholds, as the basis for discussion where there are such scenarios. Trying to determine a set of “hard rules” for all scenarios is likely to be impractical, if not impossible, and an escalation approach has been set out above should it be required.
18. 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.

# Equality Impact Relevance Check Form



The Public Sector Equality Duty requires us to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. This tool will identify the equalities relevance of a proposal, and establish whether a full Equality Impact Assessment will be required.

What is the proposal?	
Name of the proposal	SSDC 2022/23 Budget Report
Type of proposal (new or changed Strategy, policy, project, service or budget):	Budget setting 2022/23
Brief description of the proposal:	Covers both capital and revenue projections for Financial Year 2022/23
Name of lead officer:	Karen Watling 151 Officer

You should consider whether the proposal has the potential to negatively impact on citizens or staff in the following ways:

- Access to or participation in a service,
- Levels of representation in our workforce, or
- Reducing quality of life (i.e. health, education, standard of living)

A negative impact is any change that could be considered detrimental. If a negative impact is imposed on any citizens or staff with protected characteristics, the Council has a legal duty to undertake a full Equality Impact Assessment.

Could your proposal negatively impact citizens with protected characteristics? (This includes service users and the wider community)	<b>NO</b>
Could your proposal negatively impact staff with protected characteristics? (i.e. reduction in posts, changes to working hours or locations, changes in pay)	<b>NO</b>

<b>Is a full Equality Impact Assessment required?</b>	<b>NO</b>
<b>If Yes,</b> Please provide a brief description of where there may be negative impacts, and for whom. Then complete a full Equality Impact assessment Form	
<b>If No,</b> Please set out your justification for why not.	
The 22/23 budget will support existing services and funding of the priorities included in the 22/23 Corporate Plan: Action Plan. The 22/23 Action Plan has a number of initiatives that will tackle disadvantage and increase access to services for those with protected characteristics e.g. supporting economic independence, tackling poverty and addressing poor social mobility. Similarly, the capital programme will increase access to services e.g. increase in changing places, improved access to the arts and enhanced open spaces and play equipment. Whilst a full EIA is not required for the budget proposals, priority projects will require their own EIA to ensure compliance with the Public Sector Equality Duty.	
Service Director / Manager sign-off and date	Karen Watling 10/02/22 <i>K Watling</i>
Equalities Officer sign-off and date	Dave Crisfield 10 <sup>th</sup> February 2022



## District Executive Forward Plan

Executive Portfolio Holder: Val Keitch, Leader, Strategy and Housing  
Strategic Director: Nicola Hix, Strategy and Support Services  
Lead Officer: Angela Cox, Democratic Services Specialist  
Contact Details: angela.cox@southsomerset.gov.uk or (01935) 462148

## Purpose of the Report

1. This report informs Members of the current Executive Forward Plan, provides information on Portfolio Holder decisions and on consultation documents received by the Council that have been logged on the consultation database.

## Public Interest

2. The District Executive Forward Plan lists the reports due to be discussed and decisions due to be made by the Committee within the next few months. The Consultation Database is a list of topics which the Council's view is currently being consulted upon by various outside organisations.

## Recommendations

3. That District Executive recommend that the Chief Executive agree to:
  - a) approve the updated Executive Forward Plan for publication as attached at Appendix A
  - b) note the contents of the Consultation Database as shown at Appendix B.

## Executive Forward Plan

4. The latest Forward Plan is attached at Appendix A. The timings given for reports to come forward are indicative only, and occasionally may be re scheduled and new items added as new circumstances arise.

## Consultation Database

5. The Council has agreed a protocol for processing consultation documents received by the Council. This requires consultation documents received to be logged and the current consultation documents are attached at Appendix B.

## Background Papers

6. None.

**Appendix A - SSSDC Executive and Council Forward Plan**

Date of Decision	Decision	Portfolio	Service Director	Contact	Committee(s)
17 February 2022  28 February 2022	SSDC Annual Action Plan 2022/23	Portfolio Holder - Strategy & Housing	Director (Support Services & Strategy)	Jessica Power, Lead Specialist (Strategic Planning)	District Executive  South Somerset District Council
17 February 2022  28 February 2022	Decarbonisation programme phase 2 proposals	Portfolio Holder - Environment	Director Service Delivery	Robert Orrett, Commercial Property. Land & Development Manager	District Executive  South Somerset District Council
17 February 2022  28 February 2022	Options to refurbish Yeovil Crematorium	Portfolio Holder - Area South including Yeovil Refresh	Monitoring Officer	Jill Byron, Monitoring Officer	District Executive  South Somerset District Council
17 February 2022  28 February 2022	Ensuring sufficient staffing capacity during 2022/23	Portfolio Holder - Strategy & Housing	Chief Executive	Jane Portman, Chief Executive	District Executive  South Somerset District Council



Date of Decision	Decision	Portfolio	Service Director	Contact	Committee(s)
17 February 2022 28 February 2022	Yeovil Refresh Finance	Portfolio Holder - Area South including Yeovil Refresh	Director Place and Recovery	Natalie Fortt, Regeneration Programme Manager	District Executive South Somerset District Council
17 February 2022 28 February 2022	Wincanton Regeneration Programme Finance	Portfolio Holder - Area East	Director Place and Recovery	Natalie Fortt, Regeneration Programme Manager	District Executive South Somerset District Council
17 February 2022 28 February 2022	Octagon Theatre Finance Report	Portfolio Holder - Health & Well-Being Portfolio Holder - Finance, Legal & Democratic Services	Director Place and Recovery	Natalie Fortt, Regeneration Programme Manager	District Executive South Somerset District Council
17 February 2022 28 February 2022	2022/23 Budget Report	Portfolio Holder - Finance, Legal & Democratic Services	Chief Finance Officer	Karen Watling, Chief Finance Officer (S151 Officer)	District Executive South Somerset District Council
28 February 2022	Conclusion of Yeovilton and Limington Community Governance Review	Portfolio Holder - Finance, Legal & Democratic Services	Director (Support Services & Strategy)	Angela Cox, Specialist (Democratic Services)	South Somerset District Council

Date of Decision	Decision	Portfolio	Service Director	Contact	Committee(s)
28 February 2022	Council Tax Setting 2022 - 23	Portfolio Holder - Finance, Legal & Democratic Services	Director (Support Services & Strategy)	Karen Watling, Chief Finance Officer (S151 Officer)	South Somerset District Council
28 February 2022	Statutory Pay Policy Statement for Chief Officers 2022/23	Portfolio Holder - Strategy & Housing	Chief Executive	Nicola Hix, Director (Support Services & Strategy)	South Somerset District Council
28 February 2022	Capital, Investment and Treasury Strategies 2022/23	Portfolio Holder - Finance, Legal & Democratic Services	Director (Support Services & Strategy)	Paul Matravers, Lead Specialist (Finance)	South Somerset District Council
March 2022	Planning Re-imagined Update	Portfolio Holder - Protecting Core Services	Director Service Delivery	Kirsty Larkins, Director (Service Delivery)	District Executive
March 2022	Investment Assets Quarterly Dashboard	Portfolio Holder - Economic Development including Commercial Strategy	Director Commercial Services & Income Generation	Robert Orrett, Commercial Property. Land & Development Manager	District Executive
March 2022	Review of SSDC Commercial Strategy	Portfolio Holder - Economic Development including Commercial Strategy	Monitoring Officer	Jill Byron, Monitoring Officer	District Executive
March 2022 March 2022	Chard Shop Front Design Guide (Supplementary Planning Document)	Portfolio Holder - Area West	Director Place and Recovery	Anna Matthews, Chard High Street HAZ Project Manager	District Executive South Somerset District Council

<b>Date of Decision</b>	<b>Decision</b>	<b>Portfolio</b>	<b>Service Director</b>	<b>Contact</b>	<b>Committee(s)</b>
March 2022	Briefing on Local Government Reorganisation (Confidential)	Portfolio Holder - Strategy & Housing	Chief Executive	Jane Portman, Chief Executive	District Executive
April 2022	Annual review of the Regulation of Investigatory Powers Act 2000 (RIPA)	Portfolio Holder - Finance, Legal & Democratic Services	Director (Support Services & Strategy)	Paula Goddard, Specialist (Legal Services)	District Executive
April 2022	Briefing on Local Government Reorganisation (Confidential)	Portfolio Holder - Strategy & Housing	Chief Executive	Jane Portman, Chief Executive	District Executive
May 2022	Covid Recovery & Renewal Strategy annual progress report	Portfolio Holder - Strategy & Housing	Director Place and Recovery	Peter Paddon, Lead Specialist (Economy)	District Executive
May 2022	Quarterly Corporate Performance Report	Portfolio Holder - Strategy & Housing	Director (Support Services & Strategy)	Cath Temple, Specialist (Performance)	District Executive
May 2022	Briefing on Local Government Reorganisation (Confidential)	Portfolio Holder - Strategy & Housing	Chief Executive	Jane Portman, Chief Executive	District Executive

Date of Decision	Decision	Portfolio	Service Director	Contact	Committee(s)
June 2022	Investment Assets Six Monthly update report	Portfolio Holder - Economic Development including Commercial Strategy	Director Commercial Services & Income Generation	Robert Orrett, Commercial Property. Land & Development Manager	District Executive
June 2022	Briefing on Local Government Reorganisation (Confidential)	Portfolio Holder - Strategy & Housing	Chief Executive	Jane Portman, Chief Executive	District Executive
July 2022	Capital & Revenue Budget Outturn reports for Quarter 4	Portfolio Holder - Finance, Legal & Democratic Services	Director (Support Services & Strategy)	Karen Watling, Chief Finance Officer (S151 Officer)	District Executive
July 2022	Briefing on Local Government Reorganisation (Confidential)	Portfolio Holder - Strategy & Housing	Chief Executive	Jane Portman, Chief Executive	District Executive
TBC	Update on the delivery of the Economic Development Strategy and funding delivery	Portfolio Holder - Economic Development including Commercial Strategy	Director Commercial Services & Income Generation	Robert Orrett, Commercial Property. Land & Development Manager	District Executive
TBC	Review of the Local Plan	Portfolio Holder - Strategy & Housing	Director (Support Services & Strategy)	Jo Wilkins, Specialist (Strategic Planning)	District Executive

## APPENDIX B - Current Consultations – February 2022

Purpose of Document	Portfolio	Director	Response to be agreed by	Contact	Deadline for response
<p><b>Arts &amp; Entertainment Service</b> - The Arts &amp; Entertainment service within South Somerset District Council is currently working to produce a 10-year strategy with the aim of improving access and opportunities to engage with arts and culture across the district.</p> <p>To better serve our community and reach those disengaged with the arts, we want to understand what the perceptions are of the arts in Somerset at the moment, peoples previous experiences attending or participating in arts and cultural events, and what communities would love to see happen in their local area.</p> <p><a href="https://consultation.southsomerset.gov.uk/arts-entertainment/arts-entertainment-in-south-somerset/">https://consultation.southsomerset.gov.uk/arts-entertainment/arts-entertainment-in-south-somerset/</a></p>	Health and Well-Being	Arts and Entertainment	This is an SSDC consultation	Adam Burgan, Arts and Entertainment Venues Manager	21 February 2022





## **Date of Next Meeting**

Members are asked to note that the next meeting of the District Executive will take place on **Thursday, 3rd March 2022** as a virtual consultation meeting via Zoom meeting software commencing at 9.30 a.m.

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